National General Insurance Co. (P.S.C.)

Financial statements

31 December 2015

National General Insurance Co. (P.S.C.)

Financial Statements

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Report of the Board of Directors

Dear Shareholders,

The Board of Directors have the pleasure to welcome you to the Fifteenth Annual General Meeting and present their report together with the audited financial statements for the year ended 31 December 2015.

Overview

The Company achieved remarkable milestones in 2015 by being rated A- (Excellent) by AM Best & PI status by Dubai Health Authority. This recognition has enhanced our business opportunities.

Backed by a solid panel of reinsurers the Company continues to be a technically strong and dominant player in the market.

During early 2015 the Insurance Authority issued financial regulations for Insurance Companies with alignment periods varying from 1 to 3 years. We are pleased to report that as at 31 Dec 2015 the company is fully compliant with the regulations wherein the alignment period was 1 to 2 years relating to Financial Statements and Technical provisions

FINANCIAL RESULTS

1. The Company reported a net profit of AED 23.5 million for the year 2015 against AED 61.6 million for 2014 a decrease of 61.8%.

2. Gross premiums is AED 490.90 million in 2015 compared to AED 450.8 million in 2014 and the retained premiums decreased from AED 317.6 million in 2014 to AED 308.4 million in 2015.

3. The gross claims paid by the Company during the year 2015 amounted to AED 263.6 million compared with AED 322.5 million in 2014 and the net incurred claims are AED 219.4 million compared to AED 257.8 million in 2014.

4. Underwriting profit increased from AED 2.0 million in 2014 to AED 21.4 million in 2015.

5. Net gain from investment portfolio was AED 12.8 million in 2015 compared to AED 73.7 million in 2014 a decrease of 82.6%. This is due to market volatility during 2015

6. General and Management expenses including expenses directly attributable to underwriting activities for the year 2015 is AED 58.2 million compared to AED 54.6 million in 2014.

7. Investment fund comprising of investment properties, securities and cash and bank balances was AED 671.0 million at the end of 2015 compared with AED 673.8 million in 2014 decrease of 0.4%.

8. The Technical Reserves (i.e. net unearned premium reserve, and net provision for outstanding claims) at the end of year 2015 amounted to AED 271.2 million compared with AED 225.9 million in 2014. Included in the above is Life Assurance Fund of AED 62.5 million as at end 2015 compared to AED 57.9 million in 2014.

RECOMMENDATIONS OF THE BOARD OF DIRECTORS

The Board of Directors has the pleasure in presenting the following recommendations to the shareholders:

1. Consider, discuss and approve the Board of Directors' report.
2. Consider, discuss and approve the Auditors' report.
3. Consider, discuss and approve the Financial Statements for the year ended 31 December 2015.
4. Absolve the Chairman and Members of the Board from all responsibilities for acts and decisions made by them in fulfilling their functions during the year ended 31 December 2015.
5. Approve the proposed appropriation of the profits as follows:

	AED
Profit brought forward	126,443,068
Add comprehensive profit for the year 2015	23,524,911
Total available for distribution	149,967,979
Less	
a) Transfer to Legal reserve - 10% of profit	2,350,371
b) Transfer to General reserve – 10% of profit	2,350,371
c) Director's remuneration	1,130,526
d) Proposed Dividend --- Cash – 10%	14,995,411
Profit carried forward	129,141,300

6. Appoint or re-appoint Auditors for the financial year 2016 and determine their fees. KPMG being eligible for re-appointment have expressed their willingness to continue in office.

The Board of Directors take pleasure in extending, on your behalf, their sincere thanks and appreciation to H.H Sheikh Khalifa Bin Zayed Al Nahyan, the President and H.H Sheikh Mohammed Bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai, for their kind support to the national companies and institutions, which benefited immensely from their wise economic and social policies.

The Directors also appreciate the fruitful co-operation of all customers who had the major role in the progress of the company.

The Directors take this opportunity to express their sincere appreciation and thanks to the Company's executive administration and staff for their loyalty, diligence and hard work, our treaty leaders Messrs Hannover Re and all the Reinsurers for their strong support to the Company.

On behalf of the Board

Hamad Mubarak Buamim
Chairman

15 FEB 2016

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Independent Auditor's Report

The Shareholders
National General Insurance Co. (P.S.C)

Report on the Financial Statements

We have audited the accompanying financial statements of National General Insurance Co. (P.S.C) ("the Company"), which comprise the statement of financial position as at 31 December 2015, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. 2 of 2015 and UAE Federal Law No. 6 of 2007, 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider 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, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Company has maintained proper books of account;

iv) the financial information included in the Directors' report, in so far as it relates to these financial statements, is consistent with the books of account of the Company;

v) as disclosed in note 10 to the financial statements, the Company has purchased shares during the year ended 31 December 2015;

vi) note 20 to the financial statements discloses material related party transactions and the terms under which they were conducted; and

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

Further, as required by the UAE Federal Law No (6) of 2007, as amended, we report that we have obtained all the information and explanations we considered necessary for the purposes of our audit.

KPMG

KPMG Lower Gulf Limited
15 February 2016
Muhammad Tariq
Registered Auditor Number 793
Dubai, United Arab Emirates

National General Insurance Co. (P.S.C.)

Statement of financial position

As at 31 December 2015

	Note	31 December 2015 AED	31 December 2014 AED (Restated)	1 Janurary 2014 AED (Restated)
ASSETS				
Property and equipment	*8*	**34,757,738**	34,455,304	33,210,278
Intangible assets	*8.2*	**1,958,503**	1,861,723	1,206,438
Investment properties	*9*	**225,781,060**	225,931,292	221,631,292
Investments securities	*10*	**239,757,350**	247,749,525	293,494,816
Reinsurance assets	*13*	**222,748,768**	135,909,761	161,280,369
Insurance and other receivables	*11*	**188,641,628**	123,351,303	116,183,052
Cash and bank balances	*12*	**205,421,467**	200,092,068	136,099,485
Total assets		**1,119,066,514**	969,350,976	963,105,730
LIABILITIES				
Insurance contract provisions	*13*	**493,898,785**	361,880,250	373,850,584
Insurance and other payables	*14*	**153,428,433**	112,428,230	126,069,302
Payable to policyholders of unit linked product:	*25*	**36,634,723**	41,990,988	38,744,863
Total liabilities		**683,961,941**	516,299,468	538,664,749
EQUITY				
Share capital	*15*	**149,954,112**	149,954,112	149,954,112
Legal reserve	*15*	**70,299,878**	67,949,507	59,986,254
General reserve	*15*	**69,683,892**	67,333,521	59,370,268
Fair value reserve	*15*	**(100,545)**	229,233	(1,213,870)
Retained earnings		**145,267,236**	167,585,135	156,344,217
Total equity		**435,104,573**	453,051,508	424,440,981
Total liabilities and equity		**1,119,066,514**	969,350,976	963,105,730

The notes on pages 10 to 49 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 15 FEB 2016 and signed on their behalf by:

HE Hamad Mubarak Buamim
Chairman

Dr. Abdul Zahra A. Ali
CEO

Independent auditor's report is set out on page 3 - 4.

National General Insurance Co. (P.S.C.)

Statement of profit or loss

For the year ended 31 December 2015

	Note	2015 AED	2014 AED (Restated)
Gross written premiums	*22*	**490,903,241**	450,829,392
Reinsurance ceded		**(182,546,897)**	(133,272,264)
Net premiums		**308,356,344**	317,557,128
Change in unearned premium provision and payable to policyholders of unit linked product		**(24,287,053)**	(9,706,412)
Net earned premiums		**284,069,291**	307,850,716
Reinsurance commission		**51,490,358**	36,183,373
Total underwriting income		**335,559,649**	344,034,089
Claims paid	*13*	**(263,580,628)**	(322,497,700)
Reinsurance share of claims paid	*13*	**55,212,737**	65,970,181
Net claims paid		**(208,367,891)**	(256,527,519)
Change in outstanding claims provision		**(11,010,495)**	(1,299,388)
Net incurred claims	*22*	**(219,378,386)**	(257,826,907)
Commission incurred	*22*	**(39,416,842)**	(39,486,157)
Administrative expenses	*19*	**(47,521,165)**	(40,408,160)
Net underwriting expenses		**(306,316,393)**	(337,721,224)
Net movement in life assurance fund	*22*	**(4,525,715)**	(5,640,598)
(Decrease)/increase in fair value of investments held for unit linked products	*25*	**(3,339,355)**	1,355,109
Total underwriting expense		**(314,181,463)**	(342,006,713)
Underwriting profit	*22*	**21,378,186**	2,027,376
Interest and other income		**7,060,841**	4,838,159
Net rental income	*9*	**4,486,575**	3,585,367
Net income from investments	*18*	**1,444,021**	54,956,180
Fair value (loss)/gain on investment properties- net	*9*	**(150,232)**	10,362,364
Net gain from investment portfolio		**12,841,205**	73,742,070
General and administrative expenses	*19*	**(10,715,677)**	(14,209,750)
Profit for the year		**23,503,714**	61,559,696
Basic and diluted earnings per share	*24*	**0.16**	0.41

The notes on pages 10 to 49 form an integral part of these financial statements.

Independent auditor's report is set out on page 3 - 4.

National General Insurance Co. (P.S.C.)

Statement of other comprehensive income

For the year ended 31 December 2015

	2015	2014
	AED	AED
		(Restated)
Profit for the year	**23,503,714**	61,559,696
Other comprehensive income		
Items that will not be classified to profit or loss:		
Net change in fair value of investments at fair value through other comprehensive income	**(308,581)**	1,670,991
Total other comprehensive (loss)/income for the year	**(308,581)**	1,670,991
Total comprehensive income for the year	**23,195,133**	63,230,687

The notes on pages 10 to 49 form an integral part of these financial statements.

Independent auditor's report is set out on page 3 - 4.

National General Insurance Co. (P.S.C.)

Statement of cash flows

For the year ended 31 December 2015

	Note	2015 AED	2014 AED *(Restated)*
Cash flows from operating activities			
Profit for the year		**23,503,714**	61,559,696
Adjustment for:			
Depreciation and amortisation	*8.1*	**4,868,802**	3,776,493
Unrealised losses/ (gains) on investments fair valued through profit or loss	*18*	**10,094,715**	6,764,228
Realised gains on investment	*18*	**(7,773,930)**	(53,221,309)
Realised loss/ (gain) on sale of property, plant and equipment		**-**	1,124
Dividend income	*18*	**(4,043,521)**	(9,133,589)
Unrealised loss on fair value of investment properties	*9*	**150,232**	-
Change in unearned premium reserve and life assurance fund		**34,169,033**	12,100,886
Reversal of provision		-	(10,103,940)
Provision for gratuity - net of repayment		**901,076**	1,344,415
		61,870,121	13,088,004
Change in insurance and other receivables		**(65,290,325)**	(14,669,900)
Change in insurance and other payables		**40,099,127**	2,620,103
Change in net outstanding claims		**11,010,495**	1,299,388
Director's remuneration		**(3,653,540)**	(4,629,338)
Net cash generated/(used in) from operating activities		**44,035,878**	(2,291,743)
Cash flows from investing activities			
Change in investments at fair value through profit or loss (net)		**8,384,208**	95,695,305
Dividend income		**4,043,521**	9,133,589
Change in property and equipment (net)		**(5,268,017)**	(5,673,510)
Change in investment at amortised cost (net)		**-**	-
Change in investment properties		-	(4,300,000)
Change in investments at fair value through OCI (net)		**(8,377,663)**	1,419,764
(Increase)/Decrease in bank deposits		**(82,805,000)**	46,780,487
Net cash (used in)/generated from investing activities		**(84,022,951)**	143,055,635
Cash flows from financing activities			
Dividends paid		**(37,488,528)**	(29,990,822)
Net cash used in financing activities		**(37,488,528)**	(29,990,822)
Net (decrease)/increase in cash and cash equivalents		**(77,475,601)**	110,773,070
Cash and cash equivalents at 1 January	*12*	**185,092,068**	74,318,998
Cash and cash equivalents at 31 December	*12*	**107,616,467**	185,092,068

The notes on pages 10 to 49 form an integral part of these financial statements.

Independent auditor's report is set out on page 3 - 4.

National General Insurance Co. (P.S.C.)

Statement of changes in shareholders' equity

For the year ended 31 December 2015

	Attributable to the equity holders of the Company					
	Share capital AED	**Legal reserve AED**	**General reserve AED**	**Fair value reserve AED**	**Retained earnings AED**	**Total AED**
As at 1 January 2014 (As previously reported)	149,954,112	59,986,254	59,370,268	(1,213,870)	170,584,399	438,681,163
Effect of changes in accounting policies (note 26)	-	-	-	-	(14,240,182)	(14,240,182)
As at 1 January 2014 (restated)	**149,954,112**	**59,986,254**	**59,370,268**	**(1,213,870)**	**156,344,217**	**424,440,981**
Total comprehensive income for the year						
Profit for the year (restated)	-	-	-	-	61,559,696	61,559,696
Other comprehensive income for the year						
Net change in fair value of investments FVTOCI	-	-	-	1,670,991	-	1,670,991
Profit on sale of investments FVTOCI transferred to retained earnings	-	-	-	(227,888)	227,888	-
Total other comprehensive income for the year	-	-	-	1,443,103	227,888	1,670,991
Total comprehensive income for the year	-	-	-	1,443,103	61,787,584	63,230,687
Transaction with owners directly recorded in equity						
Directors' remuneration	-	-	-	-	(4,629,338)	(4,629,338)
Transfer to legal reserve	-	7,963,253	-	-	(7,963,253)	-
Transfer to general reserve	-	-	7,963,253	-	(7,963,253)	-
Dividends paid	-	-	-	-	(29,990,822)	(29,990,822)
As at 31 December 2014 (restated)	**149,954,112**	**67,949,507**	**67,333,521**	**229,233**	**167,585,135**	**453,051,508**
Balance at 1 January 2015 (As previously reported)	**149,954,112**	**67,949,507**	**67,333,521**	**229,233**	**199,898,147**	**485,364,520**
Effect of changes in accounting policies (note 26)	-	-	-	-	(32,313,012)	(32,313,012)
As at 1 January 2015 (restated)	**149,954,112**	**67,949,507**	**67,333,521**	**229,233**	**167,585,135**	**453,051,508**
Total Comprehensive income for the year						
Profit for the year	-	-	-	-	23,503,714	23,503,714
Net change in fair value of investments FVTOCI	-	-	-	(308,581)	-	(308,581)
Profit on sale of investments FVTOCI transferred to retained earnings	-	-	-	(21,197)	21,197	-
Total other comprehensive (loss)/income for the year	-	-	-	(329,778)	21,197	(308,581)
Total comprehensive income for the year	-	-	-	(329,778)	23,524,911	23,195,133
Transaction with owners directly recorded in equity						
Directors' remuneration (Note 17)	-	-	-	-	(3,653,540)	(3,653,540)
Transfer to legal reserve	-	2,350,371	-	-	(2,350,371)	-
Transfer to general reserve	-	-	2,350,371	-	(2,350,371)	-
Dividends paid (Note 16)	-	-	-	-	(37,488,528)	(37,488,528)
As at 31 December 2015	**149,954,112**	**70,299,878**	**69,683,892**	**(100,545)**	**145,267,236**	**435,104,573**

The notes on pages 10 to 49 form an integral part of these financial statements.

Independent auditor's report is set out on page 3 - 4.

1. Reporting entity

National General Insurance Co. (P.S.C) ("the Company") is a Public Shareholding Company registered under UAE Federal Law No. (8) of 1984 as amended, in the Emirate of Dubai with effect from 12 September 2001.

The Company was originally incorporated as a Private Limited Liability Company, registered under UAE Federal Law No. (8) of 1984, as amended, in the Emirate of Dubai.

The Company underwrites all classes of life and general insurance business as well as certain reinsurance business in accordance with the provisions of the UAE Federal Law no. 6 of 2007 relating to Establishment of Insurance Authority and regulation of Insurance operations.

The registered office of the Company is at the NGI House, P.O. Box 154, Dubai, UAE.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standard Board ('IASB') and applicable requirements of UAE Law.

On 1 April 2015, a new UAE Federal Law No 2 of 2015 for the Commercial Companies ("UAE Companies Law of 2015") was issued with effective date on 1 July 2015. Companies are allowed to ensure compliance with the new UAE Companies Law of 2015 by 30 June 2016 as per the transitional provisions contained therein. The Company is in the process of adopting the new federal law and will be fully compliant before the transitional provisions deadline.

b) Changes in accounting policy

As per Federal Law No 6 of 2007, relating to Establishment of Insurance Authority and regulation of Insurance operations, a new financial regulation for insurance companies was issued on 28 January 2015. The financial regulation provided an alignment period to the insurance companies between one to three years from the publication of financial regulation in Public Gazette from 29 January 2015 to align the operations to the covenants of the regulations therein. The Company is in the process of aligning the operations with the requirement of the regulations and will be fully aligned before the deadline for alignment period.

On 1 October 2015, the Company has early adopted the above directives that relates to basis of recognising technical reserves. Consequently, the Company has changed its basis for recognising unexpired premium risk ("UPR"), Incurred But Not Reported claims ("IBNR"), and Unearned Commission Income from insurance contracts, relating to general insurance business.

Prior to the change, the Company's unexpired premium risk of general business other than individual life was computed using an internal statistical model. UPR for individual life is estimated by Company's actuary in the calculation of the life reserve fund. The change in basis in the current year has resulted in recognising UPR using the 1/365 method except for marine cargo and general accident. The UPR for marine cargo is recognised as fixed proporation of the written premiums as required in in the financial regulation and UPR for general accident assumes a linear increase in risk with the duration of the project such that the risk faced is 100% at the expiry of the contract. The rate at which the premium is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy.

2. Basis of preparation (continued)

b) Changes in accounting policy (continued)

IBNR, prior to change, for general business was computed using the internal statistical model based on historical data. The change in basis has resulted in liability relating to IBNR calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required by the new regulation.

Commission income related to underwriting activities, prior to change, was recognised when the right to receive the income had been established. The change has resulted in recognising commission income related to underwriting activities on a time proportion basis over the effective period of policy using the same basis as described for unexpired risk premium.

The change has been applied by the Company retrospectively based on the recommendation of the Company's actuary. Management believes that the change in basis provides more relevant and reliable information of the Company's financial performance and its financial position to the economic decision makers and users.. The effects of changes are described in note 26 to the financial statements.

c) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following which are stated at fair value :

i) financial instruments at fair value through profit or loss (" FVTPL");
ii) financial instruments at fair value through other comprehensive income ("FVTOCI"); and
iii) investment properties.

The methods used to measure fair values are discussed in note 3(j).

d) Functional and presentation currency

These financial statements are presented in U.A.E. Dirhams ("AED"), which is the Company’s functional currency. Financial information presented has been rounded to the nearest Dirham.

e) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 5.

3. Significant accounting policies

The accounting policy set out below have been applied consistently to all periods presented in these financial statements.

a) Insurance contracts

i) Classification

The Company issues contracts that transfer either insurance risk or both insurance and financial risks.

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Company to pay significant additional benefits due to happening of the insured event compared to its non happening.

Insurance contracts may also transfer some financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Contracts where insurance risk is not significant are classified as investment contracts.

Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

ii) Recognition and measurement

Premiums

Gross premiums written reflect business incepted during the year, and exclude any fees and other amounts collected with and calculated based on premiums. These are recognised when underwriting process is complete and policies are issued.

The earned position of premium is recognised as an income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below.

3. Significant accounting policies (continued)

ii) Recognition and measurement (continued)

Unearned premium provision

The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date. UPR are calculated using the 1/365 method except for marine cargo and general accident. The UPR for marine cargo is recognised as fixed proporation of the written premiums as required in the financial regulation and UPR for general accident assumes a linear increase in risk with the duration of the project such that the risk faced is 100% at the expiry of the contract. The rate at which the premium is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy. Unearned premiums for individual life business are considered by the Company's actuary in the calculation for life reserve fund.

iii) Claims

Claims incurred comprise the settlement and the internal and external handling costs paid and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expense reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provision is also made for any claims incurred but not reported ("IBNR") at the date of statement of financial position using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required by the new regulations. The basis of estimating outstanding claims and IBNR are detailed in note 13.

iv) Provision for premium deficiency / liability adequacy test

Provision is made for premium deficiency arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums provision and already recorded claim liabilities in relation to such policies. The provision for premium deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and claims provisions.

v) Reinsurance

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

3. Significant accounting policies (continued)

a) Insurance contracts (continued)

v) Reinsurance (continued)

Amounts due to and from reinsurers are accounted for in a manner consistent with the related insurance policies and in accordance with the relevant reinsurance contracts. Reinsurance premiums are deferred and expensed using the same basis as used to calculate unearned premium reserves for related insurance policies. The deferred portion of ceded reinsurance premiums is included in reinsurance assets.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is 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 event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in statement of profit or loss in the period in which they are incurred.
Profit commission in respect of reinsurance contracts is recognised on an accrual basis

vi) Deferred acquisition cost and unearned commission income

For general insurance contracts, the deferred acquisition cost asset represents the portion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the reporting date. Commission income related to underwriting activities are recognised on a time proportion basis over the effective period of policy using the same basis as described for unexpired risk premium.

vii) Insurance receivables and payables

Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

viii) Life assurance fund

The fund is determined by the independent actuarial valuation of future policy benefits. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience. Adjustments to the balance of fund are affected by charges or credits to income. Certain generated returns are accrued and provided for in the life fund.

ix) Insurance contract provision and reinsurance assets

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the statement of financial position date, in addition for claims incurred but not reported and Life assurance fund. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date.

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

3. Significant accounting policies (continued)

b) Revenue (other than insurance revenue)

Revenue (other than insurance revenue) comprises the following:

i) Fee and commission income

Fee and commissions received or receivable which do not require the Company to render further service are recognised as revenue by the Company on the effective commencement or renewal dates of the related policies.

ii) Investment income

Investment income comprises income from financial assets, rental income from investment properties, realised and unrealised fair value gains on investment property and financial assets at FVTPL.

Income from financial assets comprises interest and dividend income, net gains/losses on financial assets classified at fair value through profit or loss (FVTPL) , and realised gains/losses on other financial assets.

Interest income is recognised on a time proportion basis using effective interest rate method. Dividend income is recognised when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities. Basis of recognition of net gains/losses on financial assets classified at fair value through profit or loss and realised gains on other financial assets is described in note 3 (g).

Fair value gains/losses on investment property are included in the statement of profit or loss in the period these gains/losses are determined.

c) Operating leases

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases for office premises equipments are recognised in statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

d) Property and equipment

i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in statement of profit or loss as incurred.

3. Significant accounting policies (continued)

d) Property and equipment (continued)

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in statement of profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate. No depreciation is charged on freehold land and capital-work-in-progress. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement.

The estimated useful lives with their capabilities for various categories of property and equipment is as follows :

Office Building	30 years
Furniture and Fixtures	4 years
Office Equipment	4 years
Motor Vehicles	4 years
Computer Equipment	4 years

e) Intangible assets (Software)

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight line basis in statement of profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods are four years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

f) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in providing for services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the statement of profit or loss.

The Company determines fair value on the basis of valuation provided by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

3. Significant accounting policies (continued)

g) Non-derivative financial assets

The Company had adopted IFRS 9, Financial instruments in 2011 in advance of its effective date. The Company had chosen 1 January 2011 as its date of initial application.

Recognition

The Company initially recognises loans and advances and deposits on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes party to the contractual provision of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

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

Classification

At inception a financial asset is classified as measured at amortised cost or fair value.

A financial asset qualifies for amortised cost measurement only if it meets both of the following two conditions :

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

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Company makes an assessment of a business model at portfolio level as this reflect the best way the business is managed and information is provided to the management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual interest revenue;
- the degree of frequency of any expected asset sales;
- the reason of any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

The Company has designated certain financial assets at fair value through profit or loss because designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

3. Significant accounting policies (continued)

g) Non-derivative financial assets (continued)

Classification (continued)

Financial assets at FVTOCI

At initial recognition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in certain equity instruments as at FVTOCI (fair value through other comprehensive income). Designation to FVTOCI is not permitted if the equity instrument is held for trading.

Dividend in these investments in equity instruments are recognised in the income statement when the Company's right to receive the dividends is established, unless the dividends clearly represents a recovery of part of the cost of the investment.

Gains and losses on such equity instruments are never reclassified to income statement and no impairment is recognised in profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, except when the Company changes its business model for managing financial assets.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise of cash balances and call deposits with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

h) Impairment

Impairment of non-derivative financial assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets carried at amortised cost are impaired. A financial asset or group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows relating to the asset that can be estimated reliably. The Company considers evidence of impairment at both a specific and collective level.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse change in the payment status of borrowers or issuers, or economic conditions that correlate with defaults in the Company.

Impairment of loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by combining together loans and receivables with similar risk characteristics.

3. Significant accounting policies (continued)

h) Impairment (continued)

Impairment of loans and receivables (continued)

At each reporting date, the Company assesses on a case-by-case basis whether there is any objective evidence that a asset is impaired. Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off and/or any event resulting in a reduction in impairment loss, decreases the amount of the provision for loan impairment in the profit or loss statement.

Impairment losses are recognised in the income statement and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit or loss statement.

i) De-recognition of financial assets

The Company derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risk and rewards of the ownership are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control on the financial asset. Any interest in transferred financial assets that qualify for derecognition that is carried or retained by the Company is recognised as separate asset or liability in the statement of financial position. On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss statement.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the financial assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

Transfer of assets with retention of all or substantially all risks and rewards include, securities lending and repurchase transactions.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the services.

3. Significant accounting policies (continued)

j) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in the income statement on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

k) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

l) Foreign currency transactions

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the reporting date. Non monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rate ruling at the date of the transaction. Realised and unrealised exchange gains and losses have been dealt with in the statement of profit or loss.

3. Significant accounting policies (continued)

m) Employee terminal benefits

Defined benefit plan

The Company provides for staff terminal benefits based on an estimation of the amount of future benefit that employees have earned in return for their service until their retirement. This calculation is performed based on a projected unit credit method.

The Company contributes to the pension scheme for UAE nationals under the UAE pension and social security law. This is a defined contribution pension plan and the Company's contributions are charged to the statement of profit or loss in the period to which they relate. In respect of this scheme, the Company has a legal and constructive obligation to pay the fixed contributions as they fall due and no obligations exist to pay the future benefits.

n) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

o) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

p) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or of gains and losses arising from a group of similar transactions such as in the Company's trading activity.

q) Directors remuneration

In accordance with the Ministry of Economy and Commerce Interpretation of Article 118 of Federal Law No. 8 of 1984 (as amended), now replaced with new commercial company law, directors' remuneration of the Company has been treated as an appropriation from equity and presented under statement of changes in equity.

3. Significant accounting policies (continued)

r) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not have plans to adopt these standards early.

Accounting Standard	Description	Effective date
IFRS 15	Revenue from Contracts with Customers	(effective 1 January 2018)
IFRS 9	Financial instruments (2014)	(effective 1 January 2018)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

The Company is in the process of evaluating the potential impact of this standard on it's financial statement resulting from application of this IFRS 15.

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 (2009) which sets out guidelines for the classification and measurement of financial assets.

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

The Company has commenced the process of evaluating the potential effect of this standard. Given the nature of the Company's operations, this standard is expected to have a limited pervasive impact on the Company's financial statements.

4. Risk management

The Company issues contracts that transfer either insurance risk or both insurance and financial risks. The Company does not issue contracts that transfer only financial risks. This section summarises these risk and the way the Company manages them:

i) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Management recognises the critical importance of having efficient and effective risk management systems in place.

ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

iii) Capital management framework

The Company has an internal risk management framework for identifying risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on economic capital (refer note 23).

iv) Regulatory framework

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

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

v) Asset liability management ("ALM")

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces due to the nature of its investments and liabilities is interest rate risk and equity price risk. The Company manages these positions within an ALM frame work that has been developed by management to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

The Company's ALM is also integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Company's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance.

4. Risk management (continued)

v) Asset liability management ("ALM") - (continued)

a) Insurance risks

The Company accepts insurance risk through its written insurance contracts. The Company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Company writes the following types of general insurance and life insurance contracts:

General insurance contracts

- Liability insurance
- Property insurance
- Motor insurance
- Fire insurance
- Health insurance
- Marine Insurance
- Engineering Insurance

Life insurance contracts

- Group life insurance
- Individual life insurance

Two key elements of the Company's insurance risk management framework are its underwriting strategy and reinsurance strategy, as discussed below.

Underwriting strategy

General insurance

The Company's underwriting strategy is to build balanced portfolios based on a large number of similar risks. This reduces the variability of the portfolios outcome.

The underwriting strategy is set out by the Company that establishes the classes of business to be written, the territories in which business is to be written and the industry sectors in which the Company is prepared to underwrite. This strategy is cascaded by the business units to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to ensure appropriate risk selection within the portfolio. All general insurance contracts except marine, are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

Medical selection is part of the Company's underwriting procedures, whereby premiums are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

4. Risk management (continued)

v) Asset liability management ("ALM") - (continued)

a) Insurance risks (continued)

Life insurance

Underwriting is managed at each business unit through a dedicated underwriting department, with formal underwriting limits and appropriate training and development of underwriting staff. The underwriting policy is clearly documented, setting out risks which are unacceptable and the terms applicable for non-standard risks.

Products are reviewed by the business units on an annual basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

Reinsurance strategy

The Company reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect capital resources.

Ceded reinsurance contains credit risk, as discussed in the financial risk management note. The Company has a Reinsurance department that is responsible for setting the minimum security criteria for acceptable reinsurance and monitoring the purchase of reinsurance by the business units against those criteria. The department monitors developments in the reinsurance programme and its ongoing adequacy.

The Company buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the Company. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances. All purchases of facultative reinsurance are subject to business unit pre-approval and the total expenditure on facultative reinsurance is monitored regularly by reinsurance department.

b) Financial risks

The Company has exposure to the following primary risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

4. Risk management (continued)

b) Financial risks (continued)

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

For all classes of financial assets held by the Company the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date.

Reinsurance is placed with reinsurers' approved by the management, which are generally international reputed companies.

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

At each reporting date, management performs an assessment of creditworthiness of reinsurers' and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment if required.

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Investments		**Insurance and other receivables**		**Reinsurance assets**	
	2015	2014	**2015**	2014	**2015**	2014
	AED	AED	**AED**	AED	**AED**	AED
						(Restated)
Carrying amount	**86,292,920**	88,013,112	**176,314,141**	116,313,239	**128,183,527**	84,011,492
Concentration by sector						
- Financial institution / Reinsurance companies	-	-	**35,174,470**	-	**128,183,527**	84,011,492
- Banks	**86,292,920**	88,013,112	**10,795,571**	-	**-**	-
- Real estate	**-**	-	**12,264,381**	-	**-**	-
- Service	**-**	-	**-**	-	**-**	-
- Others	**-**	-	**118,079,719**	-	**-**	-
Total carrying amount	**86,292,920**	88,013,112	**176,314,141**	-	**128,183,527**	84,011,492
Concentration by location						
- UAE	**62,328,197**	88,013,112	**141,139,671**	77,479,053	**-**	-
- GCC	**23,964,723**	-	**-**	-	**-**	-
- Other Arab Countries	-	-	**-**	-	**-**	-
- European Countries	**-**	-	**35,174,470**	38,834,186	**128,183,527**	84,011,492
- Others	**-**	-	**-**	-	**-**	-
Total carrying amount	**86,292,920**	88,013,112	**176,314,141**	116,313,239	**128,183,527**	84,011,492

4. Risk management (continued)

b) Financial risks (continued)

i) Credit risk (continued)

The above class of financial instruments provide the best representation for the Company's maximum exposure to credit risk at the end of the year.

The concentrations by location for insurance and other receivables and reinsurance assets are measured based on the residential status of the counter parties. The concentration by location for non-trading investments is measured based on the location of the issuer of the security.

The age analysis of insurance and other receivables (except prepayment and Deferred acqusition cost) are as follows

	Gross	**Impairment provision**	Gross	Impairment provision
	2015		2014	
	AED	**AED**	AED	AED
Neither past due not impaired	**67,991,597**	-	40,178,991	-
Past due 0-30 days	**29,456,940**	-	17,984,403	-
Past due 31-120 days	**33,265,326**	-	10,718,872	-
Past due 120-365 days	**17,056,723**	-	30,860,699	-
More than 365 days	**28,543,555**	**(6,000,000)**	16,570,274	(6,000,000)
	176,314,141	**(6,000,000)**	116,313,239	(6,000,000)

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarises the maturity profile of the liabilities of the Company based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

		Contractual cash flows			
31 December 2015	**Carrying Value**	**Gross contractual cash flow**	**Less than 180 days**	**180 days to 1 year**	**1-5 Year**
	AED	**AED**	**AED**	**AED**	**AED**
Liabilities					
Insurance and other payables	**142,565,868**	**(142,565,868)**	**(142,565,868)**	**-**	**-**

31 December 2014	Carrying Value	Gross contractual cash flow	Less than 180 days	180 days to 1 year	1-5 Year
	AED	AED	AED	AED	AED
Liabilities					
Insurance and other payables	102,466,741	(102,466,741)	(102,466,741)	-	-

4. Risk management (continued)

b) Financial risks (continued)

iii) 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 limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in local equity and bond markets. In addition, the Company actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Company's functional currency is the UAE Dirham.

The Company's major exposures are in USD, including reinsurance arrangements which is pegged with AED and the Company's exposure to currency risk is limited to that extent.

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the

Company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities.

The Company's interest risk policy requires to manage interest risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial liabilities.

The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and has no significant concentration of interest rate risk.

A summary of the Company's interest rate gap position on the non-trading portfolio based on contractual repayment is as follows:

31 December 2015

	Variable AED	**Fixed AED**
Financial assets		
Investments at FVTOCI	44,518,252	-
Fixed income investments/ Bonds – Quoted		70,884,020
Investments at amortised cost	-	15,408,900
Cash at bank	-	163,173,021
Total financial assets	**44,518,252**	**249,465,941**
Financial liabilities	-	-
Net financial instruments	**44,518,252**	**249,465,941**

4. Risk management (continued)

b) Financial risks (continued)

iii) Market risk (continued)

b) Interest rate risk (continued)

31 December 2014

Financial assets	Variable AED	Fixed AED
Investment at FVTOCI	36,469,741	-
Fixed income investments/ Bonds – Quoted		72,604,212
Investment at amortised cost	-	15,408,900
Cash at bank	-	40,208,585
Total financial assets	36,469,741	128,221,697
Financial liabilities	-	-
Net financial instruments	36,469,741	128,221,697

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and

	Profit or loss (AED) 100 bp	
31 December 2015	**Increase**	**Decrease**
Financial instruments		
Financial assets	**445,183**	**(445,183)**

	Profit or loss (AED) 100 bp	
31 December 2014	Increase	Decrease
Financial instruments		
Financial assets	364,697	(364,697)

Fair value sensitivity analysis for fixed rate instruments

Financial assets	-	-

4. Risk management (continued)

b) Financial risks (continued)

iii) Market risk (continued)

c) Equity price risk

Equity price risk is the risk that the fair value of a financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices.

The Company's equity price risk policy requires is to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, sector and market. The fair values of financial assets are not different from their carrying values.

Sensitivities

The table below shows the results of sensitivity testing on the Company's profit or loss and equity by type of business. The sensitivity analysis indicates the effect of changes in price risk factors arising from the impact of the changes in these factors on the Company's investments:

	10% increase in price		**10% decrease in price**	
	Profit or loss	**OCI**	**Profit or loss**	**OCI**
	AED	**AED**	**AED**	**AED**
31 December 2015				
Fair value through OCI	**-**	**4,451,825**	**-**	**(4,451,825)**
Fair value through profit or loss	**17,983,020**	**-**	**(17,983,020)**	**-**
31 December 2014				
Fair value through OCI	-	3,646,974	-	(3,646,974)
Fair value through profit or loss	19,587,088	-	(19,587,088)	-

iv) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

The Company has detailed systems and procedures manuals with effective segregation of duties, access controls, authorization and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

5. Use of estimates and judgements

The areas of the Company's business containing key sources of estimation uncertainty include the measurement of insurance contract provisions and the determination of the fair values of financial instruments.

Measurement of insurance contract provisions

The Company's accounting policy in respect of insurance contract accounting is discussed in more detail in note 3(a). The key assumptions made in respect of insurance contract liabilities are included in Note 13.

Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Company.

There are a number of contracts sold where the Company exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Company is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

Individual life insurance

The assumptions used in the actuarial valuations for life fund are consistently applied and these assumptions are based on mortality and withdrawal rate assumptions. Also refer 3(a)(viii).

Provision for outstanding claims, whether reported or not

Considerable judgment by the management is required in the estimation of amounts due to the contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the date of statement of financial position. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. and are presented in Note 13.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims regularly.

5. Use of estimates and judgements (continued)

Classification of financial instruments

Impairment of insurance receivables

An estimate of the collectible amount of insurance receivables is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired, entails the Company evaluating the credit and liquidity position of the policy holders and the insurance and reinsurance companies, historical recovery rates including detailed investigations carried out during 2014 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection.

Details of provision against doubtful accounts are stated in Note 11.

Liability Adequacy Test

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

Valuation of investment property

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio annually.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

The Company has taken the highest and best use fair values for the fair value measurement of its investment properties.

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value
		The estimated fair value increase/decrease if:
1) Income valuation approach 2) Sales comparative valuation approach 3) Market value approach	-Expected market rental growth rate -Risk adjusted discount rates -Free hold property -Free of covenants , third party rights and obligations -Statutory and legal validity -Condition of the property -Sales value of comparable properties	-Expected market rental growth rate were higher -The risk adjusted discount rates were lower/higher -The property is not free hold -The property is subject to any covenants, rights and obligations -The property is subject to any adverse legal notices / judgment -The property is subject to any defect / damages -The property is subject to sales value fluctuations of surrounding properties in the area.

6 Accounting classification of financial assets and financial liabilities

The table below shows a reconciliation between line items in the statement of financial position and categories of financial instruments.

At 31 December 2015	**FVTPL**	**FVTOCI**	**Amortised cost**	**Total carrying amount**
	AED	**AED**	**AED**	**AED**
Financial assets				
Insurance and other receivables	**-**	**-**	**170,314,141**	**170,314,141**
Investment securities	**179,830,198**	**44,518,252**	**15,408,900**	**239,757,350**
Cash and bank balances	**-**	**-**	**205,421,467**	**205,421,467**
	179,830,198	**44,518,252**	**391,144,508**	**615,492,958**
Financial liabilities				
Insurance and other payables	**-**	**-**	**142,565,868**	**142,565,868**
Payable to policyholders of unit linked products	**-**	**-**	**36,634,723**	**36,634,723**
	-	-	**179,200,591**	**179,200,591**

At 31 December 2014	FVTPL	FVTOCI	Amortised cost	Total carrying amount
	AED	AED	AED	AED
Financial assets				
Insurance and other receivables	-	-	110,313,239	110,313,239
Investment securities	195,870,884	36,469,741	15,408,900	247,749,525
Cash and bank balances	-	-	200,092,068	200,092,068
	195,870,884	36,469,741	325,814,207	558,154,832
Financial liabilities				
Insurance and other payables	-	-	102,466,741	102,466,741
Payable to policyholders of unit linked products	-	-	41,990,988	41,990,988
	-	-	144,457,729	144,457,729

7 Fair value of financial instrument

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

a) Fair value hierarchy of assets/liabilities measured at fair value

The following table analyses assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

As at 31 December 2015

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets	**AED**	**AED**	**AED**	**AED**
FVTPL - Quoted	**179,830,198**	-	-	**179,830,198**
FVTOCI - financial assets	**44,518,252**	-	-	**44,518,252**
Non financial assets				
Investment properties	-	-	**225,781,060**	**225,781,060**
	224,348,450	-	**225,781,060**	**450,129,510**
As at 31 December 2014				
Financial assets				
FVTPL - Quoted	195,870,884	-	-	195,870,884
FVTOCI - financial assets	36,469,741	-	-	36,469,741
Non financial assets				
Investment property	-	-	225,931,292	225,931,292
	232,340,625	-	225,931,292	458,271,917

7 Fair value of financial instrument *(continued)*

b) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 December 2015

	Level 1	Level 2	Level 3	Total carrying amount
Financial assets	**AED**	**AED**	**AED**	**AED**
Cash and cash equivalents	**-**	**205,421,467**	**-**	**205,421,467**
Insurance and other receivables	**-**	**-**	**170,314,141**	**170,314,141**
Investments securities	**-**	**15,408,900**	**-**	**15,408,900**
	-	**220,830,367**	**170,314,141**	**391,144,508**
Financial liabilities				
Insurance and other payables	**-**	**142,565,868**	**-**	**142,565,868**
Payable to policyholders of unit linked products	**-**	**36,634,723**	**-**	**36,634,723**
	-	**179,200,591**	**-**	**179,200,591**

As at 31 December 2014

Financial assets				
Cash and cash equivalents	-	200,092,068	-	200,092,068
Insurance and other receivables	-	-	110,313,239	110,313,239
Investments securities	-	15,408,900	-	15,408,900
	-	215,500,968	110,313,239	325,814,207
Financial liabilities				
Insurance and other payables	-	102,466,741	-	102,466,741
Payable to policyholders of unit linked products	-	41,990,988	-	41,990,988
	-	144,457,729	-	144,457,729

The fair value of financial assets and liabilities is not significantly different from their carrying values.

8. Property and equipment

	Note	2015 AED	2014 AED
Operating assets	8.1	**34,594,468**	32,358,304
Capital work in progress		**163,270**	2,097,000
At 31 December		**34,757,738**	34,455,304

National General Insurance Co. (P.S.C.)

Notes (continued)

8. Property and equipment (continued)

8.1 Operating assets

	Land and Office Building AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Computer equipment AED	Total tangible operating assets AED	Intangible Assets AED
Cost							
At 1 January 2014	30,889,601	6,644,659	1,147,185	290,050	3,659,546	42,631,041	4,138,077
Additions	-	1,697,325	166,503	33,250	622,279	2,519,357	1,337,919
Disposals	-	(174,135)	-	(11,500)	-	(185,635)	-
At 31 December 2014	30,889,601	8,167,849	1,313,688	311,800	4,281,825	44,964,763	5,475,996
At 1 January 2015	30,889,601	8,167,849	1,313,688	311,800	4,281,825	44,964,763	5,475,996
Additions	3,366,510	127,280	107,264	-	2,601,111	6,202,165	999,581
At 31 December 2015	**34,256,111**	**8,295,129**	**1,420,952**	**311,800**	**6,882,936**	**51,166,928**	**6,475,577**
Depreciation & Amortisation							
At 1 January 2014	2,059,306	3,469,299	955,493	216,994	2,811,508	9,512,600	2,931,639
Charge for the year	1,029,653	1,628,153	97,723	57,385	466,580	3,279,494	682,634
On disposals / write off	-	(174,135)	-	(11,500)	-	(185,635)	-
At 31 December 2014	3,088,959	4,923,317	1,053,216	262,879	3,278,088	12,606,459	3,614,273
At 1 January 2015	3,088,959	4,923,317	1,053,216	262,879	3,278,088	12,606,459	3,614,273
Charge for the year	1,029,653	1,972,616	133,089	20,593	810,050	3,966,001	902,801
At 31 December 2015	**4,118,612**	**6,895,933**	**1,186,305**	**283,472**	**4,088,138**	**16,572,460**	**4,517,074**
Carrying amounts							
At 31 December 2014	27,800,642	3,244,532	260,472	48,921	1,003,737	32,358,304	1,861,723
At 31 December 2015	**30,137,499**	**1,399,196**	**234,647**	**28,328**	**2,794,798**	**34,594,468**	**1,958,503**

During the year, the Company acquired a land in Sharjah worth AED 3.3 million for salvage cars and spare parts.

8.2 Intangible Assets

		2015 AED	2014 AED
Software	8.1	**1,958,503**	1,861,723

9. Investment properties (within UAE)

	2015 AED	2014 AED
At 1 January	**225,931,292**	221,631,292
Changes in fair value/ Capital expenditure	**(150,232)**	4,300,000
At 31 December	**225,781,060**	225,931,292

9. Investment properties (within UAE) (continued)

	2015 AED		2014 AED	
	Cost	**Fair Value**	Cost	Fair Value
Land	**119,627,060**	**137,000,000**	119,627,060	138,300,000
Office building	**63,156,439**	**88,781,060**	63,156,439	87,631,292
Total	**182,783,499**	**225,781,060**	182,783,499	225,931,292

Investment property includes two plots of land, and rented out portion of a commercial building.

The carrying amount of investment property is the fair value of the property as determined by an independent appraiser having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued and is reviewed by the Board of Directors on a yearly/annual basis. Fair values were determined based on income valuation approach, sales comparative approach and open market value basis. Significant assumption taken by the valuer are mentioned on Note 5.

The rental income and operating expenses relating to these properties are as follows:

	2015 AED	2014 AED
Fair value (loss)/gain on investment properties - net	**(150,232)**	10,362,364
Rental income	**6,349,019**	5,519,766
Operating expenses	**(1,862,444)**	(1,934,399)
Net rental income	**4,486,575**	3,585,367

10 Investment securities

	2015 AED	2014 AED
Financial assets at fair value through profit or loss	**179,830,198**	195,870,884
Financial assets at fair value through other comprehensive income	**44,518,252**	36,469,741
Financial assets at amortised costs	**15,408,900**	15,408,900
At 31 December	**239,757,350**	247,749,525

During the year ended 31 December 2015, the Company purchased shares worth AED 89 million.

10.1 Investments at fair valued through profit or loss

	2015 AED	2014 AED
Investments held on behalf of policyholders of unit linked products (Note 25)	**36,634,723**	41,990,988
Equity investments – Quoted	**72,311,455**	81,275,684
Fixed income investments/ Bonds – Quoted	**70,884,020**	72,604,212
At 31 December	**179,830,198**	195,870,884

Equity investments classified at fair value through profit or loss are designated in this category upon the initial recognition.

10 Investment securities (continued)

10.2

	2015	2014
	AED	AED
Investments made		
- Within UAE	**212,189,290**	247,749,525
- Outside UAE	**27,568,060**	-
At 31 December	**239,757,350**	247,749,525

11. Insurance and other receivables

	31 December	31 December	1 Janurary
	2015	2014	2014
	AED	AED	AED
		(Restated)	*(Restated)*
Premium receivable	**100,288,278**	60,698,913	53,328,766
Reinsurance companies	**40,992,662**	34,871,253	38,679,738
Insurance agents and brokers	**7,212,878**	1,385,309	-
Due from related parties (Refer note 20)	**25,345,465**	14,358,561	13,749,064
Accrual of interest and other income	**2,281,585**	4,378,629	1,604,229
Deferred acqusition cost	**15,990,242**	10,732,819	8,511,340
Prepayments	**2,337,245**	2,305,245	2,180,068
Other receivables	**193,273**	620,574	4,129,847
	194,641,628	129,351,303	122,183,052
Less: provision for doubtful receivables (note 11.1)	**(6,000,000)**	(6,000,000)	(6,000,000)
At 31 December	**188,641,628**	123,351,303	116,183,052

11.1 Provision for doubtful receivables

	2015	2014
	AED	AED
Balance 1 January	**6,000,000**	6,000,000
Provision during the year	**-**	-
At 31 December	**6,000,000**	6,000,000

12. Cash and bank balances (within UAE)

	2015	2014
	AED	AED
Cash in hand	**127,789**	207,250
Cash at bank	**42,120,657**	159,676,233
Short term deposits	**163,173,021**	40,208,585
	205,421,467	200,092,068
Less : deposits with original maturities of greater than three months	**(97,805,000)**	(15,000,000)
Cash and cash equivalents at 31 December	**107,616,467**	185,092,068

Included in short term deposits with banks operating in the U.A.E., is a deposit amounting to AED 11.7 million (*2014: AED 11.6 million)* and AED 3.4 million *(2014: AED 3.4 million*) held under lien as collateral in the name of the company for the Ministry of Economy and Trade of the United Arab Emirates, as required by the Federal Law number (6) of 2007 relating to Insurance Authority and other performance guarantees respectively.

13. Insurance contract provisions and reinsurance assets

Outstanding claims reserve

	31 December 2015 AED	31 December 2014 AED *(Restated)*	1 Janurary 2014 AED *(Restated)*
Reserve for outstanding claims	**139,459,624**	98,463,240	105,664,914
Reserve for incurred but not reported claims (IBNR)	**55,898,305**	41,712,159	48,701,533
Reserve for outstanding claims (including IBNR)	**195,357,929**	140,175,399	154,366,447
Life assurance fund	**62,507,592**	57,981,877	52,341,279
Unearned premium reserve	**236,033,264**	163,722,974	167,142,858
Insurance contract provisions	**493,898,785**	361,880,250	373,850,584
Less: Reinsurance assets			
Reinsurer share of outstanding claims	**(128,183,527)**	(84,011,492)	(99,501,928)
Unamortised reinsurance premium reserve	**(94,565,241)**	(51,898,269)	(61,778,441)
Reinsurance assets	**(222,748,768)**	(135,909,761)	(161,280,369)
Net insurance contract provision as at 31 December	**271,150,017**	225,970,489	212,570,215

Movements in outstanding claims and reinsurance assets

		2015	
	Gross AED	**Reinsurance AED**	**Net AED**
Total at the beginning of the year	**140,175,399**	**(84,011,492)**	**56,163,907**
Less: settled during the year	**(263,580,628)**	**55,212,737**	**(208,367,891)**
Add: provision made during the year	**318,763,158**	**(99,384,772)**	**219,378,386**
At 31 December	**195,357,929**	**(128,183,527)**	**67,174,402**

		2014 (Restated)	
	Gross AED	Reinsurance AED	Net AED
Total at the beginning of the year	154,366,447	(99,501,928)	54,864,519
Less: settled during the year	(322,497,700)	65,970,181	(256,527,519)
Add: provision made during the year	308,306,652	(50,479,745)	257,826,907
At 31 December	140,175,399	(84,011,492)	56,163,907

Movements in unearned premium reserve

		2015	
	Gross AED	**Reinsurance AED**	**Net AED**
Balance at 1 January	**163,722,974**	**(51,898,269)**	**111,824,705**
Provision made during the year	**236,033,264**	**(94,565,241)**	**141,468,023**
Provision released during the year	**(163,722,974)**	**51,898,269**	**(111,824,705)**
At 31 December	**236,033,264**	**(94,565,241)**	**141,468,023**

		2014 (Restated)	
	Gross AED	Reinsurance AED	Net AED
Balance at 1 January	167,142,858	(61,778,441)	105,364,417
Provision made during the year	163,722,974	(51,898,269)	111,824,705
Provision released during the year	(167,142,858)	61,778,441	(105,364,417)
At 31 December	163,722,974	(51,898,269)	111,824,705

13. Insurance contract provisions and reinsurance assets (continued)

Assumptions and sensitivities

Process used to determine the assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market practices or other published information.

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate.

The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The method used by the Company for provision of IBNR takes into account historical data, past estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

The assumptions that have the greatest effect on the measurement of insurance contract provisions are the expected loss ratios for the most recent accident years.

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process. The Company believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims are finally settled.

Claim development table

	Underwriting year				
	2012	2013	2014	2015	Total
Gross	AED	AED	AED	AED	AED
Estimate of net incurred claims costs					
- At the end of underwriting year	225,619,906	194,388,123	234,941,454	306,023,362	-
- One year later	263,796,186	256,693,902	292,201,022	-	-
- Two years later	275,250,116	265,268,921	-	-	-
- Three years later	278,094,956	-	-	-	-
Current estimate of incurred claims	278,094,956	265,268,921	292,201,022	306,023,362	1,141,588,261
Cumulative payments to date	(264,367,062)	(245,157,447)	(267,357,210)	(180,638,664)	(957,520,383)
Liability recognised	13,727,894	20,111,474	24,843,812	125,384,698	184,067,878
Liability in respect of prior years					11,290,051
Total liability included in the statement of financial position					195,357,929
Net					
Estimate of net incurred claims costs					
- At the end of underwriting year	167,723,283	159,033,621	200,196,294	210,465,519	-
- One year later	193,728,501	194,579,803	235,679,123	-	-
- Two years later	198,638,203	198,981,857	-	-	-
- Three years later	198,792,290	-	-	-	-
Current estimate of incurred claims	198,792,290	198,981,857	235,679,123	210,465,519	843,918,789
Cumulative payments to date	(198,649,932)	(196,629,507)	(229,216,833)	(152,357,902)	(776,854,174)
Liability recognised	142,358	2,352,350	6,462,290	58,107,617	67,064,615
Liability in respect of prior years					109,787
Total liability included in the statement of financial position					67,174,402

13. Insurance contract provisions and reinsurance assets (continued)

Summary of the Actuary's report on the Technical Provisions

Gross Reserves	**As at 31 December 2015**		
	Life insurance	**General insurance**	**Total**
	AED	**AED**	**AED**
Reserve for outstanding claims (including IBNR)	**9,403,696**	**185,954,233**	**195,357,929**
Unearned premium reserve	**3,692,442**	**232,340,822**	**236,033,264**
Life assurance fund	**62,507,592**	**-**	**62,507,592**
Total	**75,603,730**	**418,295,055**	**493,898,785**

Net Reserves	**As at 31 December 2015**		
	Life insurance	**General insurance**	**Total**
	AED	**AED**	**AED**
Reserve for outstanding claims (including IBNR)	**3,087,136**	**64,087,266**	**67,174,402**
Unearned premium reserve	**2,281,542**	**139,186,481**	**141,468,023**
Life assurance fund	**62,507,592**	**-**	**62,507,592**
Total	**67,876,270**	**203,273,747**	**271,150,017**

Gross Reserves	As at 31 December 2014 (Restated)		
	Life insurance	General insurance	Total
	AED	AED	AED
Reserve for outstanding claims (including IBNR)	7,074,283	133,101,116	140,175,399
Unearned premium reserve	3,310,934	160,412,040	163,722,974
Life assurance fund	57,981,877	-	57,981,877
Total	68,367,094	293,513,156	361,880,250

Net Reserves	As at 31 December 2014 (Restated)		
	Life insurance	General insurance	Total
	AED	AED	AED
Reserve for outstanding claims (including IBNR)	2,464,551	53,699,356	56,163,907
Unearned premium reserve	1,959,369	109,865,336	111,824,705
Life assurance fund	57,981,877	-	57,981,877
Total	62,405,797	163,564,692	225,970,489

Actuarial estimation of the insurance liabilities has been performed by the independent actuary in accordance with the requirement of new financial regulations issued under Federal Law No.6 of 2007 pertaining to the insurance companies and agents. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

14. Insurance and other payables

	2015 AED	2014 AED
Creditors	**25,517,691**	28,686,670
Reinsurance companies	**69,175,228**	32,245,234
Premium reserve withheld	**18,757,504**	17,821,165
Due to related parties	**12,133,628**	285,623
Accrued expenses	**6,220,248**	14,318,525
Employee terminal benefits	**10,862,565**	9,961,489
Commission payable	**6,823,630**	6,220,854
Other payable balances	**3,937,939**	2,888,670
At 31 December	**153,428,433**	112,428,230

15. Share capital and reserves

The Company’s issued and fully paid share capital comprises 149,954,112 shares of AED 1.0 each.

	2015		2014	
	No. of Shares	AED	No. of Shares	AED
At 31 December	**149,954,112**	149,954,112	149,954,112	149,954,112

In accordance with the Company’s Articles of Association and United Arab Emirates Federal Companies law number 8 of 1984, the Company transfers 10% of annual net profits, if any, to the legal reserve until it equals 50% of the share capital. Also, in accordance with its Articles of Association, 10% of annual net profits, if any, may be transferred to a general reserve until it is suspended by an Ordinary General Meeting upon a proposal by the Board of Directors. The General reserve can be utilised for the purposes determined by the Ordinary General Meeting upon recommendations of the Board of Director.

The fair value reserve comprises the cumulative net change in fair value of financial assets designated as fair value through other comprehensive income.

16. Proposed cash dividend

The Board of Directors proposes a cash dividend of AED 15 million (2014: AED 37.5 million).

17. Proposed directors' fees

In accordance with the Ministry of Economy & Planning interpretation of Article 118 of Commercial Companies Law No. 8 of 1984, the Board of Directors has proposed remuneration of AED 1.1 million (2014: AED 3.6 million).

18. Net income from investments

	For the year ended 31 December	
	2015 AED	2014 AED
Dividend income	**4,043,521**	9,133,589
Realised gains on investments	**7,773,930**	53,221,309
Unrealised loss on investments fair value through profit or loss	**(9,934,558)**	(7,024,303)
Expenses/ charges on securities	**(438,872)**	(374,415)
	1,444,021	54,956,180

19. General and administrative expenses

	For the year ended 31 December	
	2015 AED	2014 AED
General and administrative expenses for underwriting operations	**47,521,165**	40,408,160
Others- for investments and centralised operation	**10,715,677**	14,209,750
Total	**58,236,842**	54,617,910

19. General and administrative expenses (continued)

The above general and administration expenses include the following costs:

	2015 AED	2014 AED
Staff costs	**36,179,136**	33,499,081
Rent	**2,580,658**	2,070,423
Depreciation	**4,868,802**	3,962,121
Others	**14,608,246**	15,086,285
Total	**58,236,842**	54,617,910
Average number of employees at 31 December	**400**	316

20. Related party transactions

The Company, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party as defined by International Accounting Standard 24 (Revised).These transaction are intitated on an agreed basis.The Company's management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

a) The following are the details of transactions with related parties

	2015 AED	2014 AED
Premiums written	**55,649,301**	103,984,496
Claims paid	**45,616,352**	91,110,047
Directors' and key management personnel (remuneration including benefits)	**9,018,542**	7,939,500
Interest income	**784,888**	1,199,325
Dividend paid	**27,933,713**	13,704,357

b) Due from related parties

	2015 AED	2014 AED
Insurance premium receivable (included in receivables)	**25,345,465**	14,358,561

c) Due to related parties

	2015 AED	2014 AED
Payable to a related party	**12,133,628**	285,623

20. Related party transactions (continued)

d) Cash and cash equivalents

	2015 AED	2014 AED
Cash at bank	**23,205,632**	30,621,662
Short term deposit	**57,727,505**	15,073,585

21. Contingent liabilities and commitments

Leases as a lessee

Non cancellable operating lease rentals are payable as follows:

	2015 AED	2014 AED
Less than one year	**274,615**	367,427

The Company leases office premises under operating lease. The leases typically run for a period of one year, with an option to renew the lease after that date.

Lease rentals are usually increased / decreased annually to reflect the market rentals. During the year, AED 3.6 million (2014: AED 4 million) was recognised as gross rental income in respect of operating leases.

Capital commitments

Capital commitments as at 31 December 2015 amounted to nil (2014: nil).

Guarantees

	2015 AED	2014 AED
Letters of guarantees	**9,467,779**	8,215,083

Fixed deposit amounting to AED 15.1 million (2014: AED 15 million) are under lien as collateral in respect of above guarantees (refer note 12). Guarantees includes an amount of AED 7.5 million (2014: AED 7.5 million) favoring the Ministry of Economy.

Contingent liabilities

The Company, in common with other insurance companies, is involved as defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Company in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

22. Segment information

Operating segment information

For management purposes the Company is organised into two operating segments, general insurance and life assurance. These segments are the basis on which Company reports its primary segment information

	General insurance		Life insurance		Total	
	2015	2014	**2015**	2014	**2015**	2014
	AED	AED	**AED**	AED	**AED**	AED
UNDERWRITING INCOME		(Restated)		(Restated)		(Restated)
Gross written premium	**434,192,335**	398,476,386	**56,710,906**	52,353,006	**490,903,241**	450,829,392
Reinsurance ceded	**(161,976,340)**	(113,965,524)	**(20,570,557)**	(19,306,740)	**(182,546,897)**	(133,272,264)
Net earned premium	**272,215,995**	284,510,862	**36,140,349**	33,046,266	**308,356,344**	317,557,128
Change in unearned premium provision and payable to policyholders of unit linked products	**(29,321,145)**	(7,043,464)	**5,034,092**	(2,662,948)	**(24,287,053)**	(9,706,412)
Reinsurance commission earned	**36,661,839**	27,576,086	**14,828,519**	8,607,287	**51,490,358**	36,183,373
Total underwriting income	**279,556,689**	305,043,484	**56,002,960**	38,990,605	**335,559,649**	344,034,089
UNDERWRITING EXPENSES						
Net claims incurred	**(189,225,701)**	(236,419,294)	**(30,152,685)**	(21,407,613)	**(219,378,386)**	(257,826,907)
Commission incurred	**(33,557,164)**	(35,022,939)	**(5,859,678)**	(4,463,218)	**(39,416,842)**	(39,486,157)
Administrative expenses	**(39,859,200)**	(34,539,650)	**(7,661,965)**	(5,868,510)	**(47,521,165)**	(40,408,160)
Total underwriting expenses	**(262,642,065)**	(305,981,883)	**(43,674,328)**	(31,739,341)	**(306,316,393)**	(337,721,224)
Profit before movement in life assurance fund	**16,914,624**	(938,399)	**12,328,632**	7,251,264	**29,243,256**	6,312,865
Net movement in life assurance fund	**-**	-	**(4,525,715)**	(5,640,598)	**(4,525,715)**	(5,640,598)
Increase/ (decrease) in fair value of investment held for unit linked products	**-**	-	**(3,339,355)**	1,355,109	**(3,339,355)**	1,355,109
Total underwriting profit	**16,914,624**	(938,399)	**4,463,562**	2,965,775	**21,378,186**	2,027,376
Profit from investments, interest and rental income					**12,841,205**	73,742,070
Unallocated expenses					**(10,715,677)**	(14,209,750)
Profit for the year					**23,503,714**	61,559,696

22.1 Segment information(continued)

Operating segment information

	General insurance		Life insurance		Total	
	2015	2014	**2015**	2014	**2015**	2014
	AED	AED	**AED**	AED	**AED**	AED
ASSETS		(Restated)		(Restated)		(Restated)
Property and equipment	**33,909,580**	34,163,679	**848,158**	291,625	**34,757,738**	34,455,304
Intangible assets	**1,958,503**	1,861,723	**-**	-	**1,958,503**	1,861,723
Investment properties	**225,781,060**	225,931,292	**-**	-	**225,781,060**	225,931,292
Investments securities	**147,300,497**	154,339,908	**92,456,853**	93,409,617	**239,757,350**	247,749,525
Reinsurance assets	**215,021,308**	129,948,464	**7,727,460**	5,961,297	**222,748,768**	135,909,761
Insurance and other receivables	**176,417,486**	105,572,619	**12,224,142**	17,778,684	**188,641,628**	123,351,303
Cash and bank balances	**194,646,976**	194,482,164	**10,774,491**	5,609,904	**205,421,467**	200,092,068
Total assets	**995,035,410**	846,299,849	**124,031,104**	123,051,127	**1,119,066,514**	969,350,976
LIABILITIES						
Insurance contract provisions	**418,295,055**	293,513,156	**75,603,730**	68,367,094	**493,898,785**	361,880,250
Insurance and other payables	**147,904,845**	100,755,738	**5,523,588**	11,672,492	**153,428,433**	112,428,230
Payable to policyholders of unit linked products	**-**	-	**36,634,723**	41,990,988	**36,634,723**	41,990,988
Total liabilities	**566,199,900**	394,268,894	**117,762,041**	122,030,574	**683,961,941**	516,299,468
EQUITY						
Share capital	**-**	-	**-**	-	**149,954,112**	149,954,112
Legal reserve	**-**	-	**-**	-	**70,299,878**	67,949,507
General reserve	**-**	-	**-**	-	**69,683,892**	67,333,521
Fair value reserve	**-**	-	**-**	-	**(100,545)**	229,233
Retained earnings	**-**	-	**-**	-	**145,267,236**	167,585,135
Total equity					**435,104,573**	453,051,508
Total Liabilities and equity					**1,119,066,514**	969,350,976

23. Capital Risk Management

The Company's objectives when managing capital is to comply with the insurance capital requirements required by UAE Federal Law no.6 of 2007 concerning Insurance companies and Agents

In UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year. The Company is subject to local insurance solvency regulations with which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

The table below summarises the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these required Solvency Margins.

	31 December 2015
	AED
Minimum Capital Requirement (MCR)	100,000,000
Solvency Capital Requirement (SCR)	191,419,846
Minimum Guarantee Fund (MGF)	72,692,386
Own Funds	
Basic Own Funds	267,721,700
Ancillary Own Funds	-
MCR Solvency Margin - Minimum Capital Requirement	167,721,700
MCR Solvency Margin Solvency Capital Requirement	76,301,854
MCR Solvency Margin Minimum Guarantee Fund	195,029,315

The minimum regulatory capital required is AED 100 million (2014: AED 100 million) against which the capital of the company was AED 149.9 million (2014: AED 149.9) million. Since the new requirement relating to the solvency capital was implemented in 2015, comparative information has not been disclosed.

24. Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding after adjusting for the issue of bonus shares during the year as set out below:

	2015	2014
	AED	AED
		(Restated)
Profit for the year	**23,503,714**	61,559,696
Weighted average number of shares outstanding during the year (after adjusting for issue of bonus shares)	**149,954,112**	149,954,112
Basic earnings per share	**0.16**	0.41

There is no dilution effect to the basic earnings per share.

25. Payable to policyholders of unit linked products - at FVTPL

	2015	2014
	AED	AED
As at 1 January	**41,990,988**	38,744,863
Amount invested by policyholders	**13,279,671**	12,583,316
Amount withdrawn at redemption/ lapse / surrender by policyholder	**(15,296,581)**	(10,692,300)
Change in fair value	**(3,339,355)**	1,355,109
At 31 December (Note 10.1)	**36,634,723**	41,990,988

26. Effects of changes in accounting policies

As disclosed in note 2 (b), the Company has voluntarily changed its accounting policy for recognising UPR, IBNR and commission income related to underwriting activities.

(a) Impact of change in accounting policies on the statement of financial position as at 1 January 2014

	As previously reported AED	Adjustment AED	Restated AED
Retained earnings	170,584,399	(14,240,182)	156,344,217
Reinsurance contract assets	147,110,941	14,169,428	161,280,369
Insurance contract liabilities	(336,929,634)	(36,920,950)	(373,850,584)
Trade and other receivables (for deferred commission expenses and other underwriting expenses)	107,671,712	8,511,340	116,183,052

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

	As previously reported AED	Adjustment AED	Restated AED
Retained earnings	199,898,147	(32,313,012)	167,585,135
Reinsurance contract assets	139,821,666	(3,911,905)	135,909,761
Insurance contract liabilities	(322,746,323)	(39,133,927)	(361,880,250)
Trade and other receivables (for deferred commission expenses and other underwriting expenses)	124,422,854	10,732,820	135,155,674

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

	As previously reported AED	Adjustment AED	Restated AED
Change in unearned premium provision and payable to policyholders of unit linked product	2,166,168	(11,872,580)	(9,706,412)
Change in outstanding claims provision	7,122,341	(8,421,729)	(1,299,388)
Commission incurred	(41,707,636)	2,221,479	(39,486,157)
Basic earnings per share	0.53	(0.12)	0.41

Change in accounting policy resulted in decrease in previously reported profit for the year ended 31 December 2014 by AED 18 million and consequently reduced basic earnings per share by AED 0.12.

27 Comparative figures

Following comparatives have been reclassified / regrouped to conform to the presentation adopted in the current year financial statements.

	At 31 December 2014 AED	Reclassification AED	At 31 December 2014 AED
Trade and other receivables (as restated in note 26)	135,155,674	(11,804,371)	123,351,303
Cash and bank balances	195,789,347	4,302,721	200,092,068
Trade and other payables	(119,929,880)	7,501,650	(112,428,230)