Union Insurance Company P.S.C.

Financial statements

31 December 2015

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Financial Statements
31 December 2015

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Report of the Board of Directors

Dear Shareholders,

The Board of Directors of Union Insurance Company P.S.C. has the pleasure to present the Annual Report on the performance of the Company along with the audited Financial Statements for the year ended 31st December 2015.

2015 registered yet another significant milestone in the history of Union Insurance. Notable achievements are:

- During 2015, the Company registered the highest ever Gross Written Premiums and Underwriting Profitability since inception. Union Insurance is now amongst the top 5 National Companies in terms of Gross Written Premiums written in the UAE.
- The Company was listed amongst the seven outperforming Insurers in the UAE with above average GWP growth and Underwriting performance.
- The Company has a well-diversified business profile with all major classes of business (Life, General, Motor and Medical) contributing to more than 20% to the Gross Written Premiums.
- The Company's Financial Strength Rating of B++ (Good) and Issuer Credit Rating of 'bbb Positive' was reaffirmed by the International Credit Rating Agency A. M. Best during the year 2015.
- Your Company is now one of the most trusted Insurance brands in the UAE and a dominant insurance player in the market.

2015 Financial results

- After three solid years of growth since 2012, the Company once again registered a growth of 28% during 2015 with Gross Written Premiums of AED 681 million (2014 - 532 million).
- Growth was registered in all lines of business with Life, General, Motor and Medical premiums increasing by 45%, 31%, 20% and 14% respectively. The Company's business profile is well diversified with these classes contributing 31%, 26%, 21% and 22% respectively to the 2015 Gross Written Premiums.
- The Company posted another year of Underwriting profitability with Underwriting Profit of AED 103 million (2014 – 91 million) and Net Profit (before investment result) of AED 24 million (2014 – 23.5 million).

- In line with the general market trend and volatility witnessed in the regional equity markets, the Company's Investment portfolio resulted in an investment loss of AED 29 million (2014 – 20 million profit).

- Total Assets of the Company grew from AED 890 million in 2014 to AED 1.11 billion in 2015. On the other hand, the Total Equity of the Company decreased from AED 357 million to AED 342 million during the corresponding period mainly due to the investment losses, which were partially offset by Underwriting Profits.

Recommendations of the Board of Directors:

The Board has the pleasure in making the following recommendations to the shareholders:

1) Consider, discuss and approve the Board of Director's report.
2) Consider, discuss and approve the Auditors report.
3) Consider, discuss and approve the Audited Financial Statements for the year ended 31 December 2015.
4) Absolve the Chairman and Members of the Board from all responsibilities for acts and decisions made by them in fulfilling their functions during the year ended 31 December 2015.
5) Appoint or re-appoint Auditors for the financial year 2016 and determine their fees. KPMG being eligible for re-appointment have expressed their interest to continue in office.

The Board of Directors take this opportunity to thank all the shareholders and customers for their support. The Directors also express their sincere appreciation to the management and staff for their dedication and hard work.

Year 2016 will be full of opportunities and challenges but with your continued support we are confident that the Company has the ability to respond to all the opportunities as well as challenges with success. The Company will continue to pursue its 'profitable growth' strategy which will be further complemented by geographical expansion, new product offerings, superior customer service, investment in technology and marketing, strengthening of capabilities and controls.

On behalf of the Board of Directors

Mohammed Abdullah Juma Al Sari
Chairman
2 1 MAR 2016

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Independent Auditor's Report

The Shareholders
Union Insurance Company P.S.C.

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. 2 of 2015 and UAE Federal Law No. 6 of 2007, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Company has maintained proper books of account;

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

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

vi) note 23 to the financial statements discloses material related party transactions and the terms under which they were conducted;

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

viii) note 22 to the financial statements discloses the social contributions made during the year.

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

KPMG

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

Union Insurance Company P.S.C.
Statement of financial position
As at 31 December 2015

	Note	2015 AED	2014 AED
ASSETS			
Property and equipment	*8*	**14,267,066**	16,778,393
Intangible assets	*8.2*	**3,188,665**	1,662,527
Investment properties	*9*	**72,890,000**	70,390,000
Investment securities	*10*	**253,133,031**	195,153,565
Development work-in-progress	*11*	**80,950,000**	80,700,000
Statutory deposit	*12*	**10,000,000**	10,000,000
Reinsurance contract assets	*15*	**243,698,902**	160,078,935
Insurance and other receivables	*13*	**340,567,588**	279,558,973
Cash and bank balances	*14*	**94,022,832**	76,114,835
Total assets		**1,112,718,084**	890,437,228
LIABILITIES			
Insurance contract liabilities	*15*	**421,805,638**	295,174,657
Insurance and other payables	*16*	**316,202,879**	229,612,399
Provision for employees' end of service benefits	*17*	**2,069,350**	1,659,151
Payable to policyholders' of unit-linked products	*27*	**30,659,532**	6,554,831
Total liabilities		**770,737,399**	533,001,038
EQUITY			
Share capital	*18*	**330,939,180**	330,939,180
Statutory reserve	*19*	**11,076,401**	11,076,401
Special reserve	*19*	**11,076,401**	11,076,401
Fair value reserve	*20*	**(7,614,194)**	(14,964,755)
(Accumulated losses) / retained earnings		**(3,497,103)**	19,308,963
Total equity		**341,980,685**	357,436,190
Total liabilities and equity		**1,112,718,084**	890,437,228

The notes on pages 10 to 50 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 21 MAR 2016 and signed on their behalf by:

Mohammed Abdullah Jumaa Al Sari
Chairman

Abdul Mutaleb M H M Aljaede
Managing Director and
Chief Executive Officer

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

Union Insurance Company P.S.C.

Statement of profit or loss

For the year ended 31 December 2015

	Note	2015 AED	2014 AED
Gross written premium		**681,102,234**	531,545,179
Reinsurance ceded		**(328,834,171)**	(264,875,337)
Net retained premium		**352,268,063**	266,669,842
Net change in unearned premium and policyholders' reserve	*25*	**(48,732,431)**	(46,065,495)
Net earned premium		**303,535,632**	220,604,347
Gross claims incurred	*15*	**(376,155,257)**	(237,474,431)
Insurance claims recovered from reinsurers	*15*	**196,373,355**	120,203,925
Net claims incurred		**(179,781,902)**	(117,270,506)
Commission earned		**50,413,626**	35,533,168
Commission incurred		**(40,835,572)**	(28,289,788)
Net commission earned		**9,578,054**	7,243,380
Other operational cost related to underwriting activities		**(29,002,307)**	(21,253,954)
(Decrease)/Increase in fair value of investments held for unit linked products		**(1,163,478)**	1,876,951
Total underwriting expenses		**(20,587,731)**	(12,133,623)
Underwriting profit	*25*	**103,165,999**	91,200,218
Net investment income	*21*	**(28,782,684)**	20,453,310
General and administrative expenses	*22*	**(79,115,431)**	(67,555,320)
(Loss) / profit for the year		**(4,732,116)**	44,098,208
Basic and diluted earnings per share	*28*	**(0.01)**	0.13

The notes on pages 10 to 50 form an integral part of these financial statements.

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

Union Insurance Company P.S.C.

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2015

	2015	2014
	AED	AED
(Loss) / profit for the year	**(4,732,116)**	44,098,208
Other comprehensive loss		
Items that will not be reclassified to profit or loss:		
Net change in fair value of investments at fair value through other comprehensive income	**(10,723,389)**	(16,030,535)
Items that are or maybe reclassified subsequently to profit or loss	-	-
Total other comprehensive loss for the year	**(10,723,389)**	(16,030,535)
Total comprehensive (Loss) / income for the year	**(15,455,505)**	28,067,673

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Union Insurance Company P.S.C.

Statement of cash flows

For the year ended 31 December 2015

	Note	2015 AED	2014 AED
Cash flows from operating activities			
(Loss) / profit for the year		(4,732,116)	44,098,208
Adjustment for:			
Depreciation and amortisation		3,818,325	4,189,410
Reversal of impairment of development work-in-progress		(250,000)	(700,000)
Gain on disposal of financial investments at FVTPL		(715,685)	(20,452,296)
(Reversal) / provision of employees' end of service benefits		591,198	(32,592)
Unrealised loss / (gain) on financial assets at FVTPL		25,105,270	37,444,641
Interest income		(1,807,345)	(1,862,642)
Dividend income		-	(1,046,150)
Loss on sale of property and equipment		-	699
Interest on margin trading account		4,960,951	4,750,340
Provision for bad debts		833,902	1,019,172
Income from investment properties		-	(1,668,592)
Unrealised gain on investment properties		(2,500,000)	(38,990,000)
		25,304,500	26,750,198
Increase in insurance and other receivables		(61,842,517)	(86,786,558)
Increase in reinsurance contract assets		(83,619,967)	(40,197,891)
Increase in insurance contract liabilities		126,630,981	81,258,193
Increase in insurance and other payables		86,590,480	66,362,865
Employees' end of service benefits paid		(180,999)	(382,178)
Net cash generated from operating activities		92,882,478	47,004,629
Cash flows from investing activities			
Purchase of property and equipment (net)		(2,945,684)	(6,979,241)
Proceeds from sale of property and equipment		112,548	45,842
Purchase of investment property		-	(20,000,000)
Purchase of investments at FVTPL		(221,418,091)	(1,546,860,973)
Purchase of investments at FVTOCI		(48,100,000)	(72,474,724)
Proceeds from disposal of investments at FVTPL		179,595,184	1,541,499,525
Proceeds from disposal of investments at FVTOCI		20,935,168	32,758,116
Interest received		1,807,345	1,862,642
Dividend received		-	1,046,150
Income from investment properties		-	1,668,592
Decrease / (increase) in bank deposits		(781,225)	25,684,733
Net cash used in investing activities		(70,794,755)	(41,749,338)
Cash flows from financing activities			
Interest on margin trading account		(4,960,951)	(4,750,340)
Net cash used in financing activities		(4,960,951)	(4,750,340)
Net increase in cash and cash equivalents		17,126,772	504,951
Cash and cash equivalents at 1 January	*14*	6,269,004	5,764,053
Cash and cash equivalents at 31 December	*14*	23,395,776	6,269,004

The notes on pages 10 to 50 form an integral part of these financial statements.
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Union Insurance Company P.S.C.

Statement of changes in shareholders' equity

For the year ended 31 December 2015

	Attributable to equity shareholders of the Company					
	Share capital	Statutory reserve	Special reserve	Fair value reserve	(Accumulated losses)/ Retained earnings	Total
	AED	AED	AED	AED	AED	AED
As at 1 January 2014	330,939,180	6,666,580	6,666,580	(7,663,948)	(7,239,875)	329,368,517
Total comprehensive income for the year						
Profit for the year	-	-	-	-	44,098,208	44,098,208
Other comprehensive income for the year						
Net change in fair value of investments at FVTOCI	-	-	-	(16,030,535)	-	(16,030,535)
Net change in fair value of investments at FVTOCI on disposal	-	-	-	8,729,728	(8,729,728)	-
Total other comprehensive income for the year	-	-	-	(7,300,807)	(8,729,728)	(16,030,535)
Total comprehensive income for the year	-	-	-	(7,300,807)	35,368,480	28,067,673
Transaction with owners directly recorded in equity						
Transfer to statutory reserve	-	4,409,821	-	-	(4,409,821)	-
Transfer to special reserve	-	-	4,409,821	-	(4,409,821)	-
As at 31 December 2014	330,939,180	11,076,401	11,076,401	(14,964,755)	19,308,963	357,436,190
Balance at 1 January 2015	**330,939,180**	**11,076,401**	**11,076,401**	**(14,964,755)**	**19,308,963**	**357,436,190**
Total Comprehensive income for the year						
Loss for the year	-	-	-	-	(4,732,116)	(4,732,116)
Other comprehensive income for the year						
Net change in fair value of investments FVTOCI	-	-	-	(10,723,389)	-	(10,723,389)
Net change in fair value of investments at FVTOCI on disposal	-	-	-	18,073,950	(18,073,950)	-
Total other comprehensive (loss) / income for the year	-	-	-	7,350,561	(18,073,950)	(10,723,389)
Total comprehensive (loss) / income for the year	-	-	-	7,350,561	(22,806,066)	(15,455,505)
As at 31 December 2015	**330,939,180**	**11,076,401**	**11,076,401**	**(7,614,194)**	**(3,497,103)**	**341,980,685**

The notes on pages 10 to 50 form an integral part of these financial statements.

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

1. Reporting entity

Union Insurance Company P.S.C. - Ajman (the "Company") is incorporated as a public shareholding company and operates in the United Arab Emirates under a trade license issued by the Ajman Municipality. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, concerning establishment of the insurance authority and organisation of its operations, and is registered with the Insurance Companies Register of Insurance Authority of U.A.E., under registration number 67. The address of the Company's registered corporate office is Union Insurance Building, P. O. Box 1225, Ajman, United Arab Emirates.

The principal activity of the Company is the writing of insurance of all types including life assurance. The Company operates through its Head Office in Ajman and Branch Offices in Abu Dhabi, Dubai, Sharjah and Ras Al Khaimah.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and applicable requirements of UAE Law.

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

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

2. Basis of preparation (continued)

b) Basis of measurement

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

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

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

c) Functional and presentation currency

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

d) Use of estimates and judgements

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

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

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

3. Significant accounting policies

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

a) Insurance contracts

i) Classification

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

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

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

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

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

ii) Recognition and measurement

Premiums

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

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

Unearned premium provision

Unearned premiums are computed using the 1/365 method except for marine cargo ,general accident and individual life. The UPR for marine cargo is recognised as fixed proportion of the written premiums as required in the financial regulation and UPR for engineering line of business assumes a linear increase in risk with the duration of the project such that the risk faced is 100% at the expiry of the contract. The rate at which the premium is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy. Unearned premiums for individual life business are considered by the Company's Actuary.

3. Significant accounting policies (continued)

a) Insurance contracts (continued)

ii) Recognition and measurement (continued)

Investment featured unit-linked policy

A unit-linked insurance policy is an insurance policy linking payments on the policy to units of investment funds administrated by the Company with the premiums received from the policy holder. These funds are administrated by the Company on behalf of policy holders in fiduciary trust. An investment charge based on a certain percentage of value of fund is charged as fee. The liability towards the policy holder is linked to the performance of the underlying assets of these funds.

In case of a claim, the amount paid is the higher of the sum assured or the unit value. The liability is calculated through actuarial valuation based on the present value of expected benefits to policy holders.

These insurance contracts insure human life events (for example, death or survival) over a long duration. However, insurance premiums are recognised directly as liabilities. These liabilities are increased by fair value movement of underlying investments / unit prices and are decreased by policy administration fees, mortality and surrender charges and withdrawals, if any.

The liability for these policies includes any amounts necessary to compensate the Company for services to be performed over future periods. This is the case for policy where the policy administration charges are higher in the initial years than in subsequent years. The mortality charges deducted in each period from the policy holders as a group are considered adequate to cover the expected total death benefit claims in excess of the policy account balances in each period; no additional liability is therefore established for these claims.

iii) Claims

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

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expense reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provision is also made for any claims incurred but not reported ("IBNR") at the date of statement of financial position using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required by the new regulations. The basis of estimating outstanding claims and IBNR are detailed in note 15..

3. Significant accounting policies (continued)

a) Insurance contracts (continued)

iv) Provision for premium deficiency / liability adequacy test

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

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

v) Reinsurance

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

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

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

Profit commission in respect of reinsurance contracts is recognised on an accrual basis, premiums and claims are presented on a gross basis for reinsurance.
Reinsurance liabilities represents balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contracts.
Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

3. Significant accounting policies (continued)

a) Insurance contracts (continued)

vi) Deferred acquisition cost

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

vii) Insurance receivables and payables

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

viii) Insurance contract provision and reinsurance assets

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

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

b) Revenue (other than insurance revenue)

Revenue (other than insurance revenue) comprises the following:

i) Fee and commission income

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

ii) Investment income

Investment income comprises income from financial assets, rental income from investment properties and fair value gains/losses on investment properties.

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

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

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

3. Significant accounting policies (continued)

c) Operating leases

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

d) Property and equipment

i) Recognition and measurement

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

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

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

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

ii) Subsequent costs

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

iii) Depreciation

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

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

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate. No depreciation is charged on freehold land and capital-work-in-progress. Land is stated at cost.

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

Furniture and Fixtures	5 - 12 years
Office Equipment	5 years
Motor Vehicles	4 years
Computer Equipment	3 - 5 years

3. Significant accounting policies (continued)

e) Intangible assets

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

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

f) Investment property

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

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

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

g) Development work-in-progress

Development work-in-progress consists of property being developed for sale on completion and is measured at lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of the business, less cost of completion and selling expenses.

h) Financial Instruments

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

Non-derivative financial instruments comprise investment securities, deposits, insurance and other receivables and payables, due from/to related parties and cash and bank balances.

3. Significant accounting policies (continued)

h) Financial Instruments (continued)

i) Non-derivative financial assets

Recognition

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

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

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

Classification

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

Financial assets measured at amortised cost

A financial asset qualifies for amortised cost measurement only if it meets both of the following two conditions :
- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

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

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

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

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

Financial assets measured at fair value through profit and loss

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

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

3. Significant accounting policies (continued)

h) Financial Instruments (continued)

i) Non-derivative financial assets (continued)

Classification (continued)

Financial assets at FVTOCI

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

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

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

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

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

Loans and receivables comprise mainly trade and other receivables, deposits and other receivables.

Cash and cash equivalents

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

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

i) Equity securities

Ordinary shares of the Company are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

ii) Non-derivate financial liabilities

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

3. Significant accounting policies (continued)

h) Financial Instruments (continued)

i) Non-derivative financial assets (continued)

iii) Payable to policy holders for unit-linked policies

Payable to unit holder is classified as financial liability, which is designated as fair value through profit or loss, upon initial recognition. Subsequent to initial measurement, financial liabilities fair value through profit or loss are measured at fair value and any fair value change are recognised in statement of profit or loss.

iv) De-recognition of financial assets and financial liabilities

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

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

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

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

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

3. Significant accounting policies (continued)

i) Impairment

Impairment of financial assets carried at amortised cost

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

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

Impairment of loans and receivables

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

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

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

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

3. Significant accounting policies (continued)

i) Impairment (continued)

Impairment of non-financial assets

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

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

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

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

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

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

j) Fair value measurement principles

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

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

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

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

3. Significant accounting policies (continued)

j) Fair value measurement principles (continued)

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

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

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

k) Provisions

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

l) Foreign currency transactions

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

m) Employee terminal benefits

Defined benefit plan

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

Defined contribution plan

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

3. Significant accounting policies (continued)

n) Earnings per share

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

o) Segment reporting

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

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

p) Offsetting

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

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

q) New standards and interpretations not yet adopted

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

IFRS 15	Revenue from Contracts with Customers	(effective 1 January 2018)
IFRS 9	Financial Instruments (Phase II and Phase III)	(effective 1 January 2018)

3. Significant accounting policies (continued)

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

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

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

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

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

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

4. Risk management

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

i) Governance framework

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

ii) Risk management framework

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

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

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

4. Risk management (continued)

iii) Capital management framework

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

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

The Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. The Company fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2015 (Refer to note 26).

iv) Regulatory framework

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

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

v) Asset liability management ("ALM")

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

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

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

a) Insurance risks

The Company accepts insurance risk through its written insurance contracts. The Company is exposed to

uncertainty surrounding the timing, frequency and severity of claims under these contracts.

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

General insurance contracts
· Liability insurance
· Accident insurance
· Property insurance
· Motor insurance
· Health insurance
· Marine Insurance
· Engineering Insurance

Life insurance contracts
· Group life insurance
· Credit life insurance
· Individual life insurance

4. Risk management (continued)

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

a) Insurance risks (continued)

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

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

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

Underwriting strategy

General insurance

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

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

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

Life insurance

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

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

4. Risk management (continued)

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

a) Insurance risks (continued)

Frequency and amounts of claims

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

Property

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

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

Motor

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

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

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

Marine

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

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

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

Casualty

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

The Company manage these risks through their underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk. Underwriting limits are in place to enforce appropriate risk selections.

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

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

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

4. Risk management (continued)

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

a) Insurance risks (continued)

Concentration of risk

The insurance risk arising from insurance contracts is concentrated in the middle east which is similar to last year.

Reinsurance strategy

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

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

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

Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the reported results of the Company amounts to AED 103.1 million profit for the year ended 31 December 2015 (2014: 91.2 million). The Company does not foresee any major impact from insurance operations due to the following reason:

The Company has an overall retention level of 48% (2014: 50%) and the same is mainly contributed by motor line of business wherein the retention levels are 100%. However, in this class the risk is adequately covered by excess of loss reinsurance programs to guard against major financial impact.

b) Financial risks

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

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

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

4. Risk management (continued)
b) Financial risks (continued)

i) Credit risk

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

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

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

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

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

	Bank balances and statutory deposits		**Insurance and other receivables**		**Reinsurance assets**	
	2015 AED	2014 AED	**2015 AED**	2014 AED	**2015 AED**	2014 AED
Carrying amount	**103,920,332**	86,014,835	**330,866,878**	275,300,868	**123,180,702**	59,472,031
Concentration by sector						
- Financial institution / Reinsurance companies	**30,704,760**	18,600,000	**50,776,157**	32,702,829	**123,180,702**	59,472,031
- Banks	**85,394,611**	67,414,835	**32,528,436**	23,291,341	**-**	-
- Real estate	**-**	-	**3,870,847**	3,849,577	**-**	-
- Service	**-**	-	**57,907,732**	44,371,196	**-**	-
- Others	**-**	-	**185,783,706**	171,085,925	**-**	-
Total carrying amount	**116,099,371**	86,014,835	**330,866,878**	275,300,868	**123,180,702**	59,472,031
Concentration by location						
- UAE	**98,653,796**	86,014,835	**287,369,445**	216,068,884	**10,315,083**	5,695,420
- GCC	**-**	-	**11,778,083**	3,888,875	**13,551,064**	6,353,941
- Other Arab Countries	**-**	-	**4,585,762**	4,649,677	**6,189,050**	797,784
- European Countries	**17,445,575**	-	**2,402,140**	7,936,499	**83,738,861**	42,164,751
- Others	**-**	-	**24,731,448**	42,756,933	**9,476,113**	4,460,135
Total carrying amount	**116,099,371**	86,014,835	**330,866,878**	275,300,868	**123,270,171**	59,472,031

4. Risk management (continued)

b) Financial risks (continued)

i) Credit risk (continued)

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

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

The age analysis of insurance and other receivables are as follows

	Gross	**Impairment**	Gross	Impairment
	2015		2014	
	AED	**AED**	AED	AED
Amounts not yet due	**119,069,918**		94,706,686	
Past due				
0-30 days	**75,851,472**	**-**	21,005,395	-
31-180 days	**75,806,236**	**-**	97,292,146	-
181-365 days	**2,170,062**	**-**	32,505,102	-
More than 365 days	**57,969,190**	**(14,810,235)**	29,791,540	(13,976,333)
	330,866,878	**(14,810,235)**	275,300,869	(13,976,333)

ii) Liquidity risk

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

Maturity profiles

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

		Contractual cash flows			
31 December 2015	**Carrying Value**	**Gross contractual cash flow**	**Less than 180 days**	**180 days to 1 year**	**1-5 Year**
	AED	**AED**	**AED**	**AED**	**AED**
Liabilities					
Insurance and other payables	**316,202,879**	**(316,202,879)**	**(316,202,879)**	**-**	**-**

31 December 2014	Carrying Value	Gross contractual cash flow	Less than 180 days	180 days to 1 year	1-5 Year
	AED	AED	AED	AED	AED
Liabilities					
Insurance and other payables	229,612,399	(229,612,399)	(229,612,399)	-	-

4. Risk management (continued)

b) Financial risks (continued)

iii) Market risk

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

a) Currency risk

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

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

b) Interest rate risk

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

The Company's exposure to interest rate risk relates to its bank deposits. At 31 December 2015, fixed deposits carried interest rates ranging from 1% to 6.1% per annum (2014: 1% to 6.1% per annum).
If interest rates had been 100 basis points lower throughout the year and all other variables were held constant, the Company's net profit for the year ended 31 December 2015 would decrease by approximately AED 180,734 (2014: AED 186,264). Similarly increase in interest by 100 basis points would result in equal and opposite effect on profit for the year.

c) Equity price risk

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

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

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

Sensitivities

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

	10% increase in price		**10% decrease in price**	
	Profit or loss AED	**Equity AED**	**Profit or loss AED**	**Equity AED**
31 December 2015				
Fair value through OCI	-	**7,225,238**	-	**(7,225,238)**
Fair value through profit or loss	**18,088,065**	-	**(18,088,065)**	-
31 December 2014				
Fair value through OCI	-	5,581,094	-	(5,581,094)
Fair value through profit or loss	13,934,263	-	(13,934,263)	-

4. Risk management (continued)

b) Financial risks (continued)

iv) Operational risk

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

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

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

5. Use of estimates and judgements

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

Measurement of insurance contract provisions

The Company's accounting policy in respect of insurance contract accounting is discussed in more detail in note 3(a). The key assumptions made in respect of insurance contract liabilities are included in note 15.

Insurance contract classification

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

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

Provision for outstanding claims, whether reported or not

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the date of statement of financial position. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. and are presented in Note 15.

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

5. Use of estimates and judgments (continued)

Classification of financial instruments

Impairment of insurance receivables

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

Provision for the doubtful debts on insurance receivables at 31 December 2015 was AED 14.8 million (2014: AED 13.9 million).

Liability Adequacy Test

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

Valuation of investment properties and development work in progress

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

Valuation technique and significant unobservable inputs

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

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

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurements
1) Residual valuation approach 2) Sales comparative valuation approach	-Free hold property -Free of covenants , third party rights and obligations -Statutory and legal validity -Condition of the property -Sales value of comparable properties -Gross development value -Cost of construction	The estimated fair value increase/decrease if: -The property is not free hold -The property is subject to any covenants, rights and obligations -The property is subject to any adverse legal notices / judgment -The property is subject to any defect / damages -The property is subject to sales value fluctuations of surrounding properties in the area. -The property is subject to development and related costs.

Union Insurance Company P.S.C.
Notes (continued)

6 Accounting classification of financial assets and financial liabilities

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

At 31 December 2015	**FVTPL AED**	**FVTOCI AED**	**Amortised cost AED**	**Total carrying amount AED**
Financial assets				
Insurance and other receivables	**-**	**-**	**316,056,643**	**316,056,643**
Investment securities	**180,880,654**	**72,252,377**	**-**	**253,133,031**
Statutory deposit	**-**	**-**	**10,000,000**	**10,000,000**
Cash and bank balances	**-**	**-**	**94,022,832**	**94,022,832**
Total financial assets	**180,880,654**	**72,252,377**	**420,079,475**	**673,212,506**
Financial liabilities				
Insurance and other payables	**-**	**-**	**316,202,879**	**316,202,879**
Total financial liablities	**-**	**-**	**316,202,879**	**316,202,879**

At 31 December 2014	FVTPL AED	FVTOCI AED	Amortised cost AED	Total carrying amount AED
Financial assets				
Insurance and other receivables	-	-	261,324,535	261,324,535
Investment securities	139,342,626	55,810,939	-	195,153,565
Statutory deposit	-	-	10,000,000	10,000,000
Cash and bank balances	-	-	76,114,835	76,114,835
Total financial assets	139,342,626	55,810,939	347,439,370	542,592,935
Financial liabilities				
Insurance and other payables	-	-	229,612,399	229,612,399
Total financial liabilities	-	-	229,612,399	229,612,399

7 Fair value of financial instrument

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

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

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

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

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

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

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

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

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

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

As at 31 December 2015

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total**
	AED	**AED**	**AED**	**AED**
FVTPL - financial assets	**177,932,375**	**-**	**2,948,279**	**180,880,654**
FVTOCI - financial assets	**72,252,377**	**-**	**-**	**72,252,377**
	250,184,752	**-**	**2,948,279**	**253,133,031**
Non financial assets				
Investment properties	**-**	**-**	**72,890,000**	**72,890,000**
	250,184,752	**-**	**75,838,279**	**326,023,031**

As at 31 December 2014

Financial assets	Level 1	Level 2	Level 3	Total
	AED	AED	AED	AED
FVTPL - Financial assets	136,338,454	-	3,004,172	139,342,626
FVTOCI - financial assets	53,470,939	-	2,340,000	55,810,939
	189,809,393	-	5,344,172	195,153,565
Non financial assets				
Investment properties	-	-	70,390,000	70,390,000
	189,809,393	-	75,734,172	265,543,565

During the year there were no fair value hierarchy transfers between all levels above. Further, there has been no change in the valuation techniques in relation to the valuation of financial instruments.

7 **Fair value of financial instrument *(continued)***

b) Financial instruments not measured at fair value

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

As at 31 December 2015

Financial assets	**Level 1**	**Level 2**	**Level 3**	**Total fair value**	**Total carrying amount**
Cash and bank balances	-	**94,022,832**	-	**94,022,832**	**94,022,832**
Statutory deposit	-	-	**10,000,000**	**10,000,000**	**10,000,000**
Insurance and other receivables	-		**316,056,643**	**316,056,643**	**316,056,643**
	-	**94,022,832**	**326,056,643**	**420,079,475**	**420,079,475**
Financial liabilities					
Insurance and other payables	-	**316,202,879**	-	**316,202,879**	**316,202,879**

As at 31 December 2014

Financial assets	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Cash and bank balances	-	76,114,835	-	76,114,835	76,114,835
Statutory deposit	-	-	10,000,000	10,000,000	10,000,000
Insurance and other receivables	-	-	261,324,535	261,324,535	261,324,535
	-	76,114,835	271,324,535	347,439,370	347,439,370
Financial liabilities					
Insurance and other payables	-	229,612,399	-	229,612,399	229,612,399

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

8. Property and equipment

	Note	2015 AED	2014 AED
Operating assets	8.3	**12,093,113**	14,715,736
Capital work in progress	8.1	**2,173,953**	2,062,657
At 31 December		**14,267,066**	16,778,393

8.1 Capital work in progress includes amount of AED 2 million towards costs incurred on development of the inhouse software.

8.2 Intangible assets

		2015 AED	2014 AED
Software and licenses	8.3	3,188,665	1,662,527

8.3 Operating assets

	Free hold Land AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Computer equipment AED	Total tangible operating assets AED	Intangible Assets AED
Cost							
At 1 January 2014	1,656,375	9,690,757	1,961,023	360,150	7,485,036	21,153,341	848,234
Additions	-	4,022,791	238,460	-	445,242	4,706,493	1,461,797
Disposals	-	(25,325)	(22,529)	-	-	(47,854)	-
At 31 December 2014	1,656,375	13,688,223	2,176,954	360,150	7,930,278	25,811,980	2,310,031
At 1 January 2015	1,656,375	13,688,223	2,176,954	360,150	7,930,278	25,811,980	2,310,031
Additions	-	408,783	132,227	529,400	152,105	1,222,515	1,611,873
Disposals	-	-	(72,242)	(50,000)	(4,320)	(126,562)	-
At 31 December 2015	**1,656,375**	**14,097,006**	**2,236,939**	**839,550**	**8,078,063**	**26,907,933**	**3,921,904**
Depreciation & Amortisation							
At 1 January 2014	-	2,268,030	758,251	132,087	4,195,782	7,354,150	201,501
Charge for the year	-	1,359,357	349,305	90,038	1,944,707	3,743,407	446,003
On disposals	-	(1,042)	(271)	-	-	(1,313)	-
At 31 December 2014	-	3,626,345	1,107,285	222,125	6,140,489	11,096,244	647,504
At 1 January 2015	-	3,626,345	1,107,285	222,125	6,140,489	11,096,244	647,504
Charge for the year	-	1,614,450	356,273	178,302	1,583,565	3,732,590	85,735
On disposals	-	-	(12,862)	-	(1,152)	(14,014)	-
At 31 December 2015	-	**5,240,795**	**1,450,696**	**400,427**	**7,722,902**	**14,814,820**	**733,239**
Carrying amounts							
At 31 December 2014	1,656,375	10,061,878	1,069,669	138,025	1,789,789	14,715,736	1,662,527
At 31 December 2015	**1,656,375**	**8,856,211**	**786,243**	**439,123**	**355,161**	**12,093,113**	**3,188,665**

9. Investment properties (within UAE)

	2015 AED	2014 AED
At 1 January	**70,390,000**	33,000,000
Transfer from advances for investments	-	16,500,000
Additions during the year	-	20,000,000
Disposals during the year	-	(38,100,000)
Changes in fair value	**2,500,000**	38,990,000
At 31 December	**72,890,000**	70,390,000

9. Investment properties (within UAE) (continued)

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

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

	2015 AED	2014 AED
Fair value gain on investment properties (Note 21)	**2,500,000**	38,990,000
Rental income	-	2,032,042
Operating expenses	-	(363,450)
Net rental income (Note 21)	-	1,668,592

10 Investment securities

	2015 AED	2014 AED
Financial assets at fair value through profit or loss	**180,880,654**	139,342,626
Financial assets at fair value through other comprehensive income	**72,252,377**	55,810,939
	253,133,031	195,153,565

During the year the Company purchased shares worth AED 269 million (2014: AED 1,619 million)

10.1 Investments at fair valued through profit or loss

Equity securities	2015 AED	2014 AED
Investments held on behalf of policyholders' of unit linked products (Note 27)	**30,659,532**	6,554,831
Quoted securities in U.A.E	**146,962,072**	129,351,965
Quoted equity securities outside U.A.E	**310,771**	431,658
Unquoted equity securities outside U.A.E	**2,948,279**	3,004,172
	180,880,654	139,342,626

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

10.2 Investments at fair vale through other comprehensive income

Equity securities	2015 AED	2014 AED
Quoted equity securities in U.A.E	72,252,377	53,470,939
Unquoted equity securities in U.A.E	-	2,340,000
	72,252,377	55,810,939

11. Development work-in-progress

	2015 AED	2014 AED
Fair value at 1 January	**80,700,000**	80,000,000
Reversal of impairment	**250,000**	700,000
Fair value at 31 December	**80,950,000**	80,700,000

Development work-in-progress represents payments made for acquiring 10% investment in the Meydan Real Estate Project based in U.A.E. The project is promoted by Gulf General Investment Company (P.S.C.), a related party acting as custodian of the Company's share of investment in the project.

The title deed of the project has been registered in the name of GGICO Real Estate Development L.L.C., a related party. At the end of the reporting period, work on the project has not been started.

12. Statutory deposit

The statutory deposit is required to be placed by insurance companies operating in UAE with the designated National Banks. Statutory deposits, which depend on the nature of insurance activities, cannot be withdrawn except with the prior approval of the regulatory authorities.

13. Insurance and other receivables

	2015 AED	2014 AED
Due from policyholders and brokers	**236,017,724**	169,179,743
Due from insurance and reinsurance companies	**78,177,013**	54,374,760
Allowance for doubtful receivables (Note 13.1)	**(14,810,235)**	(13,976,333)
	299,384,502	209,578,170
Other receivables	**16,672,141**	3,646,365
Deferred acquisition cost	**20,847,643**	14,014,211
Receivable from a related party	**-**	48,100,000
Prepaid expenses	**3,663,302**	4,220,227
At 31 December	**340,567,588**	279,558,973

13.1 Provision for doubtful receivables

	2015 AED	2014 AED
Balance 1 January	**13,976,333**	12,957,161
Charge for the year	**833,902**	1,019,172
At 31 December	**14,810,235**	13,976,333

14. Cash and bank balances

	2015 AED	2014 AED
Cash in hand	**102,500**	100,000
Cash at bank	**11,188,516**	6,169,004
Fixed deposits	**82,731,816**	69,845,831
	94,022,832	76,114,835
Less : Deposits with original maturities of greater than three months	**(70,627,056)**	(69,845,831)
Cash and cash equivalents at 31 December	**23,395,776**	6,269,004

14. Cash and bank balances (continued)

Fixed deposits amounting to AED 62 million (2014: AED 66.8 million) are under lien against the credit facility granted to the Company.

Fixed deposits carried interest ranging from 1% to 6.1% per annum (2014: 1% to 6.1% per annum).

15 Insurance contract liabilities and reinsurance contract assets

Summary of the Actuary's report on the Technical Provisions

	2015 AED	2014 AED
Gross insurance contract liabilities		
Claims reported unsettled	**168,597,429**	95,770,550
Claims incurred but not reported	**42,534,345**	13,016,295
Unearned premiums	**210,673,864**	186,387,812
Gross insurance contract liabilities	**421,805,638**	295,174,657
Reinsurer's contract assets		
Claims reported unsettled	**(123,180,702)**	(59,472,031)
Claims incurred but not reported	**(14,301,415)**	(6,793,328)
Unearned premiums	**(106,216,785)**	(93,813,576)
Total reinsurers' contract assets	**(243,698,902)**	(160,078,935)
Net		
Claims reported unsettled	**45,416,727**	36,298,519
Claims incurred but not reported	**28,232,930**	6,222,967
Unearned premiums	**104,457,079**	92,574,236
	178,106,736	135,095,722

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

15 Insurance contract liabilities and re-insurance contract assets (continued)

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

	31 December 2015			31 December 2014		
	Gross AED	**Reinsurance AED**	**Net AED**	Gross AED	Reinsurance AED	Net AED
Claims						
Outstanding claims at end of year						
Notified claims	**168,597,429**	**(123,180,702)**	**45,416,727**	95,770,550	(59,472,031)	36,298,519
Incurred but not reported	**42,534,345**	**(14,301,415)**	**28,232,930**	13,016,295	(6,793,328)	6,222,967
	211,131,774	**(137,482,117)**	**73,649,657**	108,786,845	(66,265,359)	42,521,486
Claims settled in the year	**288,822,753**	**(125,156,597)**	**163,666,156**	228,261,222	(106,969,571)	121,291,651
Outstanding claims at beginning of year						
Notified claims	**(95,770,550)**	**59,472,031**	**(36,298,519)**	(71,693,399)	47,550,679	(24,142,720)
Incurred but not reported	**(13,016,295)**	**6,793,328**	**(6,222,967)**	(11,389,237)	5,480,326	(5,908,911)
	391,167,682	**(196,373,355)**	**194,794,327**	253,965,431	(120,203,925)	133,761,506
Increase in recoveries	**(15,012,425)**	**-**	**(15,012,425)**	(16,491,000)	-	(16,491,000)
Claims incurred	**376,155,257**	**(196,373,355)**	**179,781,902**	237,474,431	(120,203,925)	117,270,506
Unearned premium						
Total at the end of the year	**210,673,864**	**(106,216,785)**	**104,457,079**	186,387,812	(93,813,576)	92,574,236
Release during the year	**186,387,812**	**(93,813,576)**	**92,574,236**	(130,833,828)	66,850,039	(63,983,789)
Increase during the year	**(210,673,864)**	**106,216,785**	**(104,457,079)**	186,387,812	(93,813,576)	92,574,236
Net increase during the year	**(24,286,052)**	**12,403,209**	**(11,882,843)**	55,553,984	(26,963,537)	28,590,447
Total at the beginning of the year	**186,387,812**	**(93,813,576)**	**92,574,236**	130,833,828	(66,850,039)	63,983,789

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

Assumptions and sensitivities

Process used to determine the assumptio

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

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

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

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

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

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

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

Claim development table

	2013 AED	2014 AED	**2015** **AED**	Total AED
Gross				
Paid claims				
- At the end of Loss year	101,634,075	119,119,119	**153,022,837**	373,776,031
- One year later	45,657,356	48,684,269	-	94,341,625
- Two years later	1,261,067	-	-	1,261,067
cumulative payments to date	148,552,498	167,803,388	**153,022,837**	469,378,723
Liability recognised	5,983,098	13,047,328	**159,052,388**	178,082,814
Liability in respect of prior years	-	-	-	977,493
Total liability included in the statement of financial position (excluding Life)	-	-	-	179,060,306
Net				
Paid claims				
- At the end of underwriting year	59,342,204	93,816,265	**120,295,272**	273,453,741
- One year later	13,704,034	27,150,903	-	40,854,937
- Two years later	194,861	-	-	194,861
cumulative payments to date	73,241,099	120,967,168	**120,295,272**	314,503,539
Liability recognised	761,455	3,490,949	**63,152,994**	67,405,398
Liability in respect of prior years	-	-	-	800,059
Total liability included in the statement of financial position (excluding Life)	-	-	-	68,205,457

16. Insurance and other payables

	2015 AED	2014 AED
Trade payables	130,677,585	107,474,804
Due to insurance and reinsurance companies	95,522,563	80,811,102
Premium reserve held	36,069,417	28,946,715
	262,269,565	217,232,621
Other payables:		
Unclaimed dividends	2,088,500	2,095,231
Accrued expenses and others	29,556,280	10,284,547
Bank overdraft	22,288,534	-
	316,202,879	229,612,399

17. Provision for employees' end of service benefits

	2015 AED	2014 AED
At 1 January	1,659,151	2,073,921
Charge / (reversal) for the year	591,198	(32,592)
Paid during the year	(180,999)	(382,178)
At 31 December	2,069,350	1,659,151

18. Share capital

The Company's issued and fully paid share capital comprises 330,939,180 shares of AED 1.0 each.

	2015		2014	
	No. of Shares	AED	No. of Shares	AED
At 31 December	330,939,180	330,939,180	330,939,180	330,939,180

19. Statutory and special reserve

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

20. Fair value reserve

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

21. Net investment income

	For the year ended 31 December 2015 AED	2014 AED
Income from investment securities		
Dividend income	-	1,046,150
Realised gains on investments	715,685	20,452,296
Unrealised (loss) / gain on investments at fair value through profit and loss	(25,105,270)	(37,444,641)
Interest on margin trading account	(4,960,951)	(4,750,340)
Investment management expenses	(3,773,879)	(2,191,342)
Income from Investment properties / development WIP		
Net rental income from investment properties (Note 9.1)	-	1,668,592
Increase in the fair value of investment properties (Note 9.1)	2,500,000	38,990,000
Reversal of impairment of development work-in-progress (Note 11)	250,000	700,000
Other income		
Interest on fixed deposits	1,807,345	1,862,642
Miscellaneous expenses/income	(215,614)	119,953
	(28,782,684)	20,453,310

22. General and administrative expenses

The above general and administration expenses include the following costs:

	For the year ended 31 December	
	2015	2014
	AED	AED
Staff costs	53,483,993	43,705,016
Rent	5,345,672	4,830,072
Depreciation	3,818,325	4,189,410
Others	16,467,441	14,830,822
	79,115,431	67,555,320
Average number of employees at 31 December	270	239

22.1 During the year, the Company has made social contributions amounting to AED 15,000.

23. Related party transactions

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

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

	For the year ened 31 December	
	2015	2014
	AED	AED
Premiums written	11,125,701	23,499,781
Claims paid	3,908,809	6,979,212
Equity shares purchased	48,100,000	63,512,390
Equity shares sold	13,526,275	30,058,969
Investment property purchased	-	20,000,000
Key management personnel		
Short term	2,400,000	2,400,000
Long term	107,020	107,020

b) The following are the details of balances with related party as at 31 December 2015

	2015	2014
	AED	AED
Premium receivable (included in due from policyholders)	31,556,705	26,361,867
Gross outstanding claims (included in claims reported unsettled)	3,516,976	2,307,844
Bank balance	-	110,447
Equity shares held	12,000,233	71,389,002
Receivable from a related party	-	48,100,000
Investment properties	72,890,000	70,390,000

24. Contingent liabilities and commitments

Leases as a lessee

Non cancellable operating lease rentals are payable as follows:

	2015 AED	2014 AED
Less than one year	**1,674,019**	1,417,009
More than one year	**1,519,415**	3,193,434
At 31 December	**3,193,434**	4,610,443

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

Commitments

	2015 AED	2014 AED
Commitment for the construction of development properties	**54,978,688**	54,978,688

Guarantees

	2015 AED	2014 AED
Letters of guarantees	**34,079,577**	32,773,411

This include AED 10,000,000 (2014: 10,000,000) issued in favor of Insurance Authority of U.A.E.

Contingent liabilities

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

25. Segment information

Operating segment information

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

	General insurance 2015 AED	General insurance 2014 AED	Life assurance 2015 AED	Life assurance 2014 AED	Total 2015 AED	Total 2014 AED
Gross written premium	**466,943,376**	383,827,639	**214,158,858**	147,717,540	**681,102,234**	531,545,179
Reinsurance ceded	**(236,844,679)**	(178,985,758)	**(91,989,492)**	(85,889,579)	**(328,834,171)**	(264,875,337)
Net retained premium	**230,098,697**	204,841,881	**122,169,366**	61,827,961	**352,268,063**	266,669,842
Net change in unearned premium provision and payable to policyholders of unit linked products	**(9,295,756)**	(29,285,214)	**(39,436,675)**	(16,780,281)	**(48,732,431)**	(46,065,495)
Net earned premium	**220,802,941**	175,556,667	**82,732,691**	45,047,680	**303,535,632**	220,604,347
Net claims incurred	**(162,971,786)**	(107,726,722)	**(16,810,115)**	(9,543,784)	**(179,781,901)**	(117,270,506)
Net commission earned / (incurred)	**16,027,138**	9,131,694	**(6,449,084)**	(1,888,314)	**9,578,054**	7,243,380
Other operational cost related to underwriting activities	**(21,188,822)**	(15,452,154)	**(7,813,486)**	(5,801,800)	**(29,002,308)**	(21,253,954)
Increase in fair value of investment held for unit linked products	**-**	-	**(1,163,478)**	1,876,951	**(1,163,478)**	1,876,951
Total underwriting expenses	**(168,133,470)**	(114,047,182)	**(32,236,163)**	(15,356,947)	**(200,369,633)**	(129,404,129)
Total underwriting profit	**52,669,471**	61,509,485	**50,496,528**	29,690,733	**103,165,999**	91,200,218
Net investment income					**(28,782,684)**	20,453,310
General and administrative expenses					**(79,115,431)**	(67,555,320)
Profit for the year					**(4,732,116)**	44,098,208

25. Segment information (continued)

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

	General insurance		Life assurance		Total	
	2015	2014	**2015**	2014	**2015**	2014
	AED	AED	**AED**	AED	**AED**	AED
ASSETS						
Property and equipment	**9,903,133**	12,168,163	**4,363,933**	4,610,230	**14,267,066**	16,778,393
Intangible assets	**3,188,665**	1,662,527	**-**	-	**3,188,665**	1,662,527
Investment properties	**37,500,000**	37,500,000	**35,390,000**	32,890,000	**72,890,000**	70,390,000
Investments securities	**199,880,649**	147,024,773	**53,252,382**	48,128,792	**253,133,031**	195,153,565
Development work in progress	**80,950,000**	80,700,000	**-**	-	**80,950,000**	80,700,000
Statutory deposit	**6,000,000**	6,000,000	**4,000,000**	4,000,000	**10,000,000**	10,000,000
Reinsurance contract assets	**208,555,338**	132,810,609	**35,143,564**	27,268,326	**243,698,902**	160,078,935
Insurance and other receivables	**256,960,202**	243,136,960	**83,607,386**	36,422,013	**340,567,588**	279,558,973
Cash and bank balances	**37,848,382**	23,668,238	**56,174,450**	52,446,597	**94,022,832**	76,114,835
Total assets	**840,786,369**	684,671,270	**271,931,715**	205,765,958	**1,112,718,084**	890,437,228
LIABILITIES						
Insurance contract liabilities	**375,176,242**	262,370,800	**46,629,396**	32,803,857	**421,805,638**	295,174,657
Insurance and other payables	**258,510,630**	188,425,211	**57,692,249**	41,187,188	**316,202,879**	229,612,399
Provision for employees' end of service benefits	**1,552,012**	1,244,363	**517,338**	414,788	**2,069,350**	1,659,151
Payable to policyholders of unit linked products	**-**	-	**30,659,532**	6,554,831	**30,659,532**	6,554,831
Total liabilities	**635,238,884**	452,040,374	**135,498,515**	80,960,664	**770,737,399**	533,001,038
EQUITY						
Share capital	-	-	-	-	**330,939,180**	330,939,180
Statutory reserve	-	-	-	-	**11,076,401**	11,076,401
Special reserve	-	-	-	-	**11,076,401**	11,076,401
Fair value reserve	-	-	-	-	**(7,614,194)**	(14,964,755)
Retained earnings	-	-	-	-	**(3,497,103)**	19,308,963
Total equity	-	-	-	-	**341,980,685**	357,436,190
Total Liabilities and equity	-	-	-	-	**1,112,718,084**	890,437,228

26. Capital Risk Management

The solvency regulations identify the required Solvency Margin to be held in addition to insurance liabilities. The financial regulation provided an alignment period to the insurance companies of three years from the publication of financial regulation in Public Gazette from 29 January 2015 to align the solvency requirement to the covenants of the regulations therein. The Company is in the process of aligning the operations with the requirement of the regulations and will be fully aligned before the deadline for alignment period.

The Solvency Margin (presented in the table below) must be maintained at all times throughout the year.The Company is in the process of incorporating in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations before the given deadline.

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

	31 December 2015 AED
Minimum Capital Requirement (MCR)	100,000,000
Solvency Capital Requirement (SCR)	153,883,974
Minimum Guarantee Fund (MGF)	82,069,987
Own Funds	
Basic Own Funds	173,197,077
Ancillary Own Funds	
MCR Solvency Margin - Minimum Capital Requirement (Surplus/Deficit)	73,197,077
MCR Solvency Margin Solvency Capital Requirement (Surplus/Deficit)	19,313,103
MCR Solvency Margin Minimum Guarantee Fund (Surplus/Deficit)	91,127,089

The minimum regulatory capital required is AED 100 million (2014: AED 100 million) against which the capital of the company was AED 330.9 million (2014: AED 330.9) million. Since the new requirement relating to the solvency capital was introduced in 2015, comparative information has not been disclosed.

27. Payable to policyholders' of unit linked products

During the year the Company issued unit linked policies which has both the risk and investment component. The investment portion is invested on behalf of the policyholders as disclosed in note 10.1 of these financial statements.

Movement during the year :

	31 December 2015 AED	31 December 2014 AED
As at 1 January	**6,554,831**	-
Amount invested by policyholders - net of allocation charges, redemptions, lapses and surrenders	**25,268,179**	4,677,880
Change in fair value	**(1,163,478)**	1,876,951
	30,659,532	6,554,831

28. Basic and diluted earnings per share

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

	2015 AED	2014 AED
Net profit for the year	**(4,732,116)**	44,098,208
Weighted average number of shares outstanding during the year	**330,939,180**	330,939,180
Basic and diluted earnings per share	**(0.01)**	0.13

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

29. Comparative figures

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