ARABIAN SCANDINAVIAN INSURANCE COMPANY P.L.C.

Independent auditor's report and financial statements for the year ended 31 December 2014

ARABIAN SCANDINAVIAN INSURANCE COMPANY P.L.C.

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Deloitte.

Deloitte & Touche (M.E.)
Building 3, Level 6
Emaar Square
Downtown Dubai
P.O. Box 4254
Dubai
United Arab Emirates

Tel: +971 (0) 4 376 8888
Fax: +971 (0) 4 376 8899
www.deloitte.com/middleeast

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Arabian Scandinavian Insurance Company P.L.C.
Dubai
United Arab Emirates

Report on the financial statements

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

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the auditor's 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, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Cont'd…

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INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Arabian Scandinavian Insurance Company P.L.C.** 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

Also, in our opinion, the Company has maintained proper books of account. We have obtained all the information which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984 (as amended), the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations or the Articles of Association of the Company which might have a material effect on the financial position of the Company or its financial performance.

Deloitte & Touche (M.E.)

Musa Ramahi
Registration No. 872
12 February 2015

Statement of financial position
at 31 December 2014

	Notes	2014 AED	2013 AED
ASSETS			
Non-current assets			
Property and equipment	5	359,623	489,436
Investment properties	6	268,020,580	226,564,194
Financial investments at fair value through other comprehensive income (FVTOCI)	7	2,769,925	3,172,835
Statutory deposits	8	10,000,000	10,000,000
Total non-current assets		281,150,128	240,226,465
Current assets			
Re-insurance contract assets	9	20,197,495	27,970,786
Insurance and other receivables	10	20,138,592	22,206,770
Due from related parties	11	3,448,228	3,347,981
Financial investments at fair value through profit or loss (FVTPL)	7	61,103,008	21,699,511
Bank balances and cash	12	28,116,812	98,039,483
Total current assets		133,004,135	173,264,531
Total assets		414,154,263	413,490,996
EQUITY AND LIABILITIES			
Equity			
Share capital	13	154,000,000	140,000,000
Statutory reserve	14	56,608,737	53,502,099
General reserve	15	48,718,537	45,611,899
Cumulative changes in fair value		(402,910)	-
Retained earnings		63,216,863	82,363,755
Total equity		322,141,227	321,477,753
Non-current liabilities			
Provision for employees' end of service indemnity	16	1,789,783	1,622,193
Current liabilities			
Insurance contract liabilities	9	58,263,444	63,937,888
Insurance and other payables	17	31,958,560	26,383,452
Due to related parties	11	1,249	69,710
Total current liabilities		90,223,253	90,391,050
Total liabilities		92,013,036	92,013,243
Total equity and liabilities		414,154,263	413,490,996

Director

Managing Director

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

Statement of income
for the year ended 31 December 2014

	Notes	2014 AED	2013 AED
Gross insurance premium	18	**80,851,185**	74,758,372
Insurance premium ceded to re-insurers	18	**(24,752,797)**	(26,665,910)
Net insurance premium	18	**56,098,388**	48,092,462
Gross claims incurred	9	**(46,268,656)**	(56,160,962)
Insurance claims recovered from re-insurers	9	**11,672,730**	26,865,919
Net claims incurred	9	**(34,595,926)**	(29,295,043)
Gross commission earned		**5,194,585**	5,268,198
Less: commission incurred		**(7,427,867)**	(6,993,158)
Net commission incurred		**(2,233,282)**	(1,724,960)
Underwriting profit		**19,269,180**	17,072,459
General and administrative expenses relating to underwriting activities		**(18,534,203)**	(14,883,532)
Net underwriting profit		**734,977**	2,188,927
Investment income	19	**30,283,324**	48,288,613
Other income		**48,083**	310,575
Profit for the year	20	**31,066,384**	50,788,115
Earnings per share	21	**0.20**	0.33

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

Statement of comprehensive income
for the year ended 31 December 2014

	2014 AED	2013 AED
Profit for the year	**31,066,384**	50,788,115
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss:		
Net fair value loss on investments at FVTOCI	**(402,910)**	-
Gain on sale of investments at FVTOCI	-	3,929,324
Board of Directors' remuneration	**(2,000,000)**	(1,600,000)
Other comprehensive (loss)/income for the year	**(2,402,910)**	2,329,324
Total comprehensive income for the year	**28,663,474**	53,117,439

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

Statement of changes in equity for the year ended 31 December 2014

	Share capital AED	Statutory reserve AED	General reserve AED	Cumulative changes in fair value AED	Retained earnings AED	Total AED
Balance at 1 January 2013	140,000,000	48,423,287	40,533,087	(2,420,006)	62,823,946	289,360,314
Profit for the year	-	-	-	-	50,788,115	50,788,115
Other comprehensive income for the year	-	-	-	-	2,329,324	2,329,324
Total comprehensive income for the year	-	-	-	-	53,117,439	53,117,439
Transfer to retained earnings on sale of FVTOCI	-	-	-	2,420,006	(2,420,006)	-
Transfer to statutory reserve (Note 14)	-	5,078,812	-	-	(5,078,812)	-
Transfer to general reserve (Note 15)	-	-	5,078,812	-	(5,078,812)	-
Dividend paid (Note 28)	-	-	-	-	(21,000,000)	(21,000,000)
Balance at 31 December 2013	140,000,000	53,502,099	45,611,899	-	82,363,755	321,477,753
Profit for the year	-	-	-	-	31,066,384	31,066,384
Other comprehensive loss for the year	-	-	-	(402,910)	(2,000,000)	(2,402,910)
Total comprehensive (loss)/income for the year	-	-	-	(402,910)	29,066,384	28,663,474
Transfer to statutory reserve (Note 14)	-	3,106,638	-	-	(3,106,638)	-
Transfer to general reserve (Note 15)	-	-	3,106,638	-	(3,106,638)	-
Dividend paid (Note 28)	-	-	-	-	(28,000,000)	(28,000,000)
Bonus share issued during the year (Note 13)	14,000,000	-	-	-	(14,000,000)	-
Balance at 31 December 2014	**154,000,000**	**56,608,737**	**48,718,537**	**(402,910)**	**63,216,863**	**322,141,227**

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

Statement of cash flows
for the year ended 31 December 2014

	2014 AED	2013 AED
Cash flows from operating activities		
Profit for the year	**31,066,384**	50,788,115
Adjustments for:		
Depreciation of property and equipment	**157,800**	159,649
Provision for employees' end of service indemnity	**172,916**	166,784
Allowance for doubtful debts	**344,603**	-
Gain on sale of property and equipment	**-**	(58,296)
Fair value gain on investment properties	**(29,847,307)**	(18,597,266)
Unrealised loss/(gain) on financial investments at FVTPL	**20,864,333**	(1,904,050)
Realised gain on sale of financial investments at FVTPL	**(2,930,421)**	(12,247,563)
Interest on fixed deposits	**(188,120)**	(759,169)
Other investment income	**(18,181,809)**	(14,722,269)
Operating profit before changes in working capital	**1,458,379**	2,825,935
Decrease/(increase) in re-insurance contract assets	**7,773,291**	(8,357,206)
Decrease/(increase) in insurance and other receivables	**1,723,575**	(4,257,710)
(Decrease)/increase in insurance contract liabilities	**(5,674,444)**	9,659,619
Increase in due from related parties	**(100,247)**	(471,277)
Increase/(decrease) in insurance and other payables	**5,575,108**	(4,562,371)
Decrease in due to related parties	**(68,461)**	(95,465)
Net cash generated from/(used in) operations	**10,687,201**	(5,258,475)
Employees' end of service indemnity paid	**(5,326)**	(124,601)
Net cash generated from/(used in) operating activities	**10,681,875**	(5,383,076)
Cash flows from investing activities		
Purchase of property and equipment	**(27,987)**	(430,508)
Proceeds from sale of property and equipment	**-**	130,000
Purchase of investment properties	**(11,609,079)**	(2,371,702)
Decrease in fixed deposits with banks under lien	**3,129,897**	1,020,647
Decrease in fixed deposits with maturity over 3 months	**11,391,827**	28,608,173
Purchase of financial investments at FVTPL	**(98,986,732)**	(88,143,014)
Proceeds from disposal of financial investments at FVTOCI	**-**	13,638,192
Proceeds from disposal of financial investments at FVTPL	**41,649,323**	99,250,706
Investment property income	**14,874,549**	13,388,790
Interest on fixed deposits received	**188,120**	759,169
Dividends received from financial investments at FVTOCI	**148,763**	308,534
Dividends received from financial investments at FVTPL	**3,158,497**	1,024,945
Net cash (used in)/generated from investing activities	**(36,082,822)**	67,183,932
Cash flows from financing activities		
Board of Directors' remuneration paid	**(2,000,000)**	(1,600,000)
Dividend paid	**(28,000,000)**	(21,000,000)
Net cash used in financing activities	**(30,000,000)**	(22,600,000)
Net (decrease)/increase in cash and cash equivalents	**(55,400,947)**	39,200,856
Cash and cash equivalents at the beginning of the year	**73,517,759**	34,316,903
Cash and cash equivalents at the end of the year (Note 22)	**18,116,812**	73,517,759

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

Notes to the financial statements
for the year ended 31 December 2014

1. General information

Arabian Scandinavian Insurance Company P.L.C. - Dubai (the "Company") is a public shareholding company and was registered in 1992 under U.A.E. Federal Commercial Companies Law No. 8 of 1984 (as amended) relating to commercial companies in U.A.E. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E under registration number 6. The address of the Company's registered office is P.O. Box 1993, Dubai, United Arab Emirates.

The principal activity of the Company is the writing of all classes of general insurance business and life assurance and till date the Company has written general insurance business only. The Company only operates in U.A.E., through its Dubai and Abu Dhabi offices.

The Shareholders Extraordinary General Assembly Meeting held on 19 March 2014 has approved conversion of the Company's business from conventional insurance to Takaful insurance. The Board of Directors appointed Sharia committee for overseeing the compliance and presentation of financial statements in accordance with Sharia. The Company in 2015 started issuing short term takaful contracts in connection with non-life takaful such as motor, marine, fire, engineering, medical and general accident risks (collectively known as general takaful) and the name of the Company was changed to Arabian Scandinavian Insurance Company P.L.C. – Takaful ASCANA Insurance in 2015.

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

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

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2014, have been adopted in these financial statements. The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

New and revised IFRS	Effective for annual periods beginning on or after
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• Amendments to IAS 36 *Recoverable Amount Disclosures*: The amendments restrict the requirements to disclose the recoverable amount of an asset or Cash Generating Unit (CGU) to the period in which an impairment loss has been recognised or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.	1 January 2014
• Amendments to IFRS 10, IFRS 12 and IAS 27 *Guidance on Investment Entities*: On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRS.	1 January 2014

Notes to the financial statements
for the year ended 31 December 2014 (continued)

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

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

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

New and revised IFRS	Effective for annual periods beginning on or after
• Finalised version of IFRS 9 (IFRS 9 *Financial Instruments* (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model. A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.	1 January 2018
• IFRS 14 *Regulatory Deferral Accounts* issued in January 2014 specifies the financial reporting requirements for 'regulatory deferral account balance' that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation.	1 January 2016
• IFRS 15 *Revenue from Contracts with Customers*: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.	1 January 2017
• Annual Improvements to IFRS 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7 and IAS 19.	1 January 2016
• Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortisation.	1 January 2016
• Amendments to IFRS 11 to clarify accounting for acquisitions of *Interests in Joint Operations*.	1 January 2016
• Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	1 January 2016

Notes to the financial statements
for the year ended 31 December 2014 (continued)

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

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

New and revised IFRS	Effective for annual periods beginning on or after
• Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	1 January 2016
• Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	1 January 2016
• Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016
• Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	1 January 2016
• Annual Improvements to IFRS 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.	1 July 2014
• Annual Improvements to IFRS 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	1 July 2014
• Amendments to IAS 19 *Employee Benefits* clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements for the period beginning 1 January 2015 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, may have no material impact on the financial statements of the Company in the period of initial application.

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

Notes to the financial statements
for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with IFRS and applicable requirements of United Arab Emirates (U.A.E.) Commercial Companies Federal Law No. 8 of 1984 (as amended) and United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations.

3.2 Basis of preparation

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

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

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

3.3 Insurance contracts

3.3.1 Definition

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk.

3.3.2 Recognition and measurement

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

Notes to the financial statements
for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.3 Short-term insurance contracts

The Company writes short-term insurance contracts only. These contracts are casualty and property insurance contracts.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Short-duration life insurance contracts protect the Company's customers from the consequences of events that would affect on the ability of the customer or customer's dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policy holder. There are no maturity or surrender benefits.

For all these insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of reporting period is reported as the unearned premium liability.

Claims and loss adjustment expenses are charged to statement of income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

3.3.4 Reinsurance contracts held

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

Notes to the financial statements
for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.4 Reinsurance contracts held (continued)

These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract asset is impaired, the Company reduces the carrying amount of the reinsurance contract assets to its recoverable amount and recognises that impairment loss in the statement of income. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

3.3.5 Insurance contract liabilities

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 reporting date and is estimated using the 25% and 40% method for marine and non-marine respectively. The unearned premium calculated by the above method (after reducing the reinsurance shares) this method is in accordance with regulations relating to insurance companies. The unearned premium calculated by the $1/8^{th}$ method accounts for the estimated acquisition costs incurred by the Company to acquire policies and defers these over the life of the policy.

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

3.3.6 Salvage and subrogation reimbursements

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

3.3.7 Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related deferred policy acquisition costs. Any deficiency is immediately charged to statement of income initially by writing off the deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

3.3.8 Receivables and payables related to insurance contracts

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

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

Notes to the financial statements
for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

3.4 Revenue recognition

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

3.4.1 Insurance contract income

Revenue from insurance contracts is measured as per the accounting policies stated under insurance contracts in these financial statements (see Note 3.3).

3.4.2 Commission income

Commission income is recognised when the reinsurance premium is ceded based on the terms and percentages agreed with the reinsurers.

3.4.3 Interest income

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

3.4.4 Dividend income

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

3.4.5 Rental income

Rental income from investment property which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

3.5 Foreign currencies

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

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in statement of income in the year in which they arise.

3. Summary of significant accounting policies (continued)

3.6 Employee benefits

3.6.1 Defined contribution plan

U.A.E. national employees of the Company are members of the Government managed retirement pension and social security benefit scheme established pursuant to U.A.E. Federal Labour Law No. 7 of 1999. The Company is required to contribute 12.5% of "contribution calculation salary" to the retirement benefit scheme to fund the benefits. These employees are also required to contribute 5% of the "contribution calculation salary" to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the statement of income.

3.6.2 Provision for employees' end of service benefits

Provision for employees' end of service indemnity is made in accordance with the U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the end of the reporting period.

3.7 Property and equipment

Property and equipment are carried at cost less any accumulated depreciation and any identified impairment losses.

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

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

The useful life considered in the calculation of depreciation of all the assets is 4 years.

3.8 Investment properties

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

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

Notes to the financial statements
for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

3.8 Investment properties (continued)

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Fair value is determined by open market values based on valuations performed by independent surveyors and consultants or broker's quotes.

3.9 Impairment of tangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are 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, for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

3.10 Provisions

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

Notes to the financial statements
for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

3.10 Provisions (continued)

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

3.11 Financial assets

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

Financial assets of the Company are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), at fair value through other comprehensive income (FVTOCI) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.11.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in statement of income. Fair value is determined in the manner described in Note 26.3.

Dividend income on investments in equity instruments at FVTPL is recognised in statement of income when the Company's right to receive the dividends is established in accordance with IAS 18 *Revenue*.

Notes to the financial statements
for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

3.11 Financial assets (continued)

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

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

A financial asset is held for trading if:

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

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

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

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

3.11.4 Insurance and other receivables

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

3.11.5 Impairment of financial assets

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

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

Notes to the financial statements
for the year ended 31 December 2014 (continued)

3. Summary of significant accounting policies (continued)

3.11 Financial assets (continued)

3.11.5 Impairment of financial assets (continued)

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

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

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

3.11.6 Derecognition of financial assets

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

3.12 Financial liabilities and equity instruments issued by the Company

3.12.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement, and the definition of a financial liability and equity instruments.

3.12.2 Equity instruments

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

3.12.3 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3. Summary of significant accounting policies (continued)

3.12 Financial liabilities and equity instruments issued by the Company (continued)

3.12.4 Other financial liabilities

Insurance and other payables and due to related parties are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short term payable when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.12.5 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

4. Critical accounting judgements and key sources of estimation uncertainty

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical judgements in applying accounting policies

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

4.1.1 Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at FVTOCI or FVTPL. In judging whether investments in securities are as at FVTOCI or FVTPL, Management has considered the detailed criteria for determination of such classification as set out in IFRS 9 - Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

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

4.1 Critical judgements in applying accounting policies (continued)

4.1.2 Classification of properties

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

4.2 Key sources of estimation uncertainty

4.2.1 The ultimate liability arising from claims made under insurance contracts

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

4.2.2 Impairment of insurance receivables

An estimate of the collectible 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 companies, historical recovery rates including detailed investigations carried out during 2014 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the statement of income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the statement of income at the time of collection.

4.2.3 Liability adequacy test

At end of each reporting period, 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 statement of income.

Notes to the financial statements
for the year ended 31 December 2014 (continued)

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

4.2 Key sources of estimation uncertainty (continued)

4.2.4 Valuation of unquoted equity instruments

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

5. Property and equipment

	Furniture and fixtures AED	Motor vehicles AED	Total AED
Cost			
Balance at 31 December 2012	3,066,474	331,300	3,397,774
Additions during the year	73,158	357,350	430,508
Disposals during the year	-	(312,500)	(312,500)
Balance at 31 December 2013	3,139,632	376,150	3,515,782
Additions during the year	27,987	-	27,987
Balance at 31 December 2014	**3,167,619**	**376,150**	**3,543,769**
Accumulated depreciation			
Balance at 31 December 2012	2,916,343	191,150	3,107,493
Charge for the year	76,067	83,582	159,649
Eliminated on disposals	-	(240,796)	(240,796)
Balance at 31 December 2013	2,992,410	33,936	3,026,346
Charge for the year	66,837	90,963	157,800
Balance at 31 December 2014	**3,059,247**	**124,899**	**3,184,146**
Carrying amount			
Balance at 31 December 2014	**108,372**	**251,251**	**359,623**
Balance at 31 December 2013	147,222	342,214	489,436

At 31 December 2014, the cost of fully depreciated property and equipment that was still in use amounted to AED 2.9 million (2013: AED 2.8 million).

Notes to the financial statements
for the year ended 31 December 2014 (continued)

6. Investment properties

	Land AED	Property under construction AED	Other real estate AED	Total AED
Balance at 1 January 2014	**22,601,648**	**2,419,071**	**201,543,475**	**226,564,194**
Additions during the year	**-**	**11,609,079**	**-**	**11,609,079**
Increase in fair value during the year	**3,045,384**	**-**	**26,801,923**	**29,847,307**
Balance at 31 December 2014	**25,647,032**	**14,028,150**	**228,345,398**	**268,020,580**
Balance at 1 January 2013	22,577,128	345,869	182,672,229	205,595,226
Additions during the year	-	2,073,202	298,500	2,371,702
Increase in fair value during the year	24,520	-	18,572,746	18,597,266
Balance at 31 December 2013	22,601,648	2,419,071	201,543,475	226,564,194

The fair value of the Company's investment properties as at 31 December 2014 and 2013 has been arrived at on the basis of valuations carried on the respective dates by independent valuers who are not related to the Company and have appropriate qualifications and recent market experience in the valuation of properties in the United Arab Emirates. The fair value is mainly based on unobservable inputs (i.e. level 3).

The fair value was determined based on the market comparable approach that reflects recent transactions prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The property under construction is stated at cost as fair value is not reliably determinable. However, management expects that the fair value of the investment property to be reliably determinable when construction is completed.

Investment property amounting to AED 8.04 million (2013: AED 11.04 million) is registered in the name of related parties in trust and for the benefit of the Company.

All investment properties are located in U.A.E.

The property rental income earned by the Company from its investment properties, which are leased under operating leases on an annual basis and the direct operating expenses arising in the management of the investment properties are as follows:

	2014 AED	2013 AED
Rental income	**16,295,426**	14,527,482
Direct operating expenses	**(1,420,877)**	(1,138,692)
Income from investment properties (Note 19)	**14,874,549**	13,388,790

Notes to the financial statements
for the year ended 31 December 2014 (continued)

7. Financial investments

The Company's financial investments at the end of reporting period are detailed below:

	2014 AED	2013 AED
Financial investments at FVTOCI		
Quoted U.A.E. equity securities	**347,090**	750,000
Unquoted U.A.E. equity securities	**2,422,835**	2,422,835
	2,769,925	3,172,835
Financial investments at FVTPL		
Quoted U.A.E. equity securities	**60,587,650**	21,184,153
Unquoted U.A.E. equity securities	**515,358**	515,358
	61,103,008	21,699,511

The movement in financial investments are as follows:

	At fair value through other comprehensive income		At fair value through profit or loss	
	2014 **AED**	2013 AED	**2014** **AED**	2013 AED
Fair value, at the beginning of the year	**3,172,835**	12,881,703	**21,699,511**	18,655,590
Purchased during the year	**-**	-	**98,986,732**	88,143,014
Disposals during the year	**-**	(9,708,868)	**(38,718,902)**	(87,003,143)
Change in fair value	**(402,910)**	-	**(20,864,333)**	1,904,050
Fair value, at the end of the year	**2,769,925**	3,172,835	**61,103,008**	21,699,511

8. Statutory deposits

Statutory deposit represents fixed deposits under lien against the guarantees issued in favor of Insurance Authority of U.A.E. in accordance with Article 42 of United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations.

Notes to the financial statements
for the year ended 31 December 2014 (continued)

9. Insurance contract liabilities and re-insurance contract assets

	2014 AED	2013 AED
Gross		
Insurance contract liabilities:		
Claims reported unsettled	**17,740,519**	27,108,764
Claims incurred but not reported	**5,600,000**	5,600,000
Unearned premiums	**34,922,925**	31,229,124
Total insurance contract liabilities, gross	**58,263,444**	63,937,888
Recoverable from re-insurers		
Claims reported unsettled	**10,923,106**	18,847,327
Unearned premiums	**9,274,389**	9,123,459
Total re-insurers' share of insurance liabilities	**20,197,495**	27,970,786
Net		
Claims reported unsettled	**6,817,413**	8,261,437
Claims incurred but not reported	**5,600,000**	5,600,000
Unearned premiums	**25,648,536**	22,105,665
	38,065,949	35,967,102

Notes to the financial statements
for the year ended 31 December 2014 (continued)

9. Insurance contract liabilities and re-insurance contract assets (continued)

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

	2014			2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	AED	AED	AED	AED	AED	AED
Claims						
Claims reported unsettled	**27,108,764**	**(18,847,327)**	**8,261,437**	19,305,827	(8,619,906)	10,685,921
Incurred but not reported	**5,600,000**	**-**	**5,600,000**	4,600,000	-	4,600,000
Total at the beginning of the year	**32,708,764**	**(18,847,327)**	**13,861,437**	23,905,827	(8,619,906)	15,285,921
Claims settled during the year	**(55,636,901)**	**19,596,951**	**(36,039,950)**	(47,358,025)	16,638,498	(30,719,527)
Claims incurred during the year	**46,268,656**	**(11,672,730)**	**34,595,926**	56,160,962	(26,865,919)	29,295,043
Total at the end of the year	**23,340,519**	**(10,923,106)**	**12,417,413**	32,708,764	(18,847,327)	13,861,437
Claims reported unsettled	**17,740,519**	**(10,923,106)**	**6,817,413**	27,108,764	(18,847,327)	8,261,437
Incurred but not reported	**5,600,000**	**-**	**5,600,000**	5,600,000	-	5,600,000
Total at the end of the year	**23,340,519**	**(10,923,106)**	**12,417,413**	32,708,764	(18,847,327)	13,861,437
Unearned premium						
Total at the beginning of the year	**31,229,124**	**(9,123,459)**	**22,105,665**	30,372,442	(10,993,674)	19,378,768
Increase during the year	**32,922,925**	**(9,274,389)**	**23,648,536**	29,229,124	(9,123,459)	20,105,665
Release during the year	**(29,229,124)**	**9,123,459**	**(20,105,665)**	(28,372,442)	10,993,674	(17,378,768)
Net increase/(decrease) during the year (Note 18)	**3,693,801**	**(150,930)**	**3,542,871**	856,682	1,870,215	2,726,897
Total at the end of the year	**34,922,925**	**(9,274,389)**	**25,648,536**	31,229,124	(9,123,459)	22,105,665

Notes to the financial statements
for the year ended 31 December 2014 (continued)

10. Insurance and other receivables

	2014 AED	2013 AED
Receivables arising from insurance and reinsurance contracts:		
Due from policy holders	**12,563,039**	6,074,864
Allowance for doubtful debts	**(578,502)**	(288,707)
	11,984,537	5,786,157
Due from insurance companies	**3,362,354**	2,158,959
Allowance for doubtful debts	**(993,568)**	(938,760)
	2,368,786	1,220,199
Due from reinsurance companies	**321,344**	956,480
	14,674,667	7,962,836
Prepayments and other receivables	**5,463,925**	14,243,934
	20,138,592	22,206,770

The average credit period on insurance receivable is 90 days. The insurance receivables outstanding between 90 days and 180 days are monitored by the Company for recoverability. The insurance receivables outstanding greater than 180 days are provided for based on estimated irrecoverable amounts determined by reference to past default experience in addition to specific provision made on identified customers.

The Company has adopted a policy of dealing with credit worthy counter parties. Adequate credit assessment is made before accepting an insurance contract from any counter party. Of the due from insurance receivables at the end of the year AED 523,687 (2013: AED 733,758) is due from the Company's largest counter party, and the Company has not provided any allowance against this outstanding balance, since the total balance is below 90 days.

Ageing of insurance and reinsurance receivables:

	2014 AED	2013 AED
Neither past due nor impaired	**9,742,810**	6,143,307
Past due but not impaired:		
90 to 365 days	**4,917,080**	1,489,283
More than 365 days	**14,777**	330,246
	4,931,857	1,819,529
Past due and impaired	**1,572,070**	1,227,467
Total	**16,246,737**	9,190,303

Notes to the financial statements
for the year ended 31 December 2014 (continued)

10. Insurance and other receivables (continued)

Movement in the allowance for doubtful debts:

	2014 AED	2013 AED
Balance at the beginning of the year	**1,227,467**	1,227,467
Allowance made during the year	**344,603**	-
Balance at the end of the year	**1,572,070**	1,227,467

In determining the recoverability of an insurance receivable, the Company considers any change in the credit quality of the insurance receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that no further provision is required in excess of the allowance for doubtful debts that has been provided for as of 31 December 2014.

11. Due from / to related parties

At the reporting date, amounts due from/to related parties were as follows:

	2014 AED	2013 AED
Due from related parties:		
Al Redah Insurance Brokers (LLC), Dubai	**3,446,863**	3,347,615
Other related parties	**1,365**	366
	3,448,228	3,347,981
Due to related parties:		
Al Kazim Real Estate, Dubai	-	58,620
Al Kazim Group, Dubai	-	4,000
Other related parties	**1,249**	7,090
	1,249	69,710

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the year for bad or doubtful debts in respect of the amounts owed by related parties.

Notes to the financial statements
for the year ended 31 December 2014 (continued)

11. Due from/to related parties (continued)

Transactions:

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

	2014 AED	2013 AED
Insurance policies written for related parties	**548,140**	580,514
Management expenses	**135,438**	626,755
Premiums written through a related party broker	**13,019,639**	13,017,197
Commission paid	**1,788,737**	1,829,494
Claims paid	**96,315**	99,536
Office rent	**678,345**	678,345

Transactions with related parties were carried out on terms agreed with the management.

Compensation of board of directors/ key management personnel

	2014 AED	2013 AED
Short-term benefits	**2,950,371**	1,627,582
Long-term benefits	**75,000**	75,000
Board of Directors' remuneration	**2,000,000**	1,600,000

12. Bank balances and cash

	2014 AED	2013 AED
Fixed deposits	**15,000,000**	63,727,060
Call accounts	**168,026**	167,873
Current accounts and cash	**12,948,786**	34,144,550
	28,116,812	98,039,483

The interest rates on fixed deposits and call accounts with banks range from 0.75% to 1.0% (2013: 0.84% to 1.5%).

Fixed deposits amounting to AED NIL (2013: AED 3.1 million) are under lien against the credit facility granted to the Company.

Notes to the financial statements
for the year ended 31 December 2014 (continued)

12. Bank balances and cash (continued)

Bank balances and cash represents

	2014 AED	2013 AED
Within U.A.E.	**27,945,108**	97,867,933
Outside U.A.E.	**171,704**	171,550
	28,116,812	98,039,483

13. Share capital

	2014 AED	2013 AED
Authorised and issued and fully paid: 154 million ordinary shares of AED 1 each (2013: 140 million)	**154,000,000**	140,000,000

During the year, the share capital of the Company was increased by AED 14 million by issue of 14 million bonus shares of AED 1 each. The issue of bonus shares was approved by the Shareholders at the Annual General Meeting held on 19 March 2014 (See Note 28).

14. Statutory reserve

In accordance with U.A.E. Federal Commercial Companies Law Number 8 of 1984, as amended, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law. For the year ended 31 December 2014, AED 3.11 million (2013: AED 5.08 million) was transferred to statutory reserve.

15. General reserve

In accordance with the Company's Articles of association, an amount equal to 10% of profit for the year is transferred to a general reserve. This reserve can be used for specific purposes to be decided upon by the Company's Shareholders based on the recommendations of the board of directors. Transfers to this reserve are required to be made until such time as it equals 50% of the Company's paid up capital. For the year ended 31 December 2014, AED 3.11 million (2013: AED 5.08 million) was transferred to general reserve.

Notes to the financial statements
for the year ended 31 December 2014 (continued)

16. Provision for employees' end of service indemnity

	2014 AED	2013 AED
Balance at the beginning of the year	**1,622,193**	1,580,010
Charged during the year	**172,916**	166,784
Paid during the year	**(5,326)**	(124,601)
Balance at the end of the year	**1,789,783**	1,622,193

17. Insurance and other payables

	2014 AED	2013 AED
Payables arising from insurance and reinsurance contracts:		
Payable arising from insurance activities	**4,875,849**	4,785,597
Due to insurance companies	**4,511,817**	3,703,654
Due to reinsurance companies	**9,583,776**	7,438,399
Premium reserve withheld	**4,531,748**	4,843,014
	23,503,190	20,770,664
Other payables:		
Accrued expenses and others	**8,455,370**	5,612,788
	31,958,560	26,383,452

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

18. Net insurance premium revenue

	2014 AED	2013 AED
Gross premium written		
Gross premium written	**84,544,986**	75,615,054
Change in unearned premium (see Note 9)	**(3,693,801)**	(856,682)
	80,851,185	74,758,372
Reinsurance premium ceded		
Reinsurance premium ceded	**(24,903,727)**	(24,795,695)
Change in unearned premium (see Note 9)	**150,930**	(1,870,215)
	(24,752,797)	(26,665,910)
Net insurance premium	**56,098,388**	48,092,462

Notes to the financial statements
for the year ended 31 December 2014 (continued)

19. Investment income

	2014 AED	2013 AED
Profit on disposal of financial investments at FVTPL	**2,930,421**	12,247,563
Unrealised (loss)/profit on financial investments at FVTPL	**(20,864,333)**	1,904,050
Interest on fixed deposit	**188,120**	759,169
Dividends from investments:		
Financial investments at FVTOCI	**148,763**	308,534
Financial investments at FVTPL	**3,158,497**	1,024,945
Fair value gain on investment properties	**29,847,307**	18,597,266
Income from investment properties (Note 6)	**14,874,549**	13,388,790
Gain on sale of investment property	**-**	58,296
	30,283,324	48,288,613

20. Profit for the year

Profit for the year has been arrived at after charging the following expenses:

	2014 AED	2013 AED
Staff costs	**13,073,444**	11,244,581
Depreciation of property and equipment	**157,800**	159,649

21. Earnings per share

Earnings per share are calculated by dividing the profit for the year by the number of ordinary shares outstanding as of the end of the year as follows:

	2014	2013
Profit for the year (in AED)	**31,066,384**	50,788,115
Number of ordinary shares outstanding	**154,000,000**	154,000,000
Basic and diluted earnings per share (in AED)	**0.20**	0.33

For the purpose of calculating basic earnings per share for 2013 comparative periods, the denominator has been adjusted to reflect the issue of 14 million bonus shares during the current period (See Note 13, 28).

Diluted earnings per share as of 31 December 2014 and 31 December 2013 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

Notes to the financial statements
for the year ended 31 December 2014 (continued)

22. Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents include bank balances and cash net of fixed deposits in banks with maturity over three months and fixed deposits under lien. Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2014 AED	2013 AED
Bank balances and cash (see Note 12)	**28,116,812**	98,039,483
Fixed deposits with maturity over 3 months	**(10,000,000)**	(21,391,827)
Fixed deposits under lien	-	(3,129,897)
	18,116,812	73,517,759

23. Contingent liabilities and capital commitments

	2014 AED	2013 AED
Letters of guarantees	**10,914,882**	10,720,025
Capital commitments	**4,684,966**	14,298,732

Capital commitments consists of an investment property under construction, which is expected to be completed in 2015.

24. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable.

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

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

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

Notes to the financial statements
for the year ended 31 December 2014 (continued)

24. Insurance risk (continued)

24.1 Frequency and severity of claims

The Company has the right not to renew individual policies, re-price the risk, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

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

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set limit of AED 200,000, AED 2,500 and AED 400,000 in any one policy for motor, medical and other non-motor respectively. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually every year and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

24.2 Sources of uncertainty in the estimation of future claim payments

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

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Notes to the financial statements
for the year ended 31 December 2014 (continued)

24. Insurance risk (continued)

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

The amount of insurance claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Insurance contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of reporting period.

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

In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation. The initial estimate of the loss ratios used for the current year (before re insurance) are analysed below by type of risk where the insured operates for current and prior year premiums earned.

Type of risk	2014	2013
Motor	**105%**	89%
Non motor	**33%**	67%

24.3 Process used to decide on assumptions

The risks associated with these insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual insurance contracts carried out at the reporting date to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

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

24. Insurance risk (continued)

24.4 Concentration of Insurance risk

Substantially all of the Company's underwriting activities are carried out in the United Arab Emirates.

The insurance risk before and after reinsurance in relation to the motor and non-motor insurance risk accepted is summarised below:

	2014			2013		
	Type of risk			Type of risk		
	Motor	**Non-motor**	**Total**	Motor	Non-motor	Total
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
Gross	**23,269,801**	**48,102,614**	**71,372,415**	18,594,754	52,449,389	71,044,143
Net	**3,173,000**	**1,629,687**	**4,802,687**	2,837,600	1,544,852	4,382,452

24.5 Reinsurance risk

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

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

24.6 Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the profit of the Company amounts to AED 0.7 million for the year ended 31 December 2014 (2013: AED 2.2 million). The Company does not foresee any major impact from insurance operations due to the following reasons:

The Company has an overall risk retention level of 70% (2013: 67%) and the same is mainly contributed by motor and medical class of business. However, in this class the risk is adequately covered by excess of loss reinsurance programs to guard against major financial impact.

The Company has gross commission earnings in 2014 of AED 5.2 million (2013: AED 5.3 million). These commissions arise primarily from the reinsurance placements and are a consistent and recurring source of income.

Because of low risk retention in 20% (2013: 24%) volume of business and limited exposure in high retention areas like motor, the Company is comfortable to maintain a net loss ratio in the region of 55% - 65% and does not foresee any serious financial impact in the insurance net profit.

Notes to the financial statements
for the year ended 31 December 2014 (continued)

25. Capital risk management

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its operations. The Company manages its capital on a basis of its minimum regulatory capital position presented in the table below:
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In U.A.E., the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year.

The table below summarises the minimum required capital of the Company and the total capital held.

	2014 AED	2013 AED
Minimum regulatory capital	**100,000,000**	100,000,000
Share capital held	**154,000,000**	140,000,000

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

26. Financial instruments

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that the in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and financial liabilities are interest rate risk and equity price risk.

26.1 Significant accounting policies

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

Notes to the financial statements
for the year ended 31 December 2014 (continued)

26. Financial instruments (continued)

26.2 Categories of financial instruments

	2014 AED	2013 AED
Financial assets		
Financial investments at FVTOCI	**2,769,925**	3,172,835
Financial investments at FVTPL	**61,103,008**	21,699,511
Statutory deposits	**10,000,000**	10,000,000
Insurance and other receivables	**19,237,887**	21,316,280
Due from related parties	**3,448,228**	3,347,981
Bank balances and cash	**28,116,812**	98,039,483
Total financial assets	**124,675,860**	157,576,090
Financial liabilities		
Insurance and other payables	**31,958,560**	26,383,452
Due to related parties	**1,249**	69,710
Total financial liabilities	**31,959,809**	26,453,162

Management considers that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

26.3 Fair value measurements

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. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2013.

Notes to the financial statements
for the year ended 31 December 2014 (continued)

26. Financial instruments (continued)

26.3 Fair value measurements (continued)

Fair value measurements recognised in the statement of financial position

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

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

31 December 2014	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**	**Total AED**
Financial assets at FVTPL				
Quoted equity securities	**60,587,650**	-	-	**60,587,650**
Unquoted equity securities	-	-	**515,358**	**515,358**
Financial assets at FVTOCI				
Quoted equity securities	**347,090**	-	-	**347,090**
Unquoted equity securities	-	-	**2,422,835**	**2,422,835**
	60,934,740	-	**2,938,193**	**63,872,933**
31 December 2013				
Financial assets at FVTPL				
Quoted equity securities	21,184,153	-	-	21,184,153
Unquoted equity securities	-	-	515,358	515,358
Financial assets at FVTOCI				
Quoted equity securities	750,000	-	-	750,000
Unquoted equity securities	-	-	2,422,835	2,422,835
	21,934,153	-	2,938,193	24,872,346

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

26. Financial instruments (continued)

26.3 Fair value measurements (continued)

Below is a reconciliation of movements in level 3 financial assets measured at fair values:

	2014 **AED**	2013 AED
Balance at the beginning of the year	**2,938,193**	3,034,108
Disposals during the year	-	(95,915)
Balance at the end of the year	**2,938,193**	2,938,193

26.4 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity price risk.

Market risk exposures are measured using sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the market risk.

26.5 Foreign currency risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams, other G.C.C. currencies or US Dollars to which the Dirham is fixed.

26.6 Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company.

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

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries;

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

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

Notes to the financial statements
for the year ended 31 December 2014 (continued)

26. Financial instruments (continued)

26.6 Credit risk (continued)

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the management includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

Insurance receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of insurance receivable.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristic, other than due from insurance receivables at the end of reporting period amounting to AED 523,687 (2013: AED 733,758). The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 10% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks registered in the United Arab Emirates.

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

26.7 Liquidity risk

Ultimate responsibility for liquidity risk management rests with management, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

Notes to the financial statements
for the year ended 31 December 2014 (continued)

26. Financial instruments (continued)

26.7 Liquidity risk (continued)

The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

31 December 2014

	Less than 90 days	91-180 days	181-365 Days	Above 365 days	Total
	AED	AED	AED	AED	AED
Financial assets					
At fair value through OCI	-	-	-	2,769,925	2,769,925
At fair value through profit or loss	61,103,008	-	-	-	61,103,008
Statutory deposits	-	-	-	10,000,000	10,000,000
Insurance and other receivables	17,480,776	900,180	838,323	18,608	19,237,887
Due from related Parties	3,448,228	-	-	-	3,448,228
Bank balances and cash - interest bearing	5,168,026	10,000,000	-	-	15,168,026
Bank balances and cash - non interest bearing	12,948,786	-	-	-	12,948,786
	100,148,824	10,900,180	838,323	12,788,533	124,675,860
Financial liabilities					
Insurance and other Payables	12,410,222	4,908,320	11,209,837	3,430,181	31,958,560
Due to related parties	1,249	-	-	-	1,249
	12,411,471	4,908,320	11,209,837	3,430,181	31,959,809

Notes to the financial statements
for the year ended 31 December 2014 (continued)

26. Financial instruments (continued)

26.7 Liquidity risk (continued)

31 December 2013

	Less than 90 days	91-180 days	181-365 days	Above 365 days	Total
	AED	AED	AED	AED	AED
Financial assets					
At fair value through OCI	-	-	-	3,172,835	3,172,835
At fair value through profit or loss	21,699,511	-	-	-	21,699,511
Statutory deposits	-	-	-	10,000,000	10,000,000
Insurance and other receivables	16,708,028	3,119,454	1,158,552	330,246	21,316,280
Due from related Parties	3,347,981	-	-	-	3,347,981
Bank balances and cash - interest bearing	56,227,060	-	7,500,000	-	63,727,060
Bank balances and cash - non interest bearing	34,312,423	-	-	-	34,312,423
	132,295,003	3,119,454	8,658,552	13,503,081	157,576,090
Financial liabilities					
Insurance and other payables	7,286,580	5,803,916	11,895,450	1,397,506	26,383,452
Due to related parties	69,710	-	-	-	69,710
	7,356,290	5,803,916	11,895,450	1,397,506	26,453,162

26.8 Interest risk

The Company's exposure to interest rate risk relates to its bank deposits. At 31 December 2014, bank deposits carried interest rate of 1.0% per annum (2013: 1.50% per annum).

If interest rates had been 50 basis points lower throughout the year and all other variables were held constant, the Company's profit for the year ended 31 December 2014 and equity as at 31 December 2014 would decrease by approximately AED 75,000 (2013: decrease by AED 357,194).

26. Financial instruments (continued)

26.9 Equity price risk

Sensitivity analysis

At the reporting date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the Company's statement of income/comprehensive income would have increased/decreased by AED 6.4 million (2013: AED 2.5 million).

Method and assumptions for sensitivity analysis

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

27. Segment information

The Company is organised into three main business segments, motor insurance, medical insurance and other classes of insurance. The other classes of insurance includes fire, hull, cargo, engineering and certain other smaller classes of insurance.

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

Insurance premium represents the total income arising from insurance contracts. The Company does not conduct any business outside U.A.E. There are no transactions between the business segments.

Segmental information is presented below:

Notes to the financial statements
for the year ended 31 December 2014 (continued)

27. Segment information (continued)

	Year ended 31 December 2014				Year ended 31 December 2013			
	Motor AED	Medical AED	Others AED	Total AED	Motor AED	Medical AED	Others AED	Total AED
Segment Results:								
Net insurance premium revenue	**23,840,003**	**25,859,515**	**6,398,870**	**56,098,388**	20,839,578	20,394,389	6,858,495	48,092,462
Net claims incurred	**(18,352,488)**	**(16,609,559)**	**366,121**	**(34,595,926)**	(13,769,492)	(12,935,418)	(2,590,133)	(29,295,043)
Net commission (incurred)/earned	**(2,298,493)**	**(1,785,428)**	**1,850,639**	**(2,233,282)**	(2,233,916)	(1,078,980)	1,587,936	(1,724,960)
Net underwriting profit	**(1,914,510)**	**(240,362)**	**2,889,849**	**734,977**	185,823	1,461,663	541,441	2,188,927
Investment income				**30,283,324**				48,288,613
Other income				**48,083**				310,575
Profit for the year				**31,066,384**				50,788,115
Segment assets and liabilities:								
Investment assets				**346,893,513**				315,163,600
Underwriting assets				**67,260,750**				98,327,396
Total assets				**414,154,263**				413,490,996
Total liabilities				**92,013,036**				92,013,243

Notes to the financial statements
for the year ended 31 December 2014 (continued)

28. Dividend paid and proposed

(a) For the year ended 31 December 2013, the Shareholders approved and paid a cash dividend of AED 20 fils per share (total dividend AED 28 million) and bonus share of AED 10 fils per share amounting to AED 14 million at the Annual General Meeting held on 19 March 2014. For the year ended 31 December 2012, the Shareholders approved and paid a cash dividend of AED 15 fils per share (total dividend AED 21 million) at the Annual General Meeting held on 20 March 2013.

(b) The Board of Directors has proposed 15% cash dividend at their meeting held on 12 February 2015. The directors' remuneration for the year 2014 shall be decided at the Annual General Meeting (2013 approved remuneration: AED 2,000,000). The proposals are subject to approval by the Shareholders at the Annual General Meeting.

29. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 12 February 2015.