Ras Al Khaimah National Insurance Company P.S.C.

Financial statements

31 December 2014

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KPMG Lower Gulf Limited
Level 13, Boulevard Plaza Tower One
Mohammed Bin Rashid Boulevard
PO Box 3800
Downtown Dubai
United Arab Emirates

Telephone +971 (4) 403 0300
Fax +971 (4) 330 1515
Website www.ae-kpmg.com

Independent Auditors' Report

The Shareholders
Ras Al Khaimah National Insurance Company P.S.C.

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. 8 of 1984 (as amended), we further confirm that we have obtained all information and explanations necessary for our audit; the financial statements comply, in all material respects, with the applicable requirements of the UAE Federal Law (8) of 1984 (as amended) and the Articles of Association of the Company; that proper financial records have been kept by the Company, and the contents of the Directors' report which relate to these financial statements are in agreement with the Company's financial records. We are not aware of any violation of the above mentioned Law and the Articles of Association having occurred during the year ended 31 December 2014, which may have had a material adverse effect on the business of the Company or its financial position.

KPMG

KPMG Lower Gulf Limited
Austin Alan Henry Rudman
Registration No: 844

05 MAR 2015

Ras Al Khaimah National Insurance Company P.S.C.

Statement of financial position

as at 31 December 2014

	Note	2014 AED	Restated 2013 AED
ASSETS			
Property and equipment	*8*	**2,738,680**	2,418,056
Investment properties	*9*	**6,031,947**	7,576,193
Investments securities	*10*	**54,960,670**	46,690,310
Statutory deposits		**10,000,000**	10,000,000
Reinsurance contract assets	*13*	**91,067,786**	91,034,014
Insurance and other receivables	*11*	**185,730,063**	120,503,129
Cash and bank balances	*12*	**175,803,915**	201,540,770
Total assets		**526,333,061**	479,762,472
LIABILITIES			
Insurance contract liabilities	*13*	**207,909,187**	199,569,300
Insurance and other payables	*14*	**64,579,063**	61,387,511
Provision for employees' end of service benefits	*15*	**3,997,806**	3,438,451
Total liabilities		**276,486,056**	264,395,262
EQUITY			
Share capital	*16*	**110,000,000**	100,000,000
Statutory reserve	*16*	**39,861,103**	36,073,578
Special reserve		**20,000,000**	20,000,000
Cumulative changes in fair value of available-for-sale securities		**19,604,042**	11,699,497
Retained earnings		**60,381,860**	47,594,135
Total equity		**249,847,005**	215,367,210
Total liabilities and equity		**526,333,061**	479,762,472

The notes on pages 8 to 45 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 0 5 MAR 2015 and signed on their behalf by:

Chairman

Chief Executive Officer

Independent auditors' report is set out on pages 1 - 2.

Ras Al Khaimah National Insurance Company P.S.C.

Statement of profit or loss

For the year ended 31 December 2014

	Note	2014 AED	Restated 2013 AED
Gross written premiums	*23*	**295,588,485**	250,629,675
Reinsurance ceded		**(86,010,217)**	(93,821,454)
Net premiums		**209,578,268**	156,808,221
Net change in unearned premium	*13.1*	**(19,786,659)**	(14,461,233)
Net earned premiums		**189,791,609**	142,346,988
Reinsurance commission earned		**8,404,014**	8,603,317
Total underwriting income		**198,195,623**	150,950,305
Gross claims paid	*13.1*	**(158,402,269)**	(124,418,932)
Reinsurance share of claims paid	*13.1*	**44,545,208**	40,176,559
Net claims paid		**(113,857,061)**	(84,242,373)
Change in outstanding claims provision		**11,480,544**	2,092,425
Net incurred claims	*13.1*	**(102,376,517)**	(82,149,948)
Commission paid		**(20,906,646)**	(17,594,063)
General and administrative expenses relating to underwriting activities	*20*	**(34,044,739)**	(19,714,390)
Net underwriting expenses		**(157,327,902)**	(119,458,401)
Underwriting profit	*23*	**40,867,721**	31,491,904
Net income from investments	*19*	**8,355,774**	7,934,310
Unallocated general and administrative expenses	*20*	**(11,348,246)**	(6,571,464)
Profit for the year		**37,875,249**	32,854,750
Earnings per share	*24*	**0.34**	0.33

The notes on pages 8 to 45 form an integral part of these financial statements.
Independent auditors' report is set out on pages 1 - 2.

Ras Al Khaimah National Insurance Company P.S.C.

Statement of comprehensive income

For the year ended 31 December 2014

	2014 AED	Restated 2013 AED
Profit for the year	**37,875,249**	32,854,750
Other comprehensive income		
Items that are or may be reclassified to profit or loss:		
Net change in fair value of available-for-sale securities	**7,904,545**	10,373,959
Net amount transferred to profit or loss of available-for-sale securities	-	(55,200)
Total other comprehensive income for the year	**7,904,545**	10,318,759
Total comprehensive income for the year	**45,779,794**	43,173,509

The notes on pages 8 to 45 form an integral part of these financial statements.
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Ras Al Khaimah National Insurance Company P.S.C.

Statement of changes in shareholders' equity

For the year ended 31 December 2014

	Attributable to the equity holders of the Company					
	Share capital AED	**Statutory reserve AED**	**Special reserve AED**	**Cumulative changes in fair value of AFS securities AED**	**Retained earnings AED**	**Total AED**
As at 1 January 2013	100,000,000	32,619,210	20,000,000	4,514,836	34,726,361	191,860,407
Effect of reclassification of associate to available-for-sale investment	-	-	-	(3,134,098)	(232,608)	(3,366,706)
Restated balance as at 1 January 2013 (refer note 10.5)	100,000,000	32,619,210	20,000,000	1,380,738	34,493,753	188,493,701
Total comprehensive income for the year						
Profit for the year	-	-	-	-	32,854,750	32,854,750
Other comprehensive income for the year						
Net change in fair value of available-for-sale securities	-	-	-	10,373,959	-	10,373,959
Net amount reclassified to profit or loss of available-for-sale securities				(55,200)		(55,200)
Total other comprehensive income for the year	-	-	-	10,318,759	-	10,318,759
Total comprehensive income for the year	-	-	-	10,318,759	32,854,750	43,173,509
Transaction with owners directly recorded in equity						
Directors' remuneration (note 18)	-	-	-	-	(1,300,000)	(1,300,000)
Transfer to legal reserve	-	3,454,368	-	-	(3,454,368)	-
Dividend (note 17)	-	-	-	-	(15,000,000)	(15,000,000)
As at 31 December 2013 (restated)	**100,000,000**	**36,073,578**	**20,000,000**	**11,699,497**	**47,594,135**	**215,367,210**
Balance at 1 January 2014	**100,000,000**	**36,073,578**	**20,000,000**	**17,626,610**	**49,515,669**	**223,215,857**
Effect of reclassification of associate to available-for-sale investment	-	-	-	(5,927,113)	(1,921,533)	(7,848,646)
Restated balance as at 1 January 2014 (refer note 10.5)	100,000,000	36,073,578	20,000,000	11,699,497	47,594,136	215,367,211
Total comprehensive income for the year						
Profit for the year	-	-	-	-	37,875,249	37,875,249
Other comprehensive income for the year						
Net change in fair value of available-for-sale securities	-	-	-	7,904,545	-	7,904,545
Net amount reclassified to profit or loss of available-for-sale securities	-	-	-	-	-	-
Total other comprehensive income for the year	-	-	-	7,904,545	-	7,904,545
Total comprehensive income for the year	-	-	-	7,904,545	37,875,249	45,779,794
Transaction with owners directly recorded in equity						
Directors' remuneration (note 18)	-	-	-	-	(1,300,000)	(1,300,000)
Transfer to legal reserve	-	3,787,525	-	-	(3,787,525)	-
Dividend (note 17)	10,000,000	-	-	-	(20,000,000)	(10,000,000)
As at 31 December 2014	**110,000,000**	**39,861,103**	**20,000,000**	**19,604,042**	**60,381,860**	**249,847,005**

The notes on pages 8 to 45 form an integral part of these financial statements.

Independent auditors' report is set out on pages 1 - 2.

Ras Al Khaimah National Insurance Company P.S.C.

Statement of cash flows

For the year ended 31 December 2014

	Note	2014 AED	Restated 2013 AED
Cash flows from operating activities			
Profit for the year		**37,875,249**	32,854,750
Adjustments for:			
Depreciation of property and equipment		**921,240**	626,940
Depreciation of investment properties		**249,472**	212,952
Allowance for doubtful debts		**11,700,000**	4,440,000
Provision of employees' end of service benefits		**1,085,891**	79,358
Unrealised gain on financial assets at FVTPL		**(365,815)**	(1,272,384)
Impairment losses on available-for-sale investments		**-**	55,200
Income from investment property		**(185,996)**	(228,297)
Interest income		**(4,495,306)**	(4,395,556)
Dividend income		**(2,125,453)**	(625,630)
Gain on disposal of property and equipment		**(19,726)**	(34,014)
		44,639,556	31,713,319
Change in re-insurance contract assets		**(33,772)**	5,548,310
Change in insurance contract liabilities		**8,339,887**	6,820,498
Change in insurance and other receivables		**(76,719,096)**	(17,685,164)
Change in insurance and other payables		**2,643,766**	14,948,591
Employees' end of service benefits paid		**(526,536)**	(1,929,487)
Net cash (used in) / generated from operating activities		**(21,656,195)**	39,416,067
Cash flows from investing activities			
Purchase of property and equipment		**(1,242,440)**	(2,110,586)
Purchase of investment property		**-**	(1,367,666)
Proceeds from disposal of property and equipment		**1,315,076**	218,868
Income from investment property		**185,996**	228,297
Interest received		**4,287,469**	3,861,411
Dividend received		**2,125,453**	625,630
(Increase) / decrease in fixed deposit with banks with maturity greater than 3 months		**(32,767,925)**	68,192,274
Net cash (used in) / generated from investing activities		**(26,096,371)**	69,648,228
Cash flows from financing activities			
Dividend paid		**(9,452,214)**	(15,555,844)
Directors' remuneration paid		**(1,300,000)**	(1,140,000)
Net cash used in financing activities		**(10,752,214)**	(16,695,844)
Net (decrease) / increase in cash and cash equivalents		**(58,504,780)**	92,368,451
Cash and cash equivalents at the beginning of the year		**141,847,492**	49,479,041
Cash and cash equivalents at the end of the year	*12*	**83,342,712**	141,847,492

The notes on pages 8 to 45 form an integral part of these financial statements.

Independent auditors' report is set out on pages 1 - 2.

1 Reporting entity

Ras Al Khaimah National Insurance Company P.S.C. - Ras Al Khaimah (the "Company") is a public shareholding company, established and incorporated in the Emirate of Ras Al Khaimah by Emiri decree No. 20 dated 15 December 1974 which was amended by Emiri decree No. 10 dated 7 December 1985 and Emiri decree No. 3 dated 5 April 1997 issued by H.H. Sheikh Saqr Bin Mohammed Al Qasimi, the Ruler of the Emirate of Ras Al Khaimah and its dependencies. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E., under registration number 7. The address of the Company's registered corporate office is P. O. Box 506, Ras Al Khaimah, United Arab Emirates.

The principal activity of the Company is to undertake all classes of insurance business including life assurance, saving and accumulation of funds. The Company operates through its head office in Ras Al Khaimah and branch offices in Dubai and Abu Dhabi.

2 Basis of preparation

a) Statement of compliance

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

b) Changes in accounting policy

In the current year, the Company has adopted a number of amendments to IFRSs and new Interpretation's issued by the International Accounting Standards Board (IASB) that are effective for an accounting period that begins on or after 1 January 2014.

i) Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32)
ii) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
iii) IFRIC 21 Levies

The nature and effects of changes are explained below.

i) Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32)

The amendments to IAS 32 clarify the requirements relating to offset of financial assets and financial liabilites. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The change had no impact on the disclosures or the amounts recognised in the Company's financial statements.

ii) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendment introduce additional disclosure requirement applicable to when the recoverable amount of an asset or a CGU is measured at fair value less cost of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurement.

2 Basis of preparation *(continued)*

b) Changes in accounting policy *(continued)*

ii) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) *(continued)*

These amendments had no material impact on the disclosures in the Company's financial statements.

iii) IFRIC 21 Levies

IFRIC 21 defines a levy as an outflow from an entity imposed by a government in accordance with legislation. It confirms that an entity recognises a liability for a levy when - and only when - the triggering event specified in the legislation occurs. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of the financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation had no material impact on the disclosures or on the amounts recognised in the Company's financial statements.

c) Basis of measurement

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

i) financial instruments at fair value through profit or loss (" FVTPL"); and
ii) available-for-sale instruments ("AFS").

The methods used to measure fair values are defined in note 3(h).

d) Functional and presentation currency

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

e) Use of estimates and judgements

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

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

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

3 Significant accounting policies

Except for change in accounting policy stated in note 2 (b), the accounting policy set out below have been applied consistently by the Company to all periods presented in these financial statements.

a) Insurance contracts

i) Classification

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

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

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

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

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

ii) Recognition and measurement

Premiums

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

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

Unearned premium provision

Unearned premiums are computed using statistical models to spread premium written evenly over period of coverage and are atleast equal to the minimum stipulated by the UAE Insurance Law (also refer note 3(a)(iv)).

iii) Claims

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

3 Significant accounting policies *(continued)*

a) Insurance contracts *(continued)*

iii) Claims (continued)

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expense reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provision is also made for any claims incurred but not reported ("IBNR") at the date of statement of financial position on the basis of management estimates. The basis of estimating outstanding claims and IBNR are detailed in note 5.

iv) Liability adequacy test

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

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

v) Reinsurance

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

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

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in statement of profit or loss in the period in which they are incurred.

Profit commission in respect of reinsurance contracts is recognised on an accrual basis and reinsurance commission is recognised on the basis stated in note 3(b).

3 Significant accounting policies *(continued)*

a) Insurance contracts *(continued)*

vi) Deferred acquisition cost

For general insurance contracts, the deferred acquisition cost asset represents the position of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the reporting date.

vii) Insurance receivables and payables

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

viii) Insurance contract provision and reinsurance assets

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

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

b) Revenue (other than insurance revenue)

Revenue (other than insurance revenue) comprises the following:

i) Fee and commission income

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

ii) Net income from investments

Net income from investments comprises income from investment securities, rental income from investment properties and other income.

Income from investment securities comprises dividend income, net gains/losses on financial assets classified at fair value through profit or loss ("FVTPL"), and realised gains/losses on other financial assets. Other income comprises interest income on fixed deposits and income from an associate.

Unrealised gains/losses arising on revaluation of investments classified as available-for-sale are included in the statement of comprehensive income in the period in which they arise.

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

3 Significant accounting policies *(continued)*

c) Operating leases

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

d) Property and equipment

i) Recognition and measurement

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

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

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

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

ii) Subsequent costs

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

iii) Depreciation

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

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

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of profit or loss.

3 Significant accounting policies *(continued)*

d) Property and equipment *(continued)*

iii) Depreciation (continued)

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

Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	4 years
Computer equipment	4 years

e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in providing for services or for administrative purposes. Investment property is measured at cost.

Cost includes expenditure that is directly attributable to the acquisition of the investment property any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

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

Depreciation is recognised in statement of profit or loss on a straight-line basis over the useful life of investment properties, which is estimated at 25 years.

f) Financial instruments

The Company classifies financial instruments into the following categories; financial assets at fair value through profit or loss, available-for-sale securities and held to maturity. The Company classifies non-derivative financial liabilities into the other financial liabilities category.

i) Non-derivative financial assets

Recognition

The Company initially recognises loans and receivables issued on the date when they are originated. All other financial assets are initially recognised on the trade date.

Classification

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

3 Significant accounting policies *(continued)*

f) Financial instruments *(continued)*

i) Non-derivative financial assets *(continued)*

Classification *(continued)*

Financial assets at fair value through profit or loss

A financial assets is classified at fair value through profit or loss if it is classified as held for trading, or is designated as such on initial recognition. These financial assets are initially recognised at fair value. Directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, financial asset at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend, are recognised in statement of profit or loss.

Available-for-sale financial assets

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments, are recognised in other comprehensive income and accumulated in the available-for-sale investments reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to statement of profit or loss.

Held-to-maturity investment

If the Company has the positive intent and ability to hold debt securities to maturity, and these debt securities have not been designated at fair value through profit or loss, then they are classified as held-to-maturity. held-to-maturity are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with the Banks and fixed deposits with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3 Significant accounting policies *(continued)*

f) Financial instruments *(continued)*

ii) Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through statement of comprehensive income) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

iii) De-recognition of financial assets and financial liabilities

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

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

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

The company derecognises a financial liability when its contractual obligation are discharged or cancelled or expire.

3 Significant accounting policies *(continued)*

g) Impairment

Impairment of financial assets carried at amortised cost

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

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

Impairment of receivables

The Company considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

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

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

Impairment losses are recognised in the statement of profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of profit or loss.

Impairment of available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale security subsequently increases and the increase can be related to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through the statement of profit or loss; otherwise, it is reversed through other comprehensive income.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

3 Significant accounting policies *(continued)*

g) Impairment *(continued)*

Impairment of non-financial assets (continued)

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

h) Fair value measurement principles

Policy applicable from 1 January 2013

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

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

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

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

3 Significant accounting policies *(continued)*

h) Fair value measurement principles *(continued)*

Policy applicable from 1 January 2013 *(continued)*

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

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

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

Policy applicable before 1 January 2013

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

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

If a market for a financial instrument is not active, the Company establishes fair value using valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, net present value techniques and discounted cash flow methods. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other observable current market data.

Assets and long positions are measured at bid price; liabilities and short positions are measured at an asking price. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counterparty, where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Company believes a third-party market participant would take them into account in pricing a transaction.

i) Provisions

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

3 Significant accounting policies *(continued)*

j) Foreign currency transactions

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

k) Employee terminal benefits

Defined benefit plan

Provision is made for employee terminal benefits in accordance with the Company's policy, which meets the requirements of the UAE Federal Labour Law applicable to an employee's accumulated period of service at the reporting date. The management considers that the difference between the liability as calculated using an actuarial method would not be materially different from the provision carried in the financial statements.

Defined contribution plan

The Company pays its obligations regarding UAE citizens into a Social Security and UAE Pension Fund in accordance with the UAE Federal Law No. 7 of 1999 for Pension and Social Security.

l) Earnings per share

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

m) Segment reporting

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

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

n) Offsetting

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

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

3 Significant accounting policies *(continued)*

o) Directors remuneration

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

p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

IFRS 9	Financial Instruments	(effective 1 January 2018)
IFRS 15	Revenue from Contracts with Customers	(effective 1 January 2017)

The IFRS 9 (2009) requirements represent a significant change from the existing requirements in IAS 39 in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the assets contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest on the principle outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available-for-resale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income would ever be reclassified to profit or loss at a later date. However, dividends on such investments are recognised in profit or loss, rather than other comprehensive income unless they clearly represent a partial recovery of the cost of the investment.

Investments in equity instruments in respect of which an entity does not elect to present fair value changes in other comprehensive income would be measured at fair value with changes in fair value recognised in profit or loss.

The standard requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated; instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortised cost or fair value.

IFRS 9 (2010) introduces a new requirement in respect of financial liabilities designated under the fair value option to generally present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than in profit or loss. Apart from this change, IFRS 9 (2010) largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

IFRS 9 (2013) introduces new requirements for hedge accounting that align hedge accounting more closely with risk management. The requirement also establish a more principle-based approach to hedge accounting and address inconsistencies and weaknesses in the hedge accounting model in IAS 39. The mandatory effective date of IFRS 9 is not specified but will be determined when the outstanding phases are finalised. However, early application of IFRS 9 is permitted.

3 Significant accounting policies *(continued)*

p) New standards and interpretations not yet adopted *(continued)*

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

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

4. Risk management

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

i) Governance framework

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

ii) Risk management framework

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

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

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Investment Committee identifies investment opportunities and monitors annual investment returns.

iii) Capital management framework

The primary objective of the Company's capital management is to comply with the regulatory requirements in the country in which it operates and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Company's Board of Directors identify risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on economic capital.

4 Risk management *(continued)*

iii) Capital management framework *(continued)*

The Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. The Company fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

iv) Regulatory framework

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

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

v) Asset liability management ("ALM")

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

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

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

a) Insurance risks

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

The Company writes the following types of insurance contracts:

- Accident insurance
- Property insurance
- Motor insurance
- Fire insurance
- Casualty insurance
- Medical insurance
- Marine insurance
- Engineering insurance
- Group life insurance

4 Risk management *(continued)*

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

a) Insurance risks *(continued)*

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Company only issue short term insurance contracts in connection with property, motor, marine and casualty risks.

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

Underwriting strategy

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

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

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

Frequency and amounts of claims

The Company has developed their underwriting strategy to diversify the type of insurance risks accepted and within each of the categories to achieve sufficiently large populations of risk to reduce the variability of the expected outcome. The frequency and amounts of claims can be affected by several factors. The Company underwrite mainly property, motor, casualty, medical and marine risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place.

Property

Property insurance covers a diverse collection of risks and therefore property insurance contracts are subdivided into four risks groups, fire, business interruption, weather damage and theft.

4 Risk management *(continued)*

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

a) Insurance risks *(continued)*

Underwriting strategy *(continued)*

Frequency and amounts of claims *(continued)*

Property (continued)

These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured. The cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruptions are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm, flood damage or other weather related incidents.

Motor

Motor insurance contracts are designed to compensate policies holders for damage suffered to vehicles, disability to third parties arising through accidents and fire or theft of their vehicles.

Underwriting limits and guidelines are in place to enforce appropriate risk selection criteria.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Marine

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

Casualty

For casualty class of business, such as workmen's compensation, personal accident, general third party liability and loss of money, the extent of loss or damage and the potential court awards are the main factors that influence the level of claims.

The Company manage these risks through their 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. Underwriting limits are in place to enforce appropriate risk selections.

The Company proactively manage and pursue early settlement of claims to reduce their exposure to unpredictable developments.

The Company has adequate reinsurance arrangements to protect their financial viability against such claims for all classes of business.

The Company has obtained adequate non-proportionate reinsurance cover for all classes of business to limit losses to an amount considered appropriate by the management.

4 Risk management *(continued)*

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

a) Insurance risks *(continued)*

Underwriting strategy *(continued)*

Frequency and amounts of claims *(continued)*

Medical

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

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

Concentration of risk

The insurance risk arising from insurance contracts is concentrated mainly in the United Arab Emirates. The geographical risk profile is similar to last year.

Assumptions and sensitivities

Process used to determine the assumptions

The method used by the Company for provision of IBNR takes into account historical data, past estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries.

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

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

Sensitivity analysis

The sensitivity of the Company's income and equity to market risks is as follows

	2014	2013
	AED	AED
5% increase in loss ratio	**(9,393,594)**	(7,173,403)
5% decrease in loss ratio	**9,393,594**	7,173,403

4 Risk management *(continued)*

a) Insurance risks *(continued)*

Reinsurance strategy

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

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

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

Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the reported results of the Company amounts to AED 40.9 million profit for the year ended 31 December 2014 (2013: profit of AED 31.5 million). The Company does not foresee any major impact from insurance operations due to the following reason:

The Company has an overall retention level of 70% (2013: 63%) and the same is mainly contributed by motor line of business wherein the retention levels are 89% (2013: 86%). However, in this class the risk is adequately covered by excess of loss reinsurance programs to guard against major financial impact.

b) Financial risks

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

● Credit risk;
● Liquidity risk; and
● Market risk.
● Operational risk.

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

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

For all classes of financial assets held by the Company the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date. Reinsurance is placed with reinsurers’ approved by the management, which are generally international reputed companies.

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

Insurance receivables comprise a large number of customers and insurance companies mainly within the U.A.E.

4 Risk management *(continued)*

b) Financial risks *(continued)*

i) Credit risk *(continued)*

Substantially all assets and liabilities of the Company are in Middle East region.

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

Financial assets carrying credit risk are as follows:

	2014	2013
	AED	AED
Cash and bank balances	**175,684,254**	201,455,560
Reinsurers' share of outstanding claims	**54,200,659**	51,590,165
Insurance and other receivables	**202,462,448**	126,044,889
Financial assets held-to-maturity	**3,707,200**	3,707,200
Statutory deposits	**10,000,000**	10,000,000
	446,054,561	392,797,814

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

The following table provides an ageing analysis of receivables arising from insurances and reinsurance contracts.

	Gross	**Impairment provision**	Gross	Impairment provision
	2014		2013	
	AED	**AED**	AED	AED
0 - 90 days	**134,081,671**	-	61,641,170	-
91 - 180 days	**30,947,782**	-	22,556,750	-
181 - 270 days	**12,212,124**	-	11,953,285	-
271 - 365 days	**10,512,459**	-	17,696,391	-
Above 365 days	**16,841,027**	**(18,865,000)**	13,820,533	(7,165,000)
	204,595,063	**(18,865,000)**	127,668,129	(7,165,000)

ii) Liquidity risk

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

Maturity profiles

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

4 Risk management *(continued)*

b) Financial risks *(continued)*

ii) Liquidity risk *(continued)*

	Contractual cash flows				
31 December 2014	**Less than 6 months AED**	**6 months to 1 year AED**	**1 - 5 years AED**	**Over 5 years AED**	**Total AED**
Liabilities					
Insurance and other payables	**(64,579,063)**	**-**	**-**	**-**	**(64,579,063)**
Outstanding claims reserve	**-**	**(85,828,598)**	**-**	**-**	**(85,828,598)**
Total liabilities	**(64,579,063)**	**(85,828,598)**	**-**	**-**	**(150,407,661)**

31 December 2013	Less than 6 months AED	6 months to 1 year AED	1 - 5 years AED	Over 5 years AED	Total AED
Liabilities					
Insurance and other payables	(61,387,511)	-	-	-	(61,387,511)
Outstanding claims reserve	-	(92,142,322)	-	-	(92,142,322)
Total liabilities	(61,387,511)	(92,142,322)	-	-	(153,529,833)

iii) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in local equity and bond markets. In addition, the Company actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

a) Currency risk

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

The Company currency risk to United States Dollars ("USD") is limited as the USD is pegged to UAE Dirham; hence the exposure is limited to that extent since most reinsurance arrangements are denoted in USD.

b) Interest rate risk

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

The Company's exposure to interest rate risk relates to its fixed deposits placed with various commercial banks in the United Arab Emirates. At 31 December 2014, fixed deposits carried interest rates ranging from 0.75% to 3.25% per annum (2013: 1.5% to 3% per annum).

If interest rates had been 100 basis points lower throughout the year and all other variables were held constant, the Company's net profit for the year ended 31 December 2014 would decrease by approximately AED 1,518,919 (2013: AED 1,700,372). Similarly increase in interest by 100 basis points would result in equal and opposite effect on profit for the year.

4 Risk management *(continued)*

b) Financial risks *(continued)*

iii) Market risk *(continued)*

c) Equity price risk

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

The Company's equity price risk exposure relates to financial assets from the Company's investment portfolio.

Sensitivities

The table below shows the results of sensitivity testing on equity as a result of a change in the fair value of equity instruments held as available-for-sale and at fair value through profit or loss at 31 December 2013. The sensitivity analysis indicates the effect of changes in price risk factors due to a possible change in equity indices, with all other variables held constant, as follows:

	Change in equity price %	**Effect on statement of profit or loss AED**	**Effect on OCI AED**
31 December 2014			
Financial assets at fair value through profit or loss	**10**	**448,082**	**-**
Available-for-sale securities	**10**	**-**	**4,677,265**
31 December 2013			
Financial assets at fair value through profit or loss	10	411,501	-
Available-for-sale securities	10	-	3,886,810

iv) Operational risk

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

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

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

5 Use of estimates and judgements

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

5 Use of estimates and judgements *(continued)*

Key sources of estimation uncertainty

Measurement of insurance contract provisions

The Company's accounting policy in respect of insurance contract accounting is discussed in more detail in note 3(a). The key assumptions made in respect of insurance contract liabilities are included in note 5.

Insurance contract classification

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

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

Provision for outstanding claims, whether reported or not

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the date of statement of financial position.

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

Useful lives of property and equipment

The management determines the useful lives of property and equipment and the related depreciation charge. The depreciation charge for the year will change significantly if the actual life is different from the estimated useful life of the asset.

The review carried out by management in the current year did not indicate any necessity for changes in the useful lives of property and equipment.

5 Use of estimates and judgements *(continued)*

Impairment of insurance receivables

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

Details of provision against doubtful accounts are stated in note 11.1.

Liability adequacy test

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

Critical accounting judgements

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held-to-maturity, carried at fair value through profit or loss ("FVTPL") or available-for-sale.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of revision 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 Company classifies investments as FVTPL if they are acquired primarily for the purpose of making a short term profit.

Classification of investments as FVTPL depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of statement of profit or loss in the management accounts, they are classified as FVTPL.

All other investments are classified as available-for-sale.

Impairment of available-for-sale investments

The Company treats available-for-sale investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is “significant” or “prolonged” requires considerable judgment.

6 Accounting classification of financial assets and financial liabilities

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

At 31 December 2014	**FVTPL**	**Available-for-sale Investments**	**Amortised cost**	**Total carrying amount**
	AED	**AED**	**AED**	**AED**
Financial assets				
Insurance and other receivables	**-**	**-**	**185,730,063**	**185,730,063**
Investment securities	**4,480,824**	**46,772,646**	**3,707,200**	**54,960,670**
Reinsurer's share of outstanding claims	**-**	**-**	**54,200,659**	**54,200,659**
Statutory deposits	**-**	**-**	**10,000,000**	**10,000,000**
Cash and bank balances	**-**		**175,803,915**	**175,803,915**
	4,480,824	**46,772,646**	**429,441,837**	**480,695,307**
Financial liabilities				
Insurance and other payables	**-**	**-**	**64,579,063**	**64,579,063**
Outstanding claims	**-**	**-**	**85,828,598**	**85,828,598**
	-	**-**	**150,407,661**	**150,407,661**

At 31 December 2013	FVTPL	Available-for-sale Investments	Amortised cost	Total carrying amount
	AED	AED	AED	AED
Financial assets				
Insurance and other receivables	-	-	120,503,129	120,503,129
Investment securities	4,115,009	38,868,101	3,707,200	46,690,310
Reinsurer's share of outstanding claims	-	-	51,590,165	- 51,590,165
Statutory deposits	-	-	10,000,000	10,000,000
Cash and bank balances	-	-	201,540,770	201,540,770
	4,115,009	38,868,101	387,341,264	430,324,374
Financial liabilities				
Insurance and other payables	-	-	61,387,511	61,387,511
Outstanding claims	-	-	92,142,322	92,142,322
	-	-	153,529,833	153,529,833

7 Fair value of financial instrument

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

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

7 Fair value of financial instrument *(continued)*

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

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

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

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

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

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

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

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

As at 31 December 2014

	Level 1	Level 2	Level 3	Total
Financial assets	**AED**	**AED**	**AED**	**AED**
FVTPL	**4,480,824**	**-**	**-**	**4,480,824**
Available-for-sale securities	**46,772,646**	**-**	**-**	**46,772,646**
	51,253,470	**-**	**-**	**51,253,470**

As at 31 December 2013				
Financial assets				
FVTPL	4,115,009	-	-	4,115,009
Available-for-sale securities	38,868,101	-	-	38,868,101
	42,983,110	-	-	42,983,110

7 Fair value of financial instrument *(continued)*

b) Financial instruments not measured at fair value

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

As at 31 December 2014

Financial assets	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**	**Total fair value AED**	**Total carrying amount AED**
Cash and bank balances	**-**	**175,803,915**	**-**	**175,803,915**	**175,803,915**
Insurance and other receivables	**-**	**183,597,448**	**-**	**183,597,448**	**183,597,448**
Reinsurer's share of outstanding claims	**-**	**54,200,659**	**-**	**54,200,659**	**54,200,659**
Financial assets held-to-maturity	**-**	**3,839,500**	**-**	**3,839,500**	**3,707,200**
Statutory deposits	**-**	**10,000,000**	**-**	**10,000,000**	**10,000,000**
Investment properties	**-**	**-**	**16,150,000**	**16,150,000**	**6,031,947**
	-	**427,441,522**	**16,150,000**	**443,591,522**	**433,341,169**
Financial liabilities					
Insurance and other payables	**-**	**64,579,063**	**-**	**64,579,063**	**64,579,063**
Outstanding claims	**-**	**85,828,598**	**-**	**85,828,598**	**85,828,598**
	-	**150,407,661**	**-**	**150,407,661**	**150,407,661**
As at 31 December 2013					
Financial assets					
Cash and bank balances	-	201,540,770	-	201,540,770	201,540,770
Insurance and other receivables	-	118,879,889	-	118,879,889	118,879,889
Reinsurer's share of outstanding claims	-	51,590,165	-	51,590,165	51,590,165
Financial assets held-to-maturity	-	3,799,250	-	3,799,250	3,707,200
Statutory deposits	-	10,000,000	-	10,000,000	10,000,000
Investment properties	-	-	20,256,180	20,256,180	7,576,193
	-	385,810,074	20,256,180	406,066,254	393,294,217
Financial liabilities					
Insurance and other payables	-	61,387,511	-	61,387,511	61,387,511
Outstanding claims	-	92,142,322	-	92,142,322	92,142,322
	-	153,529,833	-	153,529,833	153,529,833

a) In respect of those financial assets and financial liabilities measured at amortised cost, which are of short term nature (up to 1 year), management believes that carrying amount is equivalent to it's fair value.

b) Fair values of deposits with banks is estimated using DCF methodology, applying the rates that are offered for deposits of similar maturities and terms. The fair value of deposits payable on demand is considered to be the amount payable at the reporting date.

8 Property and equipment

	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Computer equipment AED	Total AED
Cost					
At 1 January 2013	2,033,765	207,901	1,102,760	1,096,988	4,441,414
Additions	700,235	244,696	361,499	804,156	2,110,586
Transfers	(5,398)	5,398	-	-	-
Disposals	(165,195)	-	(524,760)	(4,100)	(694,055)
At 31 December 2013	2,563,407	457,995	939,499	1,897,044	5,857,945
At 1 January 2014	2,563,407	457,995	939,499	1,897,044	5,857,945
Additions	692,460	187,878	95,150	266,952	1,242,440
Transfers	-	-	-	-	-
Disposals / write off	(9,013)	-	(49,000)	-	(58,013)
At 31 December 2014	**3,246,854**	**645,873**	**985,649**	**2,163,996**	**7,042,372**
Depreciation					
At 1 January 2013	1,293,842	155,784	866,802	1,005,723	3,322,151
Charge for the year	322,029	53,190	93,708	158,013	626,940
Transfers	(1,235)	1,235	-	-	-
On disposals	(164,093)	-	(341,009)	(4,100)	(509,202)
At 31 December 2013	1,450,543	210,209	619,501	1,159,636	3,439,889
At 1 January 2014	1,450,543	210,209	619,501	1,159,636	3,439,889
Charge for the year	444,258	98,897	115,390	262,695	921,240
Transfers	-	-	-	-	-
On disposals	(8,437)	-	(49,000)	-	(57,437)
At 31 December 2014	**1,886,364**	**309,106**	**685,891**	**1,422,331**	**4,303,692**
Carrying amounts					
At 31 December 2013	1,112,864	247,786	319,998	737,408	2,418,056
At 31 December 2014	**1,360,490**	**336,767**	**299,758**	**741,665**	**2,738,680**

9. Investment properties

	Land AED	Buildings AED	Total AED
Cost			
At 1 January 2013	3,500,000	5,332,564	8,832,564
Additions	-	1,367,666	1,367,666
At 31 December 2013	3,500,000	6,700,230	10,200,230
At 1 January 2014	3,500,000	6,700,230	10,200,230
Additions	-	-	-
Deletions	-	(1,367,666)	(1,367,666)
At 31 December 2014	**3,500,000**	**5,332,564**	**8,832,564**
Accumulated depreciation			
At 1 January 2013	-	2,411,085	2,411,085
Charge for the year	-	212,952	212,952
At 31 December 2013	-	2,624,037	2,624,037
At 1 January 2014	-	2,624,037	2,624,037
Charge for the year	-	249,472	249,472
Deletions	-	(72,892)	(72,892)
At 31 December 2014	**-**	**2,800,617**	**2,800,617**
Carrying amounts			
At 31 December 2013	3,500,000	4,076,193	7,576,193
At 31 December 2014	**3,500,000**	**2,531,947**	**6,031,947**

The investment properties are located in United Arab Emirates.

Fair value of investment property at 31 December 2014 amounted to AED 16.2 million as determined by an independent appraiser having an appropriate recognised profesional qualification and recent experience in the location and category of the properties being valued (2013: AED 20.3 million).

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

	2014 AED	2013 AED
Rental income	**234,687**	423,062
Operating expenses	**(48,691)**	(194,766)
Income from investment property	**185,996**	228,296

10 Investment securities

	2014 AED	Restated 2013 AED
Financial assets at fair value through profit or loss	**4,480,824**	4,115,009
Available-for-sale securities	**46,772,646**	38,868,101
Financial assets held-to-maturity	**3,707,200**	3,707,200
At 31 December	**54,960,670**	46,690,310

10.1 Financial assets at fair value through profit or loss

	2014 AED	2013 AED
Investment in funds - within UAE	**4,480,824**	4,115,009
At 31 December	**4,480,824**	4,115,009

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

10.2 Available-for-sale securities

	2014 AED	2013 AED
Equity shares - within UAE (refer note 10.5)	**46,772,646**	38,868,101
	46,772,646	38,868,101

10.3 Financial assets held-to-maturity

	2014 AED	2013 AED
Fixed income investments - within UAE (refer note 10.4)	**3,707,200**	3,707,200
At 31 December	**3,707,200**	3,707,200

10.4 During 2013, a client of the Company partially settled its overdue amount by transferring a financial asset. The transactions took place at the fair value on an arms length basis. The financial asset has been classified as held-to-maturity and the Company has booked a fair value gain arising on initial recognition of AED 207,200, being fair value based on exit price on the date of transfer.

10.5 During the year, management carried out an assessment of the Company's ability to exercise significant influence over an equity accounted investee. It was concluded that the Company has not been able to participate in the operating and financial policy of investee due to practical reasons, and the Company's ability to exercise significant influence is restricted. Accordingly this investment has been reclassified to "available-for-sale securities" from "investment in associate".

The following adjustments have been made in the financial statements:

a) the Company's share of profit and reserves in the equity accounted investee recorded in prior years have been removed from the opening retained earnings and reserves as at 1 January 2013;

b) the fair value of the investment has been recognised. However, due to un-availability of reliable fair value information for prior periods, it is assumed that the cost of investment approximates the fair value; and

c) fair value changes for the current and comparative period have been recorded in statement of comprehensive income.

10 Investment securities *(continued)*

10.5 The financial impact of reclassification are as follows:

Impact on statement of financial position

1 January 2013	**As reported previously AED**	**Adjustments AED**	**Reclassified balance AED**
Investment in an associate	23,366,706	(23,366,706)	-
Investment	11,447,167	20,000,000	31,447,167
Total assets	34,813,873	(3,366,706)	31,447,167
Total liabilities	244,872,146	-	244,872,146
Total equity	191,860,407	(3,366,706)	188,493,701

1 January 2014	**As reported previously AED**	**Adjustments AED**	**Reclassified balance AED**
Investment in an associate	27,848,646	(27,848,646)	-
Investment	26,690,310	20,000,000	46,690,310
Total assets	54,538,956	(7,848,646)	46,690,310
Total liabilities	264,395,262	-	264,395,262
Total equity	223,215,857	(7,848,646)	215,367,211

11 Insurance and other receivables

	2014 AED	2013 AED
Premium receivable (refer note 11.1 and 11.2)	**148,522,005**	84,469,535
Reinsurance companies	**13,914,273**	8,988,590
Insurance agents and brokers	**3,491,600**	2,755,429
Due from related parties (refer note 21)	**31,249,175**	26,877,414
Accrual of interest and other income	**1,832,966**	1,189,936
Advances and prepayments	**2,132,615**	1,623,240
Other receivables	**3,452,429**	1,763,985
	204,595,063	127,668,129
Less: provision for doubtful receivables (refer note 11.3)	**(18,865,000)**	(7,165,000)
At 31 December	**185,730,063**	120,503,129

11.1 Premium receivable includes account receivable from a client which was converted into an unsecured loan during the year. The loan carries an interest rate of 5.5% and is repayable in 37 equal installments commencing 20 April 2014. At the reporting date, the loan outstanding balance is AED 17.7 million; against which the Company has made a provision for doubtful debt of AED 8 million due to difficulties in collection.

11.2 The Company offers an installment basis for premium payments to certain large clients. As at 31 December 2014 an amount of AED 64 million (31 December 2013: AED 27 million) of gross premium is included in receivable; however these receivables are due after 31 December 2014 as per the terms of contractual payment with these clients.

11 Insurance and other receivables *(continued)*

11.3 Provision for doubtful receivables

	2014 AED	2013 AED
Balance 1 January	**7,165,000**	2,725,000
Charge for the year	**11,700,000**	4,440,000
At 31 December	**18,865,000**	7,165,000

For ageing analysis of insurance and other receivables refer note 4 (b) (i).

12 Cash and bank balances (within UAE)

	2014 AED	2013 AED
Cash in hand	**119,661**	85,210
Cash at bank	**23,792,313**	31,418,372
Fixed deposits	**151,891,941**	170,037,188
	175,803,915	201,540,770
Less: deposits with maturities of greater than three months	**(92,161,203)**	(59,393,278)
Less: fixed deposits under lien	**(300,000)**	(300,000)
Cash and cash equivalents at 31 December	**83,342,712**	141,847,492

13 Insurance contract liabilities and reinsurance contract assets

	2014 AED	2013 AED
Insurance contract liabilities		
Claims reported unsettled	**85,828,598**	92,142,322
Claims incurred but not reported	**4,291,430**	6,717,231
Unearned premiums	**117,789,159**	100,709,747
Insurance contract liabilities	**207,909,187**	199,569,300
Reinsurance contract assets		
Claims reported unsettled	**(54,200,659)**	(51,590,165)
Claims incurred but not reported	**(2,710,033)**	(2,579,508)
Deferred reinsurance premiums	**(34,157,094)**	(36,864,341)
Total insurers' share of reinsurance contracts	**(91,067,786)**	(91,034,014)
Net		
Claims reported unsettled	**31,627,939**	40,552,157
Claims incurred but not reported	**1,581,397**	4,137,723
Unearned premiums	**83,632,065**	63,845,406
	116,841,401	108,535,286

13.1 Insurance contract liabilities and reinsurance contract assets *(continued)*

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

	2014			2013		
	Gross AED	**Reinsurance AED**	**Net AED**	Gross AED	Reinsurance AED	Net AED
Claims						
Notified claims	**92,142,322**	**(51,590,165)**	**40,552,157**	104,134,522	(59,606,137)	44,528,385
Incurred but not reported	**6,717,231**	**(2,579,508)**	**4,137,723**	5,206,726	(2,952,807)	2,253,919
Total at the beginning of the year	**98,859,553**	**(54,169,673)**	**44,689,880**	109,341,248	(62,558,944)	46,782,304
Claims settled during the year	**(158,402,269)**	**44,545,208**	**(113,857,061)**	(124,418,932)	40,176,559	(84,242,373)
Increase in liabilities	**149,662,744**	**(47,286,227)**	**102,376,517**	113,937,236	(31,787,288)	82,149,948
Total at the end of the year	**90,120,028**	**(56,910,692)**	**33,209,336**	98,859,552	(54,169,673)	44,689,879
Notified claims	**85,828,598**	**(54,200,659)**	**31,627,939**	92,142,322	(51,590,165)	40,552,157
Incurred but not reported	**4,291,430**	**(2,710,033)**	**1,581,397**	6,717,231	(2,579,508)	4,137,723
Total at the end of the year	**90,120,028**	**(56,910,692)**	**33,209,336**	98,859,553	(54,169,673)	44,689,880
Unearned premium						
Total at the beginning of the year	**100,709,747**	**(36,864,341)**	**63,845,406**	83,407,553	(34,023,380)	49,384,173
Increase during the year	**117,789,159**	**(34,157,094)**	**83,632,065**	100,709,747	(36,864,341)	63,845,406
Release during the year	**(100,709,747)**	**36,864,341**	**(63,845,406)**	(83,407,553)	34,023,380	(49,384,173)
Net change during the year	**17,079,412**	**2,707,247**	**19,786,659**	17,302,194	(2,840,961)	14,461,233
Total at the end of the year	**117,789,159**	**(34,157,094)**	**83,632,065**	100,709,747	(36,864,341)	63,845,406

14 Insurance and other payables

	2014	2013
	AED	AED
Creditors	**5,729,920**	3,618,426
Reinsurance companies	**30,690,434**	36,499,445
Due to related parties (refer note 21)	**389,060**	480,664
Accrued expenses	**7,785,950**	5,854,535
Employees' benefits	**3,055,775**	3,108,038
Commission payable	**11,388,411**	6,900,489
Other payable balances	**5,539,513**	4,925,914
At 31 December	**64,579,063**	61,387,511

15 Provision for employees' end of service benefits

Movements in the net liability were as follows:

	2014	2013
	AED	AED
Balance at the beginning of the year	**3,438,451**	5,288,580
Amounts charged during the year	**1,085,891**	79,358
Amounts paid during the year	**(526,536)**	(1,929,487)
Balance at the end of the year	**3,997,806**	3,438,451

16 Share capital and reserves

The Company’s issued and fully paid share capital comprises 110,000,000 shares of AED 1 each.

	2014		2013	
	No. of Shares	**AED**	No. of Shares	AED
At 31 December	**110,000,000**	**110,000,000**	100,000,000	100,000,000

In accordance with the Company’s Articles of Association and United Arab Emirates Federal Companies Law No. 8 of 1984, the Company transfers 10% of annual net profits, if any, to the legal reserve until it equals 50% of the share capital. Also, in accordance with its Articles of Association, 10% of annual net profits, if any, may be transferred to a general reserve until it is suspended by an Ordinary General Meeting upon a proposal by the Board of Directors. The General reserve can be utilised for the purposes determined by the Ordinary General Meeting upon recommendations of the Board of Directors. During the year, AED 3.79 million has been transferred to statutory reserve (2013: AED 3.45 million).

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

17 Proposed cash dividend

Directors propopsed a cash dividend of 20% amounting to AED 22 million for 2014 (2013: cash dividend of 10% amounting to AED 10 million and bonus shares of 10% amounting to AED 10 million).

18 Proposed directors' fees

In accordance with the Ministry of Economy & Planning interpretation of Article 118 of Commercial Companies Law No. 8 of 1984, the Board of Directors has proposed remuneration of AED 1.3 million for the year (2013: AED 1.3 million).

19 Net income from investments

	For the year ended 31 December	
	2014	2013
	AED	AED
Income from investment securities		
Dividend income	**2,125,453**	625,630
Unrealised gains / (losses) on investments fair value through profit or loss	**365,815**	1,272,384
Impairment of available-for-sale securities	**-**	(55,200)
Unrealised gain on initial recognition of investments (held-to-maturity) (refer note 10.4)	**-**	207,200
Income from investment properties		
Net rental income from investment properties	**185,996**	228,296
Other income		
Interest on fixed deposits	**4,495,306**	4,395,544
Miscellaneous income	**1,183,204**	1,260,456
	8,355,774	7,934,310

20 General and administrative expenses

	For the year ended 31 December	
	2014	2013
	AED	AED
Other operational costs related to underwriting operations	**34,044,739**	19,714,390
Unallocated general and administrative expenses	**11,348,246**	6,571,464
Total	**45,392,985**	26,285,854

The above general and administration expenses include the following costs:

	2014	2013
	AED	AED
Staff costs	**24,331,495**	15,011,264
Rent	**1,108,657**	980,574
Depreciation	**1,170,712**	839,892
Others	**18,782,121**	9,454,124
Total	**45,392,985**	26,285,854
Average number of employees at 31 December	**123**	88

21 Related party transactions

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

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

	2014 AED	2013 AED
Premiums written	**41,934,319**	42,048,704
Claims paid	**6,018,907**	10,078,763
Directors' and key management personnel		
Remuneration and short term benefits	**4,147,668**	2,587,353
Dividend paid	**12,895,804**	9,443,483

b) Due from related parties

	2014 AED	2013 AED
Insurance premium receivable (refer note 11)	**31,249,175**	26,877,414

c) Due to relates parties

Payable to a related party	**(389,060)**	(480,664)

22 Contingent liabilities and commitments

Leases as a lessee

Non cancellable operating lease rentals are payable as follows:

	2014 AED	2013 AED
Less than one year	**231,924**	210,840
At 31 December	**231,924**	210,840

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

Capital commitments

Capital commitments as at 31 December 2014 amounted to nil (2013: nil).

Guarantees

	2014 AED	2013 AED
Letters of guarantees	**10,300,000**	10,300,000

Contingent liabilities

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

23 Segment information

Business segments

For management purposes the Company is organised into two business segments, general insurance and investments. These segments are Underwriting of general insurance business incorporating all classes of general insurance including fire, marine, motor, general accident and Investments incorporating investments in U.A.E marketable equity securities, term deposits with banks, investment properties, trading

	For the year ended 31 December 2014			For the year ended 31 December 2013		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
	AED	**AED**	**AED**	AED	AED	AED
Segment revenue	**295,588,485**	**-**	**295,588,485**	250,629,675	-	250,629,675
Segment result	**40,867,721**	**8,355,774**	**49,223,495**	31,491,904	7,934,310	39,426,214
Unallocated costs - net	-	-	**(11,348,246)**			(6,571,464)
Net profit for the period			**37,875,249**			32,854,750

	31 December 2014			31 December 2013		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
	AED	**AED**	**AED**	AED	AED	AED
Segment assets	**277,418,954**	**212,184,558**	**489,603,512**	207,233,271	224,003,691	431,236,962
Unallocated assets	-	-	**36,329,549**	-	-	48,525,510
Total assets			**525,933,061**			479,762,472
Segment liabilities	**272,488,250**	-	**272,488,250**	260,956,811	-	260,956,811
Unallocated liabilities			**3,997,806**			3,438,451
Total liabilities			**276,486,056**			264,395,262

The following is an analysis of the Company's revenues classified by major underwriting departments:

	31 December 2014 AED	31 December 2013 AED
Motor	**40,352,309**	34,254,375
Marine and aviation	**11,822,650**	21,983,397
Group life and medical insurance	**163,900,396**	116,293,492
Engineering, fire, general accidents and others	**79,513,130**	78,098,411
	295,588,485	250,629,675

24 Earnings per share

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

	2014 AED	2013 AED
Net profit for the year	**37,875,249**	32,854,750
Weighted average number of shares outstanding during the year (after adjusting for issue of bonus shares)	**110,000,000**	100,000,000
Basic earnings per share	**0.34**	0.33

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

25 Comparative figures

Certain comparatives have been reclassified / regrouped to conform to the presentation adopted in the financial statements.