

**OMAN INSURANCE COMPANY P.S.C.
AND SUBSIDIARIES**

**Consolidated financial statements and
independent auditor's report
for the year ended 31 December 2015**

OMAN INSURANCE COMPANY P.S.C. AND SUBSIDIARIES

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Report of the Board of Directors

Dear Shareholders,

We have the pleasure in presenting you the 39th Annual Report of Oman Insurance Company for the year-ended 31 December 2015.

In brief, the gross written premium decreased by 1.8% reaching AED 3.19 billion against AED 3.25 billion in 2014.

The 2015 technical profits were AED 30.3 million against AED 100.9 million in 2014.

Net incurred claims increased to AED 1.12 billion against AED 1.06 billion in 2014.

Net technical reserves reached AED 1.59 billion compared to AED 1.67 billion in 2014.

Net profit attributable to owners of the company amounted to AED 80.9 million vs. AED 224.9 million in 2014.

The segment analysis of the results are detailed as follows.

1) General Insurance:

Total premiums written in this division amounted to AED 1,587,630 thousand against AED 1,518,134 thousand in 2014. The net incurred claims amounted to AED 459,226 thousand against AED 412,211 thousand in 2014.

The division's share in the General and Administration expenses amounted AED 166,416 thousand against AED 146,997 thousand in 2014.

The division realized a net profit of AED 31,457 thousand against 71,096 thousand in 2014.

2) Life Assurance:

Premiums written in the Life and Medical Insurance division amounted to AED 1,602,346 thousand against AED 1,730,810 thousand in 2014, a decrease of 7.42%. The net incurred claims amounted to AED 656,342 thousand against AED 650,514 thousand in 2014.

The division's share of General and Administration expenses amounted to AED 116,328 thousand against AED 127,373 thousand in 2014.

The division incurred a net loss of AED 1,170 thousand against profit of AED 29,810 thousand in 2014.

3) Cash and Investments:

The Company's cash and investments for this year stood at AED 2,667,489 thousand against AED 2,810,785 thousand in 2014 and the investment income was AED 89,274 thousand against AED 143,381 thousand in 2014.

Report of the Board of Directors (continued)

4) Assets and shareholders equity:

Shareholders equity reached AED 1,914,868 thousand against AED 2,003,617 thousand in 2014.

The total assets of the Company at the end of year 2015 stood at AED 6,163,314 thousand as against AED 6,143,413 thousand at the end of year 2014.

Profit and Loss and Appropriation Account:

The net profit attributable to owners of the company for the year 2015 is AED 80,936 thousand against AED 224,849 thousand in 2014 and further detailed below:

	2015 AED'000	2014 AED'000
Profits brought forward	376,127	250,705
Net profit for the year attributable to owners of the company	80,936	224,849
	457,063	475,554
Other comprehensive income/(loss)	(11,250)	4,196
Transfer to general reserve	(20,555)	(56,213)
Cash dividends paid	(46,187)	(46,187)
Transfer to contingency reserve	(2,709)	(1,223)
Retained earnings	376,362	376,127

Board of Directors Recommendations:

The Board of Directors recommends shareholders do the following:

1. Approve the Board of Directors' Report.
2. Approve the Balance Sheet and Profit and Loss Account for the year ended 31 December 2015 and approve the auditors' report thereon for the mentioned period.
3. Re-elect the Board Members for a further period of 3 years.
4. Re-appoint M/s Deloitte and Touche (M.E) as auditors for financial year 2016 and approve their remuneration
5. Discharge the Board of Directors from their liabilities for their management of the Company during 2015.
6. Discharge the auditors from their liabilities arising out of audit work and approve the appointment of the auditors for the financial year 2016 and determine their fees.
7. Approve the Board's recommendation regarding the remuneration of the Board members.
8. Approve the Board's recommendation to distribute dividends for the financial year 2015.
9. Approve the suspension of deducting the 10% statutory reserve which it has reached one-half of the paid-up capital of the company.

Report of the Board of Directors (continued)

Standard & Poor's (S&P) Ratings Services revised its outlook on Oman Insurance Company (P.S.C.) to stable from positive and at the same time affirmed the 'A-' counterparty credit and insurer financial strength ratings on Oman Insurance on July 22, 2015. The ratings reflects S&P's view that OIC will maintain a strong financial risk profile and an adequate business risk profile over the next two years. They also factor in their expectation that capital adequacy will remain extremely strong, supporting the company's ongoing growth and diversification plans.

In conclusion, the members of the Board of Directors are happy with the performance of the Company during 2015 considering the challenging year for both the global economy and local insurance industry. We would like to put on record our sincere appreciation and gratitude towards all stakeholders of OIC. We continue to draw inspiration and guidance from our valued customers and business partners whose trust and confidence helps us to continue the journey untiringly.

We express our special thanks to the management and staff of the Company for their sincere and dedicated contribution to the successful growth of the Company and wish them all the best for continued success.

May God; the Almighty; guide our steps.

On behalf of the Board,



Abdul Aziz Abdulla Al Ghurair
Chairman

INDEPENDENT AUDITOR'S REPORT

**The Shareholders of
Oman Insurance Company P.S.C.
Dubai
United Arab Emirates**

Report on the Consolidated Financial Statements

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

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Cont'd...

INDEPENDENT AUDITOR'S REPORT (continued)**Opinion**

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

Report on Other Legal and Regulatory Requirements

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

- i) we have obtained all the information, we considered necessary for the purposes of our audit;
- ii) the consolidated 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 Group has maintained proper books of account;
- iv) the financial information included in the Directors' report is consistent with the books of account of the Group;
- v) as disclosed in Note 9 to the consolidated financial statements, the Group has purchased and invested in shares during the year ended 31 December 2015;
- vi) Note 24 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or in respect of the Company's Articles of Association which would materially affect its activities or its financial position as at 31 December 2015; and
- viii) Note 34 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2015.

Further, as required by the U.A.E. Federal Law No. 6 of 2007 and the related Financial Regulations for Insurance Companies, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit. As discussed in foot note 3.1 to the consolidated financial statements, the Company is in the process of complying with certain requirements of the Financial Regulations issued by the Insurance Authority especially pertaining to Article (1) of Section (7) and Appendix (1) relating to the presentation of the financial statements and disclosures.

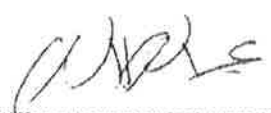
Deloitte & Touche (M.E.)



Samir Madbak
Registration Number 386
8 February 2016

Consolidated statement of financial position
At 31 December 2015

	Notes	2015 AED'000	2014 AED'000
ASSETS			
Property and equipment	5	32,720	38,823
Intangible assets	6	73,023	39,913
Investment properties	7	513,725	474,315
Goodwill		18,150	26,588
Deferred tax assets	8.2	16,769	16,364
Financial investments	9	1,738,188	1,795,689
Statutory deposits	10	23,538	23,538
Reinsurance contract assets	11	1,791,699	1,781,498
Deferred acquisition costs		117,887	125,196
Insurance receivables	12	1,328,605	1,194,962
Prepayments and other receivables	13	116,972	109,284
Bank balances and cash	14	392,038	517,243
Total assets		6,163,314	6,143,413
EQUITY AND LIABILITIES			
Equity			
Share capital	15	461,872	461,872
Reserves	16	1,456,956	1,433,692
Cumulative changes in fair value of securities		(387,941)	(299,922)
Foreign currency translation reserve		(24,158)	(3,904)
Retained earnings		376,362	376,127
Equity attributable to the Owners of the Company		1,883,091	1,967,865
Non-controlling interests		31,777	35,752
Total equity		1,914,868	2,003,617
Liabilities			
Insurance contract liabilities	11	3,385,753	3,449,288
End of service benefits	17	30,192	31,545
Bank borrowings	18	33,489	-
Deferred commission income		93,532	96,407
Re-insurance deposits retained		74,885	79,052
Insurance payables	19.1	549,083	396,544
Other payables	19.2	81,512	86,960
Total liabilities		4,248,446	4,139,796
Total equity and liabilities		6,163,314	6,143,413



Abdul Aziz Abdulla Al Ghurair
 Chairman



Christos Adamantiadis
 Chief Executive Officer

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

**Consolidated income statement
for the year ended 31 December 2015**

	Notes	2015 AED'000	2014 AED'000
Gross insurance premium	25.1	3,189,976	3,248,944
Less: Insurance premium ceded to reinsurers	25.1	(1,846,270)	(1,670,261)
Net retained premium		1,343,706	1,578,683
Net change in unearned premium	25.1	55,478	(124,985)
Net earned insurance premium		1,399,184	1,453,698
Gross claims settled	25.2	(2,034,419)	(1,923,813)
Insurance claims recovered from reinsurers	25.2	970,816	890,945
Net claims settled		(1,063,603)	(1,032,868)
Net change in outstanding claims and additional reserve		(51,965)	(29,857)
Net claims incurred		(1,115,568)	(1,062,725)
Reinsurance commission income		309,004	299,257
Commission expenses		(330,887)	(362,898)
Other income relating to underwriting activities		51,298	47,944
Net commission and other income		29,415	(15,697)
General and administrative expenses relating to underwriting activities		(282,744)	(274,370)
Net underwriting profit		30,287	100,906

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

**Consolidated income statement
for the year ended 31 December 2015 (continued)**

	Notes	2015 AED'000	2014 AED'000
Net underwriting profit		30,287	100,906
Net investment income	20	89,274	143,381
Finance costs		(1,009)	(592)
Allowance for doubtful debts	12.2	(26,537)	-
Other expenses	21	(13,715)	(18,890)
Profit before tax		78,300	224,805
Income tax	8.1	2,907	4,566
Profit for the year	22	81,207	229,371
Attributable to:			
Owners of the Company		80,936	224,849
Non-controlling interests		271	4,522
		81,207	229,371
Basic earnings per share (AED)	23	0.18	0.49

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

**Consolidated statement of comprehensive income
for the year ended 31 December 2015**

	2015 AED '000	2014 AED '000
Profit for the year	81,207	229,371
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Net fair value (losses)/gains on revaluation of investments designated at FVTOCI	(99,269)	19,997
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange loss on translation of foreign operations	(27,725)	(5,627)
Total other comprehensive (loss)/income	(126,994)	14,370
Total comprehensive (loss)/income for the year	(45,787)	243,741
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(38,587)	241,551
Non-controlling interests	(7,200)	2,190
	(45,787)	243,741

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

**Consolidated statement of changes in equity
for the year ended 31 December 2015**

	Share capital AED '000	Reserves AED '000	Cumulative changes in fair value of securities AED '000	Foreign currency translation reserve AED '000	Retained earnings AED '000	Equity attributable to the Owners of the Company AED '000	Non- controlling interests AED '000	Total AED '000
Balance at 31 December 2013	461,872	1,376,256	(315,723)	(609)	250,705	1,772,501	23,461	1,795,962
Profit for the year	-	-	-	-	224,849	224,849	4,522	229,371
Other comprehensive income/(loss) for the year	-	-	19,997	(3,295)	-	16,702	(2,332)	14,370
Total comprehensive income/(loss) for the year	-	-	19,997	(3,295)	224,849	241,551	2,190	243,741
Transfer to general reserve	-	56,213	-	-	(56,213)	-	-	-
Transfer to contingency reserve	-	1,223	-	-	(1,223)	-	-	-
Additional contributions attributable to non-controlling interests	-	-	-	-	-	-	10,101	10,101
Dividends paid (Note 35)	-	-	-	-	(46,187)	(46,187)	-	(46,187)
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	(4,196)	-	4,196	-	-	-
Balance at 31 December 2014	461,872	1,433,692	(299,922)	(3,904)	376,127	1,967,865	35,752	2,003,617

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

Consolidated statement of changes in equity
for the year ended 31 December 2015 (continued)

	Share capital AED '000	Reserves AED '000	Cumulative changes in fair value of securities AED '000	Foreign currency translation reserve AED '000	Retained earnings AED '000	Equity attributable to the Owners of the Company AED '000	Non- controlling interests AED '000	Total AED '000
Balance at 31 December 2014	461,872	1,433,692	(299,922)	(3,904)	376,127	1,967,865	35,752	2,003,617
Profit for the year	-	-	-	-	80,936	80,936	271	81,207
Other comprehensive loss for the year	-	-	(99,269)	(20,254)	-	(119,523)	(7,471)	(126,994)
Total comprehensive income/(loss) for the year	-	-	(99,269)	(20,254)	80,936	(38,587)	(7,200)	(45,787)
Transfer to general reserve	-	20,555	-	-	(20,555)	-	-	-
Transfer to contingency reserve	-	2,709	-	-	(2,709)	-	-	-
Non-controlling interests arising on acquisition of a subsidiary	-	-	-	-	-	-	115	115
Additional contributions attributable to non-controlling interests	-	-	-	-	-	-	3,110	3,110
Dividends paid (Note 35)	-	-	-	-	(46,187)	(46,187)	-	(46,187)
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	11,250	-	(11,250)	-	-	-
Balance at 31 December 2015	461,872	1,456,956	(387,941)	(24,158)	376,362	1,883,091	31,777	1,914,868

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

**Consolidated statement of cash flows
for the year ended 31 December 2015**

	2015 AED'000	2014 AED'000
Cash flows from operating activities		
Profit for the year before tax	78,300	224,805
Adjustments for:		
Depreciation and amortisation	15,876	10,798
Fair value adjustments on investment properties	(36,398)	(81,019)
Unrealised (gains)/losses on financial investments at FVTPL	17,401	(9,864)
Realised gain on sale of investment properties	-	(16,807)
Provision for end of service benefits	5,361	6,042
Allowance for doubtful receivables	26,537	-
Dividends income from financial investments at FVTPL and FVTOCI	(23,048)	(30,383)
Interests income from financial assets	(52,344)	(40,880)
Realised gains on sale of financial investments at FVTPL	(240)	(85)
Realised losses on sale of financial investments at amortised cost	5,057	6,854
Finance costs	1,009	592
Foreign currency exchange loss on investments at amortised cost	5,117	2,747
Other investment expenses	20,499	21,975
Rental income from investment properties	(7,550)	(3,326)
Unrealised loss on fair valuation of derivatives	4,346	1,202
Operating cash flows before changes in operating assets and liabilities	59,923	92,651
Increase in reinsurance contract assets	(10,201)	(466,511)
Increase in insurance and other receivables	(170,971)	(89,944)
Decrease/(increase) in deferred acquisition costs	7,309	(42,835)
Decrease/(increase) in insurance contract liabilities	(4,097)	614,824
Increase in insurance and other payables	138,506	51,457
Increase in reinsurance deposits retained	(4,167)	(3,797)
(Increase)/decrease in deferred commission income	(2,875)	33,832
Net cash generated from operations	13,427	189,677
End of service benefits paid	(6,714)	(6,094)
Finance costs paid	(1,009)	(592)
Net cash from operating activities	5,704	182,991

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

**Consolidated statement of cash flows
for the year ended 31 December 2015 (continued)**

	2015 AED'000	2014 AED'000
Cash flows from investing activities		
Purchases of financial investments at FVTOCI	(181,729)	(222,183)
Proceeds from sale of financial investments at FVTOCI	120,422	221,214
Purchases of financial investments at FVTPL	(134,367)	(295,022)
Proceeds from sale of financial investments at FVTPL	176,363	247,393
(Decrease)/Increase in unit linked liabilities	(59,438)	92,968
Proceeds from sale of financial investments at amortised cost	90,607	46,277
Purchases of financial investments at amortised cost	(148,576)	(398,882)
Dividends received from financial investments at FVTPL and FVTOCI	26,703	26,728
Interest received from financial assets	59,566	46,710
Rental income from investment properties	8,272	3,326
Other investment expenses	(17,794)	(21,975)
Purchase of property and equipment	(4,784)	(21,433)
Purchase of intangible assets	(37,311)	(23,400)
Proceeds from disposal of property and equipment	-	11
Additions to investment properties	(3,012)	-
Proceeds from sale of investment properties	-	88,270
Acquisition of a subsidiary , net of cash acquired	(2,225)	-
(Increase)/decrease in term deposits maturing after 3 months	(35,196)	90,676
Net cash used in from investing activities	(142,499)	(119,322)
Cash flows from financing activities		
Dividends paid	(46,187)	(46,187)
Additional contributions by non-controlling interests	3,110	10,101
Increase in bank borrowings	33,489	-
Net cash used in financing activities	(9,588)	(36,086)
Net (decrease)/increase in cash and cash equivalents	(146,383)	27,583
Cash and cash equivalents at the beginning of the year	341,721	318,904
Effects of exchange rate changes on the balances of cash held in foreign currency	(14,018)	(4,766)
Cash and cash equivalents at the end of the year (note 14)	181,320	341,721

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

**Notes to the consolidated financial statements
for the year ended 31 December 2015**

1. General information

Oman Insurance Company P.S.C., (the “Company”) which was established by an Amiri Decree issued by His Highness, The Ruler of Dubai, is a public shareholding company and is registered under Federal Law No. 8 of 1984 (as amended) relating to commercial companies in U.A.E. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of Insurance Authority of the U.A.E. under registration number 9. The Company is a subsidiary of Mashreq Bank (PSC) incorporated in the Emirate of Dubai. The Company’s registered head office is at P.O. Box 5209, Dubai, United Arab Emirates. The Group comprises Oman Insurance Company P.S.C and its subsidiaries (see note 31). The Company’s ordinary shares are listed on the Dubai Financial Market, United Arab Emirates.

The licensed activities of the Company are issuing short term and long term insurance contracts and trading in securities. The insurance contracts are issued in connection with property, motor, aviation and marine risks (collectively known as general insurance) and individual life (participating and non-participating), group life, personal accident, medical and investment linked products.

The Company also operates in Sultanate of Oman and State of Qatar.

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

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

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

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

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

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

<u>New and revised IFRSs</u>	Effective for annual periods beginning on or after
IFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to IAS 1 <i>Presentation of Financial Statements</i> relating to Disclosure initiative	1 January 2016

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

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

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

<u>New and revised IFRSs</u>	Effective for annual periods beginning on or after
Amendments to IFRS 11 <i>Joint arrangements</i> relating to accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 38 <i>Intangible Assets</i> relating to clarification of acceptable methods of depreciation and amortization	1 January 2016
Amendments to IAS 16 <i>Property, Plant and Equipment</i> and IAS 41 <i>Agriculture</i> relating to bearer plants	1 January 2016
Amendments to IAS 27 <i>Separate Financial Statements</i> relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements	1 January 2016
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> , IFRS 12 <i>Disclosure of Interests in Other Entities</i> and IAS 28 <i>Investment in Associates and Joint Ventures</i> relating to applying the consolidation exception for investment entities	1 January 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7 and IAS 19.	1 January 2016
Finalised version of IFRS 9 (IFRS 9 Financial Instruments (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model.	1 January 2018
A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.	
A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.	

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

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

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

<u>New and revised IFRSs</u>	Effective for annual periods beginning on or after
IFRS 15 <i>Revenue from Contracts with Customers</i> : IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.	1 January 2018
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture	Effective date deferred indefinitely

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

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

3. Summary of significant accounting policies

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

3.1 Statement of compliance

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

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

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

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.1 Statement of compliance (continued)

The Company has complied with the majority of the requirements listed in the Financial Regulations and is in the process of implementing remaining requirements to comply fully with the Financial Regulations and Circular No. (4) of 2016 concerning the 2015 annual report requirements for insurance companies operating in the UAE. This mainly include preparation of the financial statements and disclosures based on Appendix (1) of the Financial Regulations particularly relating to generation of separate financial statements for Insurance of Persons and Funds Accumulation operations and separate financial statements for Property and Liability insurance operations in addition to consolidated financial statements as detailed in Appendix (1).

3.2 Basis of preparation

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

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

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

The Group presents its consolidated statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

The amounts in the consolidated financial statements are rounded to nearest thousand ("AED '000") except when otherwise indicated.

The principal accounting policies are set out below.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation

The consolidated financial statements of Oman Insurance P.S.C. and Subsidiaries (the "Group") incorporate the financial statements of the Company and the entities controlled by the Company (its Subsidiaries).

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement and consolidated statement of other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.4 Business combinations

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.4 Business combinations (continued)

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

3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see note 3.4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

3.6 Insurance contracts

3.6.1 Product classification

Insurance contracts are those contracts that the Group (the insurer) has accepted the significant insurance risk from another party (policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Group determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. An insurance contract can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable provided in case of a non-financial variable, that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime even if the insurance risk reduces significantly during this period unless all rights and obligations are extinguished or expire. An investment contract can however be classified as an insurance contract after its inception if the insurance risk becomes significant.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.6 Insurance contracts (continued)

3.6.1 Product classification (continued)

Some insurance contracts and investment contracts contain discretionary participating features (DPF) which entitle the contract holder to receive, as a supplement to the standard guaranteed benefits, additional benefits;

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the insurer;
- that are contractually based on;
 - (i) the performance of a specified pool of contracts or a specified type of contract,
 - (ii) realised/unrealised investment returns on a specified pool of assets held by the issuer or,
 - (iii) the profit or loss of the Company, fund or other entity that issues that contract.

Under IFRS 4, DPF can be either treated as an element of equity or as a liability, or can be split between the two elements. The Group policy is to treat all DPF as a liability within insurance or investment contract liabilities.

The policyholder bears the financial risks relating to some insurance contracts or investment contracts. Such products are usually unit-linked contracts.

3.6.2 Recognition and measurement

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

These contracts are general insurance contracts and life assurance contracts.

3.6.3 General insurance contracts

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown in the profit and loss before deduction of commission.

Claims and loss adjustment expenses are charged to the profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

3.6.4 Life assurance contracts

In respect of the short term life assurance contracts, premiums are recognised as revenue (earned premiums) proportionately over the period of coverage. The portion of the premium received in respect of in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown before the deduction of the commission.

In respect of long term life assurance contracts, premium are recognised as revenue (earned premiums) when they become payable by the contract holder. Premiums are shown before deduction of commission.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.6 Insurance contracts (continued)

3.6.4 Life assurance contracts (continued)

Premiums for group credit life policies are recognised when it is paid by the contract holder.

A liability for contractual benefits that are expected to be incurred in future is recorded when the premiums are recognised. The liability is based on the assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviation is included in the assumptions.

Where a life assurance contract has a single premium or limited number of premium payments due over a significantly shorter period than the period during which the benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contract in-force or for annuities in force, in line with the decrease of the amount of future benefits expected to be paid.

The liabilities are recalculated at the end of each reporting period using the assumptions established at the inception of the contract..

Claims and benefits payable to contract holders are recorded as expenses when they are incurred.

3.6.5 Reinsurance contracts

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are recognised as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer, are included in insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance contract assets.

The Group assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract assets are impaired, the Group reduces the carrying amount of the reinsurance contract assets to their recoverable amounts and recognises that impairment loss in the profit or loss. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as expenses when due.

The Group also assumes reinsurance risk in the normal course of business for life insurance and general insurance contracts where applicable. Premium and claims on assumed reinsurance contracts are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.6 Insurance contracts (continued)

3.6.6 Insurance contract liabilities

3.6.6.1 Unearned premium reserve

At the end of the reporting period, proportions of net retained premium of the general insurance and medical insurance are provided to cover portions of risks which have not expired. The reserves are calculated on time-proportion basis. Unearned premium for group life and individual life classes of business is estimated by the Group's actuary in the calculation of the insurance contracts liabilities for life assurance business.

3.6.6.2 Additional reserve

The additional reserve comprises of the provisions made for;

- the estimated excess of potential claims over unearned premiums (premium deficiency),
- the claims incurred but not reported at the end of the reporting period (IBNR) and,
- the potential shortfall in the estimated amounts of the unpaid reported claims.

The reserve represents management's best estimates of the potential liabilities at the end of the reporting period. The liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group. Management estimates IBNR based on past claims settlement trends for the claims incurred but not reported using actuarial valuation method. At the end of each reporting period, prior year claims estimates are reassessed for adequacy by the Group's actuary and changes are made to the provision.

3.6.6.3 Life assurance fund

The life assurance fund is determined by independent actuarial valuation of future policy benefits at the end of each reporting period. 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 and industry mortality tables. Adjustments to the balance of the fund are effected by charging to profit or loss.

3.6.6.4 Unit linked liabilities

For unit linked policies, liability is equal to the policy account values. The account value is the number of units times the bid price.

3.6.6.5 Outstanding claims

Insurance contract liabilities towards outstanding claims are recognised for all claims intimated and unpaid at the end of the reporting period. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when it is expired, discharged or cancelled.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.6 Insurance contracts (continued)

3.6.7 Deferred policy acquisition costs (DAC)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred. The DAC is subsequently amortised as follows:

- For property, casualty and short-duration life insurance contracts, DAC is amortised over the terms of the policies as premium is earned;
- For long-term insurance contracts, DAC is amortised in line with premium revenue using assumptions consistent with those used in calculating future policy benefit liabilities; and
- For long-term investment contracts, DAC is amortised over a period of four years.

3.6.8 Salvage and subrogation reimbursements

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

3.6.9 Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group 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 and provision is reserved in the additional reserve.

3.6.10 Receivables and payables related to insurance contracts

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

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit or loss.

3.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

3.7.1 Revenue from insurance contracts

Revenue from insurance contracts is measured under revenue recognition criteria stated under insurance contracts in these consolidated financial statements (see note 3.6).

3.7.2 Deferred commission income

Commission received when the reinsurance premium is ceded based on the terms and percentages agreed with the reinsurers is recognised as deferred commission income. These commissions are recognised as commission income using the same methodology adopted for the amortization of DAC.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.7 Revenue recognition (continued)

3.7.3 Dividend income

Dividend income is recognised when the Group's right to receive the payment has been established.

3.7.4 Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.8 General and administrative expenses

Direct expenses are charged to the respective departmental revenue accounts. Indirect expenses are allocated to departmental revenue accounts on the basis of gross written premiums of each department. Other administration expenses are charged to profit or loss as unallocated general and administrative expenses.

3.9 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.9.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. The tax currently payable is calculated in accordance with fiscal regulations of Sultanate of Oman, Qatar and Turkey.

3.9.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary differences arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill.

The carrying of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.9 Income tax (continued)

3.9.2 Deferred tax (continued)

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.9.3 Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.10 Foreign currencies

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.10 Foreign currencies (continued)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in United Arab Emirates Dirhams ("AED"), using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in the equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each period. Exchange differences arising are recognised in other comprehensive income and accumulated in equity.

3.11. Non-financial assets

3.11.1 Property and equipment

Capital work in progress is stated at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

Other property and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost of assets, other than capital work in progress, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.11. Non-financial assets (continued)

3.11.1 Property and equipment (continued)

The useful lives considered in the calculation of depreciation Furniture and equipment is 3 – 5 years and Motor vehicles is 5 years.

3.11.2 Intangible assets

Intangible assets are reported at cost less accumulated amortisation and identified impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives considered in the calculation of amortisation is 5 years.

3.12 Investment properties

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

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

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation or commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use. Fair value is determined by open market values based on valuations performed by independent surveyors and consultants or broker's quotes.

3.13 Impairment of non-financial assets

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

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.13 Impairment of non-financial assets (continued)

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

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

3.14 Provisions

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

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

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

3.15 Employee benefits

3.15.1 Defined contribution plan

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

3.15.2 Annual leave and leave passage

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

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.15 Employee benefits (continued)

3.15.3 Provision for employees' end of service benefits

Provision is made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law and is based on current remuneration and their period of service at the end of the reporting period. Provisions for employees' end of service indemnity for the employees working with the entities domiciled in other countries are made in accordance with local laws and regulations applicable in these countries.

3.16 Borrowing costs

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

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

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

3.17 Leasing

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

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

3.18 Financial instruments

3.18.1 Recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss (FVTPL) are recognised immediately in profit or loss.

A financial asset and financial liability is offset and the net amount is reported in the consolidated financial statements only when there is legally enforceable right to set off the recognised amount and the Group intends either to settle on a net basis or realise the assets and settle the liabilities simultaneously.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.19 Financial assets

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

3.19.1 Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32 Financial Instruments: Presentation) except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

3.19.2 Financial assets at amortised cost and the effective interest method

Debt instruments are measured at amortised cost if both of the following conditions are met:

- 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 principal and interest on the principal amount outstanding.

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL – see below). They are subsequently measured at amortised cost using the effective interest method less any impairment (see 3.19.6 below), with interest income recognised on an effective yield basis (note 3.7.4).

Subsequent to initial recognition, the Group is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria are no longer met.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Group may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

3.19.2.1 Cash and cash equivalents

Cash and cash equivalents, which include cash on hand and deposits held with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.19 Financial assets (continued)

3.19.2 Financial assets at amortised cost and the effective interest method (continued)

3.19.2.2 Insurance receivables, other receivables and statutory deposits

Insurance receivables, other receivables and statutory deposits are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3.19.3 Financial assets at fair value through other comprehensive income (FVTOCI)

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

A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value of securities reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments, but reclassified to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI.

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

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

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

Investment linked components of insurance contracts are classified as at FVTPL. Any gains or losses arising on remeasurement of these assets and equivalent movements in reserves attributable to policyholders are offset within the same line in the consolidated income statement.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.19 Financial assets (continued)

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

Debt instruments that do not meet the amortised cost criteria (see above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 30.3.

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

3.19.5 Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period.

The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in profit or loss; and
- for financial assets that designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the profit or loss.

3.19.6 Impairment of financial assets

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

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.19 Financial assets (continued)

3.19.6 Impairment of financial assets (continued)

Objective evidence of impairment could include:

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

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

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

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

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

3.19.7 Derecognition of financial assets

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

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.19 Financial assets (continued)

3.19.7 Derecognition of financial assets (continued)

On derecognition of a financial asset measured at amortised cost or measured at FVTPL, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of securities reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

3.20 Financial liabilities and equity instruments issued by the Group

3.20.1 Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3.21 Equity instruments

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

3.22 Financial liabilities

All financial liabilities are initially measured at fair value net of transactions costs except financial liabilities at fair value through profit or loss (FVTPL) which are initially measured at fair value. All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL. The Group does not have any financial liabilities measured at FVTPL.

3.22.1 Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of the reporting period. The Group's financial liabilities measured at amortised costs include bank borrowings, reinsurance deposits retained, insurance payables, trade and other payables excluding the advances to suppliers.

The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method with interest expense that is not capitalised as part of the cost of an asset, is recognised in profit or loss except for short term payables where the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

3. Summary of significant accounting policies (continued)

3.22 Financial liabilities (continued)

3.22.2 Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in the profit or loss.

3.22.3 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.23 Derivative financial instruments

Derivatives financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. All the derivatives financial instruments are carried at their fair values as financial assets where the fair values are positive and as financial liabilities where the fair values are negative. A derivative financial instrument is presented as non-current assets or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivative financial instruments are presented as current assets or current liabilities. Fair values of the derivatives are carried out by reference to quoted market prices, discounted cash flow models and recognised pricing models as appropriate. Interest rate swap and total return swap contracts represent Level 2 and Level 1 financial instruments under the fair value hierarchy.

3.24 Dividend distribution

Dividend distribution to the Shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Shareholders.

4. Critical accounting judgements and key sources of estimation of uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgements and estimates made by management that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

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

4.1 Critical judgements in applying accounting policies

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

4.1.1 Classification of investments

Management determines at the time of acquisition of securities whether these should be classified as at FVTOCI, FVTPL or amortised cost. In determining whether investments in securities are classified as at FVTOCI, FVTPL or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 Financial Instruments. Management is satisfied that the Group's investments in securities are appropriately classified.

4.1.2 Classification of properties

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

4.1.3 Consolidation of Qatar Operations

The Company established operations in Qatar on 6 January 2008 through an agency agreement entered into with the local sponsor valid for an indefinite period. The financial performance and the financial position of Qatar operations are consolidated in these consolidated financial statements on the basis of the control as the operations are managed and supervised by the Company from the inception to date. At the end of the each reporting period, management assesses the Company's ability to manage and supervise the financial and operating policies of the Qatar Operations for the benefit of the Company and determines if the financial performance and financial position be consolidated with the Company. Based on such assessment, the Company continues to consolidate Qatar operations in the consolidated financial statements of the Group as at 31 December 2015 and for the year then ended. If the assumptions and judgments made by management in making this decision change in future, significant adjustments may be required for these consolidated financial statements in respect of the financial performance and financial position of Qatar operations consolidated thereof.

4.1.4 Financial investments at amortized costs

Management has reviewed the Group's financial assets measured at amortized cost in the light of its capital maintenance and liquidity requirements and has confirmed the Group's positive intent and ability to hold these assets until their maturity so as to collect the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The carrying amount of financial assets measured at amortized cost is AED 962,622 thousand at 31 December 2015 (2014: AED 922,981 thousand). Details of these assets are set out in note 9.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

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

4.1 Critical judgements in applying accounting policies (continued)

4.1.5 Deferred tax asset

For the purpose of measuring the deferred tax asset that substantially pertaining to carried forward unused tax losses of a subsidiary, management has reviewed the future forecast and profitability of the subsidiary over the period in which tax losses should be utilized and concluded that it is probable that taxable profits will be available against which those unused tax losses can be utilized. Details of deferred tax asset calculation are set out in note 8.

4.1.6 Fair value of derivative financial instruments

At 31 December 2015 the Company has outstanding interest rate swaps and total return swap as disclosed in the Note 19.2. The fair value of these swaps has been determined in accordance with quoted market price, best market practice and observable market data.

4.2 Key sources of estimation uncertainty

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

4.2.1 The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will eventually pay for such claims. Estimates have to be made at the end of the reporting period for both the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

4.2.2 Impairment of insurance receivables

An estimate of the collectible amounts of insurance receivable is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired entails management's evaluation of the specific credit and liquidity position of the contract holders and their historical recovery rates including detailed reviews carried out during 2015 and feedback received from the legal department. Based on this estimate, an impairment loss of AED 26,537 thousand (2014: Nil) has been recognised in the current year.

4.2.3 Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group 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.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

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

4.2 Key sources of estimation uncertainty (continued)

4.2.4 Actuarial valuation of life assurance fund

Mortality and withdrawal rate assumptions used in actuarial valuation of life fund are based on experience and the most current industry standard mortality table.

4.2.5 Additional reserve

This reserve represents management's best estimates of potential liabilities at the end of the reporting period in respect of premium deficiency, IBNR and shortfall in the estimated amounts of the unpaid reported claims. This reserve is estimated by the Group's actuary.

4.2.6 Valuation of unquoted equity instruments

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

4.2.7 Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash generating units to which goodwill is allocated. Estimating the value-in-use required the Group to make an estimate of the expected future cash flows from each cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

4.2.7.1 Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to cash generating units for impairment testing as follows:

	2015	2014
	AED'000	AED'000
Dubai Starr Sigorta A.Ş.	16,250	26,588
ITACO Bahrain Co W.L.L	1,900	-
	18,150	26,588

Management has carried out an impairment test for goodwill at the year end and has concluded that no impairment has taken place. For this purpose, the recoverable amount of each cash generating unit has been determined based on a value-in-use calculation using cash flow projections, based on financial budgets approved by senior management, covering a five year period. Cash flows beyond the five-year period are extrapolated using a growth rate, which management believes approximates the long term growth rate for the industry in which the cash generating unit operates.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

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

4.2 Key sources of estimation uncertainty (continued)

4.2.7 Impairment of goodwill (continued)

4.2.7.2 Key assumption used for the calculation of value-in-use

The calculation of value-in-use is sensitive to the following assumptions:

a. Growth rate

Growth rates are based on the management's assessment of the market share having regard to the forecasted growth and demand for the products offered. Growth rates of 20% - 25% per annum have been applied in the calculation.

b. Profit margins

Profit margins are based on the management's assessment of achieving a stabilized level of performance based on the approved business plan of the cash generating unit for the next five years.

c. Discount rates

Management has used the discount rate of 18.02% per annum throughout the assessment period, reflecting the estimated weighted average cost of capital of the Group and specific market risk profile.

4.2.8 Amortization of deferred acquisition costs ("DAC") and deferred commission income

Deferred acquisition costs are amortized using methods that provide the most appropriate bases of recognizing acquisition costs as expenses in line with the recognition of revenue from related insurance contracts. The various assumptions, inputs and estimates are used in these calculations by management.

4.2.8 Impairment of intangible assets

The period of amortisation of the intangible assets is determined based on the pattern in which the asset's future economic benefits are expected to be consumed by the Group and technological obsolescence. Management has concluded that no impairment of intangible assets is required based on impairment test performed by the Group as of the reporting date.

4.2.9 Property and equipment

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

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

5. Property and equipment

	Furniture and equipments AED'000	Motor vehicles AED'000	Capital work in progress AED'000	Total AED'000
Cost				
Balance at 31 December 2013	94,455	1,107	2,422	97,984
Additions during the year	17,532	518	3,383	21,433
Disposals during the year	-	(555)	-	(555)
Effect of foreign currency exchange differences	(757)	-	-	(757)
Balance at 31 December 2014	111,230	1,070	5,805	118,105
Additions during the year	4,468	316	-	4,784
Transfers	5,605	-	(5,605)	-
Written off	(27,035)	-	-	(27,035)
Acquisition through business combination	360	-	-	360
Effect of foreign currency exchange differences	8,249	5	(200)	8,054
Balance at 31 December 2015	102,877	1,391	-	104,268
Accumulated depreciation				
Balance at 31 December 2013	70,991	915	-	71,906
Charge for the year	8,388	135	-	8,523
Eliminated on disposal	-	(544)	-	(544)
Effect of foreign currency exchange differences	(603)	-	-	(603)
Balance at 31 December 2014	78,776	506	-	79,282
Charge for the year	11,537	138	-	11,675
Written off	(27,035)	-	-	(27,035)
Effect of foreign currency exchange differences	7,624	2	-	7,626
Balance at 31 December 2015	70,902	646	-	71,548
Carrying amounts				
Balance at 31 December 2015	31,975	745	-	32,720
Balance at 31 December 2014	32,454	564	5,805	38,823

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

6. Intangible assets

	Computer software AED'000	Capital work in progress AED'000	Total AED'000
Cost			
31 December 2013	1,751	17,366	19,117
Additions during the year	8,586	14,814	23,400
31 December 2014	10,337	32,180	42,517
Additions during the year	3,505	33,806	37,311
Transfers	22,348	(22,348)	-
31 December 2015	36,190	43,638	79,828
Amortisation			
31 December 2013	329	-	329
Charge for the year	2,275	-	2,275
31 December 2014	2,604	-	2,604
Charge for the year	4,201	-	4,201
31 December 2015	6,805	-	6,805
Carrying amount 31 December 2015	29,385	43,638	73,023
31 December 2014	7,733	32,180	39,913

Capital work-in-progress includes computer software, advances paid to consultants and providers of information technology solutions for a core replacement project of the Group's IT infrastructure.

7. Investment properties

	2015 AED'000	2014 AED'000
Balance at the beginning of the year	474,315	464,759
Additions during the year	3,012	-
Disposals during the year	-	(71,463)
Increase in fair value during the year	36,398	81,019
Balance at the end of the year	513,725	474,315

Investment properties include plots of land and buildings.

7. Investment properties (continued)

The fair value of the Group's investment properties as at 31 December 2015 and 2014 has been arrived at on the basis of valuations carried on the respective dates by independent valuers who are not related to the Group and have appropriate qualifications and recent market experience in the valuation of properties in the United Arab Emirates.

The fair value was determined based on the acceptable approaches that reflects recent transactions prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

At 31 December 2015 and 2014, the Group's investment properties are classified as level 3 in the fair value hierarchy and there are no transfers between level 1, 2 and 3 during the year 2015 and 2014.

Details of the Group's investment properties and their fair values are as follows:

	2015 AED '000	2014 AED '000
Plots of land located in Dubai, UAE	374,292	348,068
Units of a building located in DIFC, Dubai, UAE	72,850	56,932
Units of a building located in Motor City, Dubai, UAE	66,583	69,315
	<u>513,725</u>	<u>474,315</u>

8. Income tax

Foreign operations of the Group are liable for the corporate taxes of the respective jurisdictions at prevailing tax rates. The effective tax rates during the year were 12% to 20%. The corporate taxes are payable on the total income of the foreign operations after making the adjustments for certain disallowable expenses, exempt income and investment and other allowances. During the year, the provision for corporate tax liabilities is made only for the Group's Oman operations as other foreign operating entities have incurred taxable losses.

8.1 Income tax expenses recognized in profit or loss

	2015 AED '000	2014 AED '000
<i>Current tax</i>		
In respect of the current year	1,275	428
<i>Deferred tax</i>		
In respect of current year	(4,182)	(4,994)
Total income tax credit recognised in the current year	<u>(2,907)</u>	<u>(4,566)</u>

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

8. Income tax (continued)

8.1 Income tax expenses recognized in profit or loss (continued)

Income tax expense for the year can be reconciled to the accounting profit as follows:

	2015 AED '000	2014 AED '000
Profit before tax for the year	78,300	224,805
Adjustments for:		
Profit not subject to income tax	(62,221)	(221,186)
Allowable expenses	(246)	(867)
Statutory allowance	-	(285)
Unallowable expenses	344	993
Taxable profit for the year	16,177	3,460
Income tax payable for the current year	1,275	428

8.2 Deferred tax assets

Following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position;

	2015 AED '000	2014 AED '000
Deferred tax assets	17,015	17,112
Deferred tax liabilities	(246)	(748)
Deferred tax assets - net	16,769	16,364

Deferred tax assets/liabilities given above relate to the following:

	2015 AED '000	2014 AED '000
Accumulated losses	11,166	15,378
Insurance contract liabilities	4,975	663
Accruals	770	497
Provision for employees' benefits	38	574
Difference in valuation of fixed assets	(65)	(45)
Difference in valuation of financial investments	(115)	(703)
	16,769	16,364

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

9. Financial investments

9.1 Composition of financial investments

The Group's financial investments at the end of reporting period are detailed below.

	2015 AED '000	2014 AED '000
At fair value through profit or loss (note 9.2)	308,955	368,112
At fair value through other comprehensive income (note 9.3)	466,611	504,596
Measured at amortised cost (note 9.4)	962,622	922,981
	<u>1,738,188</u>	<u>1,795,689</u>

9.2 Financial investments at fair value through profit or loss

	2015 AED '000	Domestic 2014 AED '000	2015 AED '000	International 2014 AED '000	2015 AED '000	Total 2014 AED '000
Investment in bonds	-	-	16,890	17,293	16,890	17,293
Unit linked investments	2,614	-	289,451	350,819	292,065	350,819
	<u>2,614</u>	<u>-</u>	<u>306,341</u>	<u>368,112</u>	<u>308,955</u>	<u>368,112</u>

9.3 Financial investments at fair value through other comprehensive income

	2015 AED '000	Domestic 2014 AED '000	2015 AED '000	International 2014 AED '000	2015 AED '000	Total 2014 AED '000
Shares						
- Quoted	164,083	205,703	168,998	168,502	333,081	374,205
- Unquoted	91,964	100,819	41,566	29,572	133,530	130,391
	<u>256,047</u>	<u>306,522</u>	<u>210,564</u>	<u>198,074</u>	<u>466,611</u>	<u>504,596</u>

9.4 Financial investments measured at amortised cost

	2015 AED '000	Domestic 2014 AED '000	2015 AED '000	International 2014 AED '000	2015 AED '000	Total 2014 AED '000
Investments in bonds						
- Quoted	487,425	452,583	458,597	470,398	946,022	922,981
- Unquoted	16,600	-	-	-	16,600	-
	<u>504,025</u>	<u>452,583</u>	<u>458,597</u>	<u>470,398</u>	<u>962,622</u>	<u>922,981</u>

9. Financial investments (continued)

9.4 Financial investments measured at amortised cost (continued)

These bonds carry interests at the rates of 1.53% to 10.75% per annum. The Group holds these investments with the objective of receiving the contractual cash flows over the instruments life. The bonds are redeemable at par from 2016 to 2025 based on their maturity dates. The fair value of these bonds at 31 December 2015 is AED 953,278 thousand (2014: AED 902,808 thousand).

9.5 Movements in financial investments

The movements in financial investments are as follows:

	Fair value through profit or loss AED'000	Fair value through OCI AED'000	Amortised cost AED'000	Total AED'000
At 31 December 2013	310,534	483,630	585,807	1,379,971
Purchases	295,022	222,183	398,882	916,087
Disposals	(247,308)	(212,497)	(53,131)	(512,936)
Amortisation	-	-	(5,830)	(5,830)
Foreign currency exchange differences	-	-	(2,747)	(2,747)
Changes in fair value	9,864	11,280	-	21,144
At 31 December 2014	368,112	504,596	922,981	1,795,689
Purchases	134,367	181,729	148,576	464,672
Disposals	(176,123)	(110,480)	(95,664)	(382,267)
Amortisation	-	-	(8,154)	(8,154)
Foreign currency exchange differences	-	-	(5,117)	(5,117)
Changes in fair value	(17,401)	(109,234)	-	(126,635)
At 31 December 2015	308,955	466,611	962,622	1,738,188

9.5.1 Reclassification of financial investments measured at FVTPL

On 28 March 2013, management revisited the Group's business model for managing the financial investments and changed its business model for managing investments in debt instruments. Accordingly, the Group reclassified AED 352,391 thousand from FVTPL to amortised cost from 1 April 2013. The business model has been changed from realizing the fair value by disposing of the investment to hold the asset until its maturity so as to collect the contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

These bonds carry effective interests at the rates of 2% to 9% per annum at the date of reclassification. The interest income recognized on these investments for the year ended 31 December 2015 is AED 7,340 thousand (2014: AED 10,996 thousand).

The fair value loss recognised in profit or loss during the year would have been increased by AED 6,351 thousand (2014: AED 1,971 thousand) if these financial assets had not been reclassified.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

10. Statutory deposits

	2015 AED '000	2014 AED '000
Bank deposit maintained in accordance with Article 42 of U.A.E. Federal Law No. 6 of 2007	10,000	10,000
Amount under lien with Capital Market Authority – Sultanate of Oman	13,538	13,538
	<u>23,538</u>	<u>23,538</u>

11. Insurance contract liabilities and reinsurance contract assets

	2015 AED '000	2014 AED '000
Insurance contract liabilities		
Outstanding claims	1,363,849	1,497,915
Additional reserve	361,649	194,895
Life assurance fund (note 11.1)	232,466	195,775
Unearned premium (note 25.1)	1,136,722	1,210,198
Unit linked liabilities (note 11.2)	291,067	350,505
	<u>3,385,753</u>	<u>3,449,288</u>
Recoverable from re-insurers		
Outstanding claims	952,646	1,067,933
Additional reserve	216,183	120,173
Unearned premiums	622,870	593,392
	<u>1,791,699</u>	<u>1,781,498</u>
Insurance contract liabilities – net		
Outstanding claims	411,203	429,982
Additional reserve	145,466	74,722
Life assurance fund (note 11.1)	232,466	195,775
Unearned premiums (note 25.1)	513,852	616,806
Unit linked liabilities (note 11.2)	291,067	350,505
	<u>1,594,054</u>	<u>1,667,790</u>

The 2015 technical reserves have been certified by the Appointed Actuary of the Company according to the Financial Regulations issued by Insurance Authority. A summary of the actuary's report on the technical provisions is disclosed in note 33 to the consolidated financial statements.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

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

<i>11.1 Life assurance fund</i>	AED '000
31 December 2013	156,659
Increase	39,116
31 December 2014	195,775
Increase	36,691
31 December 2015	232,466
<i>10.2 Unit linked liabilities</i>	AED '000
31 December 2013	257,537
Increase	92,968
31 December 2014	350,505
Decrease	(59,438)
31 December 2015	291,067

The following table presents the sensitivity of the value of insurance contract liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance contract liabilities. For liabilities under long-term insurance contracts with fixed and guaranteed terms, changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. No losses arose in either 2015 or 2014, based on the results of the liability adequacy test. The table below indicates the level of the respective variable that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration in the variable.

Scenario	Change in assumptions	Impact on net liability	
		2015 AED'000	2014 AED'000
Mortality/morbidity	+10%	1,935	2,467
Discount rate	+75bps	(12,729)	(12,954)
Mortality/morbidity	-10%	(1,942)	(2,461)
Discount rate	-75bps	14,965	14,940

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

12. Insurance receivables

	2015 AED'000	2014 AED'000
Due from policyholders and brokers	907,186	809,704
Less: allowance for doubtful debts	(73,713)	(57,492)
Net due from policyholders and brokers	<u>833,473</u>	<u>752,212</u>
Due from insurance/reinsurance companies	528,322	463,733
Less: allowance for doubtful debts	(33,190)	(20,983)
Net due from insurance/reinsurance companies	<u>495,132</u>	<u>442,750</u>
Total insurance receivables	<u>1,328,605</u>	<u>1,194,962</u>

The average credit period of insurance receivables is 30 to 120 days. No interest is charged on overdue balances and no collateral is taken on insurance receivables.

The Group has adopted a policy of dealing with creditworthy counterparties. Adequate credit assessment is made before accepting an insurance contract from any counterparty. The Group does not have any single counterparty whose outstanding balance at the end of the period exceeds 5% of the total receivable balance.

Included in the Group's total insurance receivables are balances amounting to AED 642,289 thousand (2014: AED 374,019 thousand) which are past due at the end of the reporting period for which no allowance has been provided for, as there was no significant change in credit quality of these insurance receivables and the amounts are considered recoverable.

12.1 Ageing of insurance receivables

	2015 AED'000	2014 AED'000
Neither past due nor impaired	686,316	820,943
Past due but not impaired		
121 to 180 days	240,383	104,738
above 180 days	401,906	269,281
	<u>1,328,605</u>	<u>1,194,962</u>
Past due and impaired	106,903	78,475
Gross insurance receivables	<u>1,435,508</u>	<u>1,273,437</u>

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

12. Insurance receivables (continued)

12.2 Movement in the allowance for doubtful debts

	2015 AED '000	2014 AED '000
Balance at beginning of the year	78,475	90,686
Allowance made during the year	26,537	-
Foreign currency exchange differences	4,188	-
Amounts written off as uncollectible during the year	(2,297)	(12,211)
Balance at end of the year	106,903	78,475

The Group has provided for certain receivables based on estimated recoverable amounts, determined after review of credit quality of specific customers and past default experience. In determining the recoverability of an insurance receivable, the Group considers any change in the credit quality of the customer from the date credit was initially granted up to the reporting date. Accordingly, management believes that no further provision is required in excess of the allowance for doubtful debts that has been provided for.

13. Prepayments and other receivables

	2015 AED'000	2014 AED'000
Accrued income	14,073	17,699
Prepayments	44,437	55,002
Staff debtors and advances	9,129	7,211
Other receivables	49,333	29,372
	116,972	109,284

14. Bank balances and cash

	2015 AED '000	2014 AED '000
Deposits with banks with maturity over 3 months	210,718	175,522
Deposits with banks maturing within 3 months	80,082	208,185
Current accounts and cash	101,238	133,536
Total bank balances and cash	392,038	517,243
Less: Deposit with banks with maturity over 3 months	(210,718)	(175,522)
Cash and cash equivalents for the purpose of consolidated statement of cash flows	181,320	341,721

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

14. Bank balances and cash (continued)

The interest rates on fixed deposits and call accounts with banks ranges 0.5% to 13.8% (2014: 0.39% to 4.54%) per annum. Bank balances amounting to AED 120,900 thousand (2014: AED 230,812 thousand) are held in local banks in the United Arab Emirates.

Certain deposits with carrying value of AED 138,416 thousand at 31 December 2015 (2014: AED 161,209 thousand) are subject to lien in respect of guarantees and overdraft facilities.

15. Share capital

	2015 AED'000	2014 AED'000
Authorised, issued and fully paid 461,872,125 shares of AED 1 each (31 December 2014: 461,872,125 shares of AED 1 each)	461,872	461,872

16. Reserves

	Statutory reserve AED '000	Strategic reserve AED '000	General reserve AED '000	Contingency reserve AED '000	Total AED '000
Balance at 1 January 2014	230,936	303,750	836,559	5,011	1,376,256
Transfer from retained earnings	-	-	56,213	1,223	57,436
Balance at 31 December 2014	230,936	303,750	892,772	6,234	1,433,692
Transfer from retained earnings	-	-	20,555	2,709	23,264
Balance at 31 December 2015	230,936	303,750	913,327	8,943	1,456,956

16.1 Statutory reserve

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the law. In the annual general meeting held on 16 March 2014, the shareholders resolved to discontinue the appropriation as the statutory reserve reached 50% of share capital. Accordingly, no transfer was made during the year.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

16. Reserves (continued)

16.2 Strategic reserve

The strategic reserve may be utilised for any purpose to be determined by a resolution of the Shareholders of the Company at an ordinary general meeting, on the recommendation of the Board of Directors. No transfers have been made to the strategic reserve during the year.

16.3 General reserve

Annual transfers to the general reserve are made at the rate of 25% of the profit of the Company less Directors' remuneration for the year. The reserve is freely available for distribution. During the year, the transfer to this reserve was calculated at 25% of the profit as Directors' remuneration was not proposed.

16.4 Contingency reserve – Oman Branch

In accordance with Article 10 (bis) (2) (c) of Regulations for Implementing Insurance Companies Law (Ministerial Order 5/80), as amended, of Sultanate of Oman, 10% of the net outstanding claims at the end of the reporting period is transferred from retained earnings to a contingency reserve until the provision is equal to RO 5 million. In case of insufficient retained earnings or accumulated loss position, the deficit in transfer will be adjusted against retained earnings of future years. The reserves shall not be used without the prior approval of the Capital Market Authority of Sultanate of Oman.

17. End of service benefits

	2015 AED'000	2014 AED'000
Balance at the beginning of the year	31,545	31,597
Charge for the year	5,361	6,042
Paid during the year	(6,714)	(6,094)
Balance at the end of the year	30,192	31,545

18. Bank borrowings

	2015 AED'000	2014 AED'000
Term loan	33,489	-

Term loan is secured by assignment of certain bank deposits in favour of the lending institution. The term loan carries a fixed interest rate of 1.05% per annum.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

19. Insurance and other payables

19.1 Insurance payables

	2015	2014
	AED'000	AED'000
Due to policyholders and brokers	195,850	176,840
Due to insurance/reinsurance companies	291,571	174,574
Premiums collected in advance	14,342	16,124
Other insurance payables	47,320	29,006
	549,083	396,544

The average credit period is 60 to 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

19.2 Other payables

	2015	2014
	AED'000	AED'000
Accruals for staff costs	10,141	13,561
Other payables and accruals	71,371	73,399
	81,512	86,960

Other payables include interest rate swaps and total return swap contracts. The swap contracts becomes favourable (asset) or unfavourable (liability) as a result of fluctuations in market interest rates relative to the terms agreed with the counter parties. At 31 December 2015, the fair value of this instrument is unfavourable to the Group.

At 31 December 2015, the Group had total rate swap contract with principal amount of USD 18,375 million which will mature on 26 September 2016 and the change in fair value of this derivative amounting to AED 3,662 thousand (loss) (2014: Nil) has been taken to the consolidated profit and loss for the year ended 31 December 2015 with a corresponding current liability of the same amount. This contract expires within 12 months from the end of reporting date.

The Company uses interest rate swap to manage its exposure to interest rate movements on its financial investments at amortised cost by entering into interest rate swap to convert a proportion of those financial investments from fixed rates to floating rates. At 31 December 2015 the unrealised loss on changes in fair value of swap is AED 684 thousand (2014: AED 1,202 thousand) which has been taken to the consolidated profit and loss for the year ended 31 December 2015 with a corresponding current liability of the AED 1,886 thousand (2014: AED 1,202 thousand). This contract expires after 12 months from the end of reporting date.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

20. Net investment income

	2015 AED '000	2014 AED '000
Dividend income from financial investments at FVTOCI	23,048	30,383
Interest income from financial investments at amortised cost/FVTPL	36,944	28,615
Interest income from deposits	15,400	12,265
Change in fair value of investment properties	36,398	81,019
Fair value losses on financial investments at FVTPL	(404)	912
Realised gains on sale of financial investments at FVTPL	240	85
Realised losses on sale of financial investments at amortised cost	(5,057)	(6,854)
Realised gain on sale of investment properties	-	16,807
Unrealised loss on fair valuation of derivative transactions (note 19.2)	(4,346)	(1,202)
Rental income from investment properties	7,550	3,326
Other investment expenses	(20,499)	(21,975)
	<u>89,274</u>	<u>143,381</u>

21. Other expenses

	2015 AED '000	2014 AED '000
General and administration expenses not allocated	13,715	18,890
	<u>13,715</u>	<u>18,890</u>

22. Profit for the year

Profit for the year is stated after charging:

	2015 AED'000	2014 AED'000
Staff costs	195,547	172,857
Depreciation and amortisation	15,876	10,798
Rental costs – operating leases	25,915	20,900

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

23. Basic earnings per share

	2015	2014
Profit for the year attributable to the Owners of the Company (AED '000)	80,936	224,849
Weighted average number of shares	461,872,125	461,872,125
Basic earnings per share (AED)	0.18	0.49

Basic earnings per share are calculated by dividing the profit for the year attributable to the Owners of the Company by the number of weighted average shares outstanding at the end of the reporting period.

24. Related party transactions

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

24.1 At the end of the reporting period, amounts due from/to related parties are included in the following accounts:

	2015 AED '000	2014 AED '000
Cash and bank balances	75,665	111,217
Statutory deposits	10,000	10,000
Net insurance receivable	39,394	78,221
Net insurance payable	6,467	4,483

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

	2015 AED '000	2014 AED '000
Premiums	125,582	140,377
Claims	55,179	91,529
Interest income	248	1,222
Interest expense	997	592
Rental expense	3,921	3,974

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

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

24. Related party transactions (continued)

24.3 Compensation of key management personnel

	2015 AED '000	2014 AED '000
Directors' fees	2,250	2,100
Salaries and benefits	3,227	2,870
End of service benefits	-	117
	<u>5,477</u>	<u>5,087</u>

25. Segment information

For management purposes, the Group is organised into three business segments, general insurance, life insurance including medical and investments. The general insurance segment comprises property, motor, general accident, aviation and marine risks. The life insurance segment includes individual life (participating and non-participating), medical, group life and personal accident as well as investment linked products. Investment comprises investments (financial and non financial), deposits with banks and cash management for the Group's own accounts.

These segments are the basis on which the Group reports its primary segment information to the Chief Operating Decision Maker.

Segmental information is presented below:

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

25. Segment information (continued)

25.1 Segment revenue

	General Insurance			Life Assurance and Medical			Total	
	Gross AED'000	Reinsurance AED'000	Net AED'000	Gross AED'000	Reinsurance AED'000	Net AED'000	Gross AED'000	Reinsurance AED'000
Year 2015								
Insurance premium	1,587,630	(970,489)	617,141	1,602,346	(875,781)	726,565	3,189,976	(1,846,270)
Movement in provision for unearned premium	(9,002)	18,732	9,730	46,855	(1,107)	45,748	37,853	17,625
Insurance premium earned	1,578,628	(951,757)	626,871	1,649,201	(876,888)	772,313	3,227,829	(1,828,645)
Unearned premium as at 31 December 2015	665,644	(393,213)	272,431	471,078	(229,657)	241,421	1,136,722	(622,870)
Year 2014								
Insurance premium	1,518,134	(893,696)	624,438	1,730,810	(776,565)	954,245	3,248,944	(1,670,261)
Movement in provision for unearned premium	(111,002)	98,920	(12,082)	(115,099)	2,196	(112,903)	(226,101)	101,116
Insurance premium earned	1,407,132	(794,776)	612,356	1,615,711	(774,369)	841,342	3,022,843	(1,569,145)
Unearned premium as at 31 December 2014	655,650	(362,630)	293,020	554,548	(230,762)	323,786	1,210,198	(593,392)

1,578,683
(124,985)
1,453,698
616,806

Notes to the consolidated financial statements

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

25. Segment information (continued)

25.3 Segment results

	Year ended 31 December 2015			Year ended 31 December 2014		
	General AED'000	Life and medical AED'000	Total AED'000	General AED'000	Life and medical AED'000	Total AED'000
Net insurance premium earned	626,871	772,313	1,399,184	612,356	841,342	1,453,698
Net claims incurred	(459,226)	(656,342)	(1,115,568)	(412,211)	(650,514)	(1,062,725)
Reinsurance commission income	223,255	85,749	309,004	171,846	127,411	299,257
Commission expenses	(197,791)	(133,096)	(330,887)	(154,786)	(208,112)	(362,898)
Other income relating to underwriting activities	4,764	46,534	51,298	889	47,055	47,944
Net commission and other income	30,228	(813)	29,415	17,949	(33,646)	(15,697)
General and administrative expenses relating to underwriting activities	(166,416)	(116,328)	(282,744)	(146,997)	(127,373)	(274,370)
Net underwriting profit	31,457	(1,170)	30,287	71,097	29,809	100,906
Net investment income			89,274			143,381
Finance costs			(1,009)			(592)
Allowance for doubtful debts			(26,537)			-
Other expenses			(13,715)			(18,890)
Profit before tax			78,300			224,805
Income tax			2,907			4,566
Profit for the year			81,207			229,371
Attributable to						
Owners of the Company			80,936			224,849
Non-controlling interests			271			4,522
			81,207			229,371

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

25. Segment information (continued)

25.4 Segment results by geographical distribution

	Year ended 31 December 2015			Year ended 31 December 2014		
	GCC AED'000	Turkey AED'000	Total AED'000	GCC AED'000	Turkey AED'000	Total AED'000
Net insurance premium earned	1,304,333	94,851	1,399,184	1,367,834	85,864	1,453,698
Net claims incurred	(1,042,336)	(73,232)	(1,115,568)	(1,005,572)	(57,153)	(1,062,725)
Reinsurance commission income	279,313	29,691	309,004	276,527	22,730	299,257
Commission expenses	(296,430)	(34,457)	(330,887)	(334,940)	(27,958)	(362,898)
Other income relating to underwriting activities	44,479	6,819	51,298	50,626	(2,682)	47,944
Net commission and other income	27,362	2,053	29,415	(7,787)	(7,910)	(15,697)
General and administrative expenses relating to underwriting activities	(260,511)	(22,233)	(282,744)	(250,336)	(24,034)	(274,370)
Net underwriting profit	28,848	1,439	30,287	104,139	(3,233)	100,906
Net investment income	81,869	7,405	89,274	137,518	5,863	143,381
Finance costs	(1,009)	-	(1,009)	(592)	-	(592)
Allowance for doubtful debts	(21,134)	(5,403)	(26,537)	-	-	-
Other income/(expenses) – net	(6,423)	(7,292)	(13,715)	(20,493)	1,603	(18,890)
Profit/(loss) before tax	82,151	(3,851)	78,300	220,572	4,233	224,805

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

25. Segment information (continued)

25.4 Segment results by geographical distribution (continued)

	Year ended 31 December 2015			Year ended 31 December 2014		
	GCC AED'000	Turkey AED'000	Total AED'000	GCC AED'000	Turkey AED'000	Total AED'000
Profit/(loss) before tax						
Income tax	82,151 (1,275)	(3,851) 4,182	78,300 2,907	220,572 (428)	4,233 4,994	224,805 4,566
Profit for the year	80,876	331	81,207	220,144	9,227	229,371
Attributable to						
Owners of the Company	80,768 108	168 163	80,936 271	220,144 -	4,705 4,522	224,849 4,522
Non-controlling interests	80,876	331	81,207	220,144	9,227	229,371

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

25. Segment information (continued)

25.5 Segment assets and liabilities

	As at 31 December 2015				As at 31 December 2014			
	General insurance AED'000	Life assurance and medical AED'000	Investments AED'000	Total AED'000	General insurance AED'000	Life assurance and medical AED'000	Investments AED'000	Total AED'000
Segment assets	1,681,902	2,229,499	2,251,913	6,163,314	2,365,197	1,459,376	2,318,840	6,143,413
Segment liabilities	2,676,521	1,571,925	-	4,248,446	2,665,569	1,474,227	-	4,139,796
Capital expenditure	42,095	-	-	42,095	44,833	-	-	44,833
Depreciation and amortisation	8,732	7,144	-	15,876	4,734	6,064	-	10,798

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

25. Segment information (continued)

25.6 Geographical information of segment assets and liabilities

	As at 31 December 2015			As at 31 December 2014		
	GCC AED'000	Turkey AED'000	Total AED'000	GCC AED'000	Turkey AED'000	Total AED'000
Segment assets	<u>5,717,034</u>	<u>446,280</u>	<u>6,163,314</u>	<u>5,722,574</u>	<u>420,839</u>	<u>6,143,413</u>
Segment liabilities	<u>3,866,577</u>	<u>381,869</u>	<u>4,248,446</u>	<u>3,791,920</u>	<u>347,876</u>	<u>4,139,796</u>
Capital expenditure	<u>42,095</u>	<u>-</u>	<u>42,095</u>	<u>42,933</u>	<u>1,900</u>	<u>44,833</u>
Depreciation and amortisation	<u>15,471</u>	<u>405</u>	<u>15,876</u>	<u>9,565</u>	<u>1,233</u>	<u>10,798</u>

26. Contingent liabilities

	2015 AED'000	2014 AED'000
Bank guarantees	<u>65,654</u>	<u>69,328</u>

The above bank guarantees were issued in the normal course of business.

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not expect that the outcome of these court cases will have a material impact on the Group's consolidated financial performance or consolidated financial position.

27. Commitments

	2015 AED '000	2014 AED '000
27.1 Purchase commitments		
Commitments in respect of uncalled subscription of certain shares held as investments	11,956	11,302
Capital commitments towards acquisitions of property and equipment and intangible assets	5,284	10,232

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

27. Commitments (continued)

27.2 Operating lease commitments

At the end of the reporting period, minimum lease commitments under non-cancellable operating lease agreements are as follows:

	2015 AED '000	2014 AED '000
Within one year	8,647	7,785
Second to fifth year	7,649	3,545

28. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

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

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

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

28.1 Frequency and severity of claims

The Group has the right not to renew individual policies, to re-price the risk, to impose deductibles and to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation). Furthermore, the Group's strategy limits the total exposure to any one territory and the exposure to any one industry.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

28. Insurance risk (continued)

28.1 Frequency and severity of claims (continued)

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

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Group should not suffer net insurance losses of a set minimum limit of AED 4,000 thousand in any one event estimated at 1:200 years. The Group has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

28.2 Sources of uncertainty in the estimation of future claim payments

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

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The amount of insurance claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Insurance contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of the reporting period.

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

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

28. Insurance risk (continued)

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

In calculating the estimated cost of unpaid claims (both reported and not), the Group's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The initial estimate of the loss ratios used for the current year before and after reinsurance are analysed below by type of risk where the insured operates for current and prior year premium earned.

Type of risk	Year ended 31 December 2015		Year ended 31 December 2014	
	Gross Loss Ratio	Net Loss Ratio	Gross Loss Ratio	Net Loss Ratio
Life and medical insurance	79.5%	85%	78.6%	77.3%
Non-life insurance	47.9%	73.3%	82.5%	67.3%

28.3 Process used to decide on assumptions

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

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

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

28. Insurance risk (continued)

28.4 Claims development process

The following table reflects the development of the gross outstanding claims of general insurance at the end of each year together with cumulative payments subsequent to the year of accident:

Accident year	Before 2009 AED'000	2009 AED'000	2010 AED'000	2011 AED'000	2012 AED'000	2013 AED'000	2014 AED'000	2015 AED'000	Total AED'000
Estimate of cumulative claims – gross:									
Accident year	780,193	942,987	834,563	695,753	629,706	601,119	769,924	745,135	-
One year later	815,259	998,057	839,592	789,090	632,259	840,913	764,956	-	-
Two years later	802,802	966,815	815,187	818,256	594,634	781,938	-	-	-
Three years later	799,079	952,599	791,148	775,094	576,593	-	-	-	-
Four years later	788,259	949,320	785,308	758,628	-	-	-	-	-
Five years later	796,740	940,039	770,737	-	-	-	-	-	-
Six years later	780,854	937,874	-	-	-	-	-	-	-
Seven years later	781,166	-	-	-	-	-	-	-	-
Current estimate of cumulative claims	781,166	937,874	770,737	758,628	576,593	781,938	764,956	745,135	6,117,027
Cumulative payments to date – gross	(768,376)	(919,486)	(747,096)	(726,224)	(532,321)	(566,789)	(507,252)	(264,922)	(5,032,466)
Total outstanding claims recognised in the consolidated statement of financial position – gross	12,790	18,388	23,641	32,404	44,272	215,149	257,704	480,213	1,084,561

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

28. Insurance risk (continued)

28.4 Claims development process (continued)

The following table reflects the development of the net outstanding claims of general insurance at the end of each year together with cumulative payments subsequent to the year of accident:

Accident year	Before 2009 AED'000	2009 AED'000	2010 AED'000	2011 AED'000	2012 AED'000	2013 AED'000	2014 AED'000	2015 AED'000	Total AED'000
Estimate of cumulative claims – net:									
Accident year	405,104	430,178	448,922	437,215	344,617	370,627	313,820	357,665	-
One year later	423,312	455,300	451,627	495,869	346,013	518,475	311,795	-	-
Two years later	416,844	441,048	438,499	514,197	325,423	482,114	-	-	-
Three years later	414,911	434,563	425,568	487,074	315,549	-	-	-	-
Four years later	409,293	433,067	422,427	476,726	-	-	-	-	-
Five years later	413,696	428,833	414,589	-	-	-	-	-	-
Six years later	405,448	427,845	-	-	-	-	-	-	-
Seven years later	405,610	-	-	-	-	-	-	-	-
Current estimate of cumulative claims	405,610	427,845	414,589	476,726	315,549	482,114	311,795	357,665	3,191,893
Cumulative payments to date – net	(402,355)	(423,165)	(408,572)	(468,479)	(304,282)	(427,358)	(246,209)	(235,450)	(2,915,870)
Total outstanding claims recognised in the consolidated statement of financial position – net	3,255	4,680	6,017	8,247	11,267	54,756	65,586	122,215	276,023

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)****28. Insurance risk (continued)***28.5 Concentration of insurance risk*

The Group's underwriting business is based entirely within the UAE, Turkey and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe and Asia.

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

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

28.6 Sensitivity of underwriting profit

The contribution by the insurance operations to the profit of the Group is AED 30,287 thousand for the year ended 31 December 2015 (2014: AED 100,906 thousand). The Group does not foresee any adverse change in the contribution of insurance profit due to the following reasons:

- The Group has an overall risk retention level in the region of 42% (2014: 49%) and this is mainly due to low retention levels in Engineering, Property and Energy. However, for other lines of business, the Group is adequately covered by excess of loss reinsurance programs to guard against major financial impact.
- The Group has commission income of AED 309,004 thousand (2014: AED 299,257 thousand) predominantly from the reinsurance placement which remains a comfortable source of income.

Because of low risk retention of 42% (2014: 49%) of the volume of the business and limited exposure in high retention areas such as motor, the Group is comfortable to maintain an overall net loss ratio in the region of 80% (2014: 73%) and does not foresee any serious financial impact in the net underwriting profit.

29. Capital risk management

The Group's objectives when managing capital are:

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

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

29. Capital risk management (continued)

In the 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.

	2015 AED'000	2014 AED'000
Minimum regulatory capital	100,000	100,000
Total paid up capital	461,872	461,872

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

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

30. Financial instruments

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term, its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The financial risks that the Group primarily faces due to the nature of its investments and underwriting business are interest rate risk, foreign currency risk, and market price risk, credit risk and liquidity risk.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

30. Financial instruments (continued)

30.1 Significant accounting policies

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

30.2 Categories of financial instruments

	2015 AED'000	2014 AED'000
Financial assets		
Investments designated at FVTOCI	466,611	504,596
Investments designated at FVTPL	308,955	368,112
Financial investments measured at amortised cost	962,622	922,981
Statutory deposits measured at amortised cost	23,538	23,538
Insurance receivables measured at amortised cost	1,328,605	1,194,962
Other receivables (excluding prepayments) measured at amortised cost	72,535	54,282
Bank balances and cash measured at amortised cost	392,038	517,243
	3,554,904	3,585,714
Financial liabilities – measured at amortised cost		
Bank borrowings	33,489	-
Re-insurance deposits retained	74,885	79,052
Insurance payables	549,083	396,544
Other payables	81,512	86,960
	738,969	562,556

Management considers that the carrying amounts of financial assets and financial liabilities recorded in the consolidated financial statements approximate their fair values, except for the financial investments measured at amortised cost of which fair value is determined and disclosed in note 9.4 of these consolidated financial statements.

30.3 Fair value measurement

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

30. Financial instruments (continued)

30.3 Fair value measurement (continued)

30.3.1 Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

Financial assets	31 December 2015 AED'000	Fair value as at 31 December 2014 AED'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted equity investments – FVTOCI	333,081	374,205	Level 1	Quoted bid prices in an active market.	None.	NA
Unquoted equity investments – FVTOCI	133,530	130,391	Level 3	Net assets valuation method due to the unavailability of market and comparable financial information. Net assets values were determined based on the latest available audited/historical financial information.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Quoted debt instruments – FVTPL	16,890	17,293	Level 1	Quoted bid prices in an active market.	None.	NA
Unit linked investments – FVTPL	292,065	350,819	Level 3	Net assets values of the funds	Net assets value	Higher the net assets value, higher the fair value.
Quoted debt instruments – amortized costs	938,056	902,808	Level 1	Quoted bid prices in an active market.	None.	NA
Unquoted debt instruments – amortized costs	15,222	-	Level 3	Net assets values of the funds.	None.	Higher the net assets value, higher the fair value

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

30. Financial instruments (continued)

30.3 Fair value measurement (continued)

30.3.2 Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

At 31 December 2015

Financial assets	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At fair value through profit or loss				
Investments in bonds	16,890	-	-	16,890
Unit linked investments	-	-	292,065	292,065
	<u>16,890</u>	<u>-</u>	<u>292,065</u>	<u>308,955</u>
At fair value through other comprehensive income				
Shares – quoted	333,081	-	-	333,081
Un-quoted equity instruments	-	-	133,530	133,530
	<u>333,081</u>	<u>-</u>	<u>133,530</u>	<u>466,611</u>

At 31 December 2014

Financial assets	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At fair value through profit or loss				
Investments in bonds	17,293	-	-	17,293
Unit linked investments	-	-	350,819	350,819
	<u>17,293</u>	<u>-</u>	<u>350,819</u>	<u>368,112</u>
At fair value through other comprehensive income				
Shares - quoted	374,205	-	-	374,205
Un-quoted equity instruments	-	-	130,391	130,391
	<u>374,205</u>	<u>-</u>	<u>130,391</u>	<u>504,596</u>

There were no transfers between each of level during the year. There are no significant financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

30. Financial instruments (continued)

30.3 Fair value measurement (continued)

30.3.3 Reconciliation of level 3 fair value measurements

30.3.3.1 Reconciliation of unit linked investments – at fair value through profit or loss, movements in level 3 financial assets measured at fair value:

	2015 AED'000	2014 AED'000
Balance at the beginning of the year	350,819	257,615
Additions during the year	134,367	295,022
Disposals during the year	(176,123)	(210,770)
Losses recognised in profit or loss	(16,998)	8,952
Balance at the end of the year	292,065	350,819

30.3.3.2 Reconciliation of unquoted equity instruments – at fair value through other comprehensive income, movements in level 3 financial assets measured at fair value:

	2015 AED'000	2014 AED'000
Balance at the beginning of the year	130,391	176,674
Additions during the year	37,349	1,007
Disposals during the year	(21,397)	(14,182)
Losses recognised in other comprehensive income	(12,813)	(33,108)
Balance at the end of the year	133,530	130,391

30.4 Market risk management

Market risk is the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and other price risk.

30.4.1 Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Group. The Group is exposed to interest rate risk on its financial investments in bonds and term deposits and bank borrowings that carry both fixed and floating interest rates.

The Group generally manages to minimise the interest rate risk by closely monitoring the market interest rates and investing in those financial assets in which such risk is expected to be minimal.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

30. Financial instruments (continued)

30.4 Market risk management (continued)

30.4.2 Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for interest-bearing financial assets and liabilities assuming the amount of assets and liabilities at the end of the reporting period were outstanding for the whole year.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would increase/decrease by AED 12,063 thousand (2014: AED 13,475 thousand).

30.4.3 Foreign currency risk management

There are no significant exchange rate risks as substantially all monetary assets and monetary liabilities of the Group are denominated in the local currencies of the countries where the Group operates or US Dollars to which local currencies are fixed.

Management believes that there is a minimal risk of significant losses due to exchange rate fluctuations and consequently the Group has not hedged their foreign currency exposure.

30.4.4 Market price risk management

Market price 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 Group is exposed to market price risk with respect to their quoted investments. The Group limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Group actively monitors the key factors that affect stock and market movements, including analysis of the operational and financial performance of investees.

At the end of the reporting period, if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Group's other comprehensive income would have increased/decreased by AED 33,308 thousand (2014: AED 37,421 thousand) in the case of the financial investments at fair value through other comprehensive income.

Method and assumptions for sensitivity analysis;

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

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

30. Financial instruments (continued)

30.5 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

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

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- amounts due from banks for bank balances and fixed deposits

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

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

The Group maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the Group includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are mitigated by ongoing credit evaluation of their financial condition.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are registered banks with sound financial positions.

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

30.6 Liquidity risk management

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date. The Group manages the liquidity risk through a risk management framework for the Group's short, medium and long-term funding and liquidity management requirements by maintaining adequate reserves, sufficient cash and cash equivalent and bank facilities, to ensure that funds are available to meet their commitments for liabilities as they fall due.

The maturity profile is monitored by management to ensure adequate liquidity is maintained. The table below summarises the maturity profile of the Group's financial assets and liabilities based on remaining undiscounted contractual obligations including interest receivable and payable.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

30. Financial instruments (continued)

30.6 Liquidity risk management (continued)

31 December 2015

	Statement of financial position AED'000	Less than 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	No maturity date AED'000	Total AED'000
Financial assets						
At fair value through profit or loss	308,955	-	292,065	20,268	-	312,333
At fair value through OCI	466,611	-	-	-	466,611	466,611
At amortised cost	962,622	133,350	758,755	195,015	-	1,087,120
Insurance receivables	1,328,605	1,328,605	-	-	-	1,328,605
Other receivables (excluding prepayments)	72,535	72,535	-	-	-	72,535
Statutory deposits	23,538	421	1,683	23,959	-	26,063
Bank balances and cash	392,038	250,835	144,085	41,278	-	436,198
Total financial assets	3,554,904	1,785,746	1,196,588	280,520	466,611	3,729,465
Financial liabilities						
Bank borrowings	33,489	33,489	-	-	-	33,489
Reinsurance deposits retained	74,885	74,885	-	-	-	74,885
Insurance payables	549,083	549,083	-	-	-	549,083
Other payables	81,512	81,512	-	-	-	81,512
Total financial liabilities	738,969	738,969	-	-	-	738,969

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

30. Financial instruments (continued)

30.6 Liquidity risk management (continued)

31 December 2014

	Statement of financial position AED'000	Less than 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	No maturity date AED'000	Total AED'000
Financial assets						
At fair value through profit or loss	368,112	-	350,819	20,319	-	371,138
At fair value through OCI	504,596	-	-	-	504,596	504,596
At amortised cost	922,981	41,760	541,522	451,186	-	1,034,468
Insurance receivables	1,194,962	1,194,962	-	-	-	1,194,962
Other receivables (excluding prepayments)	54,282	54,282	-	-	-	54,282
Statutory deposits	23,538	-	-	25,891	-	25,891
Bank balances and cash	517,243	417,871	65,526	61,303	-	544,700
Total financial assets	3,585,714	1,708,875	957,867	558,699	504,596	3,730,037
Financial liabilities						
Reinsurance deposits retained	79,052	79,448	-	-	-	79,448
Insurance payables	396,544	396,544	-	-	-	396,544
Other payables	86,960	86,960	-	-	-	86,960
Total financial liabilities	562,556	562,952	-	-	-	562,952

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

31. Subsidiaries

Details of the Company's subsidiaries at 31 December 2015 are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of legal ownership interest	Proportion of voting power held	Principal activity
Equator Insurance Agency L.L.C.**	Dubai - U.A.E.	99.97%	100%	Insurance agency.
Dubai Starr Sigorta A.Ş	Istanbul – Turkey	51%	51%	Issuing short-term and long-term insurance contracts.
Support Management Services Company Limited**	Irbil - Iraq.	100%	100%	Third party administration.
ITACO Bahrain Co W.L.L***	Manama – Kingdom of Bahrain	60%	60%	Brokerage and call center services.
Synergize Services FZ L.L.C*	Dubai - UAE.	100%	100%	Management Information technology and transaction processing.

* Synergize Services FZ L.L.C was incorporated on 24 January 2014 in Dubai Outsource Zone, UAE and is engaged in the business of providing management information technology and transaction processing services.

** The Company holds the remaining equity in Equator Insurance Agency L.L.C and Support Management Services Company Limited, beneficially through nominee arrangements.

***ITACO Bahrain Co W.L.L was acquired by the Company on 16 September 2015.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

31. Subsidiaries (continued)

Summarised financial information of the Group's subsidiary – Dubai Star Sigorta A.S., Turkey that the company has a material non-controlling interest in is set out below.

Summarised financial information below represents amounts before inter-group eliminations.

	2015 AED'000	2014 AED'000
Dubai Starr Sigorta A.S.		
Current assets	198,744	383,651
Non-current assets	247,536	37,188
Current liabilities	150,095	275,743
Non-current liabilities	231,774	72,133
Equity attributable to Owners of the Company	32,857	37,211
Non-controlling interests	31,554	35,752
	2015 AED'000	2014 AED'000
Net cash (outflows)/inflows from operating activities	(4,784)	1,266
Net cash inflows/(outflows) from investing activities	554	(4,136)
Net cash inflows from financing activities	21,356	21,453
Net cash inflows	17,156	18,583

Details of the above subsidiary's income statement are given in note 24.4, segment information.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

32. Comparative information

The following amounts in the consolidated statement of financial position as at 31 December 2014 have been reclassified to conform to the current year presentation.

	As previously reported at 31 December 2014 AED '000	Reclassifications AED'000	As reclassified at 31 December 2014 AED '000
Insurance contract liabilities – gross			
- Additional reserve	74,722	120,173	194,895
Reinsurance contract assets			
- Additional reserve	-	(120,173)	(120,173)
Property and equipment	78,736	(39,913)	38,823
Intangible assets	-	39,913	39,913

There was no impact on the reported profit for the year ended 31 December 2014 due to the above reclassifications.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

33. Summary of the actuary's report on the technical provisions

This note provides a summary of the actuarial technical provisions calculated and certified by the Appointed Actuary.

The table below a summary of the gross of reinsurance technical provisions and related reinsurance assets.

INSURANCE ACTIVITY & TECHNICAL PROVISIONS CATEGORY	AS AT 31 DECEMBER 2015				AS AT 31 DECEMBER 2014			
	GROSS	RI	NET	AED '000	GROSS	RI	NET	AED '000
Personal Insurance and Fund Accumulation Operations								
Outstanding claims provisions (OS)	63,571	(35,215)	28,356		73,884	(41,093)	32,791	
Provisions for unearned premiums (UPR)	39,756	(14,328)	25,428		35,248	(8,646)	26,602	
Provisions for claims incurred but not reported (IBNR)	8,111	-	8,111		9,924	-	9,924	
Mathematical Reserves:	523,533	-	523,533		546,280	-	546,280	
<i>Unit-Linked</i>	291,067	-	291,067		350,505	-	350,505	
<i>Non Unit-Linked</i>	232,466	-	232,466		195,775	-	195,775	
Sub-Total	634,971	(49,543)	585,428		665,336	(49,739)	615,597	
Property and Liability Insurance								
Outstanding claims provisions (OS)	1,300,278	(917,431)	382,847		1,424,031	(1,026,840)	397,191	
Provisions for unearned premiums (UPR)	1,096,966	(608,542)	488,424		1,174,950	(584,746)	590,204	
Provisions for claims incurred but not reported (IBNR)	353,538	(216,183)	137,355		184,971	(120,173)	64,798	
Sub-Total	2,750,782	(1,742,156)	1,008,626		2,783,952	(1,731,759)	1,052,193	
Total	3,385,753	(1,791,699)	1,594,054		3,449,288	(1,781,498)	1,667,790	

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

33. Summary of the actuary's report on the technical provisions (continued)

Personal insurance and fund accumulation operations

This category includes Individual Life, Group Life and Credit Life business. Technical provisions were calculated for the UAE and Oman operations separately. Generally acceptable actuarial techniques were implemented in the determination of the gross and net technical provisions figures.

Judgment is required in calculating the provisions and is exercised particularly through the choice of assumptions where discretion is permitted. In turn, the assumptions used are based where possible on recent experience investigations and market information where necessary. Technical provisions are most sensitive to assumptions regarding discount rates and mortality/morbidity rates. The discount rate assumption used where applicable is set to 3.00% which is within the range of assumptions used by market peers and is reasonable with regard to the actual earnings of the Company based on the year-to-date asset information and analysis after allowing for risk adjustment. The Company does not hold enough credible mortality experience to conduct a full mortality study as the size of the portfolio does not generate sufficient claims to make the experience statistically significant. A crude estimate of the expected net mortality cost indicated that the expected mortality rate used is materially higher than the realized mortality claims in recent years proving that the basis includes sufficient prudence margins.

Under the net premium method used, the premium taken into account in calculating technical provisions is determined actuarially, based on the valuation assumptions regarding discount rates, mortality and disability. The difference between this premium and the actual premium payable provides sufficient margin for expenses. An expense adequacy test has also been performed indicating that available implicit expense margins in the valuation basis is adequate to cover the total projected expenses for Individual Life, Group Life and Unit linked business. The valuation methodology does not allow for voluntary early termination of the life insurance contracts by the policyholder, hence no assumption is required for persistency. The technical provision determined with no lapse allowance is considered to be prudent.

Property and liability insurance

This category includes health and other general insurance lines of business (LOBs). Technical provisions were calculated separately for UAE and for Turkey operations. No discounting of technical provisions was employed.

Outstanding claims provisions are estimated based on known facts at the date of estimation. Case estimates are set by claims technicians and established case setting procedures. Ultimate claims are estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that the past claims development experience can be used to project future claims development and hence ultimate claims. As such, these methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period. IBNR claims are estimated by subtracting outstanding claims provisions from ultimate claims estimates.

**Notes to the consolidated financial statements
for the year ended 31 December 2015 (continued)**

33. Summary of the actuary's report on the technical provisions (continued)

Property and liability insurance (continued)

Claim development is separately analysed for each LOB. The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

34. Social contributions

The social contributions (including donations and charity) made during the year amount to AED 25 thousand (2014: AED 6 thousand).

35. Dividends

At the Annual General Meeting held on 22 February 2015, the shareholders approved a cash dividend distribution of 10% amounting to AED 46,187 thousand (AED 10 fils per share) for 2014.

The Board of Directors proposes cash dividends of 10% amounting to AED 46,187 thousand (AED 10 fils per share) for 2015.

The proposed dividends above are subject to the approval of the Shareholders at the Annual General Meeting and have not been included as a liability in the consolidated financial statements.

36. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 8 February 2016.