AL KHAZNA INSURANCE COMPANY P.S.C.

Reports and consolidated financial statements for the year ended 31 December 2015

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Report of the Board of Directors for the year ended 31 December 2015

The Board of Directors of Al Khazna Insurance Company PSC has the pleasure to present the Annual Board of Directors report and the audited consolidated financial statements for the year ended 31 December 2015.

Presented below are the technical and financial results of the Group:

1. Insurance activities:

Whilst taking a conservative approach to underwriting in a weak market condition, the Group was able to achieve a premium growth of 35% as compared to the year 2014. The gross written premium increased from AED 128 million in 2014 to AED 172 million in 2015.

The gross claims paid have increased from AED 58 million in 2014 to AED 101 million in 2015.

Due to the above facts, the Group registered a net underwriting loss of AED 36 million in 2015 as compared to AED 12 million in 2014.

2. Investment activities:

There was no change in the investment portfolio in 2015. The portfolio is comprised of long term investments in properties and investments in the securities market listed shares as well as unlisted shares.

The investment portfolio is consistent with the prior year. The investment activities resulted in decrease of the investment loss from AED 34 million in 2014 to AED 10 million in 2015. Other income and expenses resulted in a net loss of AED 13 million in 2015 as compared to AED 23 million in 2014.

3. Marketing and Administrative expenses:

Marketing and administrative expenses marginally decreased by 2% from AED 25 million in 2014 to AED 24 million in 2015.

4. Loss for the year:

The Group has reduced 13% of its loss from AED 68 million in 2014 to AED 60 million in 2015 despite additional technical provisions booked during the year as required by the new insurance regulations which came into effect during the year 2015.

Report of the Board of Directors
for the year ended 31 December 2015 (continued)

5. Board of Directors suggestions:

The Board of Directors suggests that the shareholders undertake the following:

- Approve and endorse the financial statements for the year ended 31 December 2015.
- To hire or rehire the external auditor for the year 2016 and agree on their fees.

Finally the Board of Directors would like to extend its sincere thanks and gratitude to H.H. Sheikh Khalifa Bin Zayed Al Nahyan, the President of the United Arab Emirates and Ruler of the Emirate of Abu Dhabi, H.H. Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of UAE and Ruler of Dubai, H.H. Sheikh Mohammed Bin Zayed Al Nahyan, the Crown Prince of Abu Dhabi and the Rulers of all the other Emirates for their wise leadership and support. We would like to also thank the Securities and Commodities Authority, the Abu Dhabi Stock Market and the Insurance Authority for their continuous support.

The Board would like also to express its high appreciation to the Company's shareholders, corporate and individual customers, reinsurers, brokers and the Company's external auditors for their constant trust and continuous support in addition to the Company's management team and staff for their sincere efforts and dedication.

Khalifa Mohammed Rubaya Al Muhairi
Chairman

28 March 2016

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Al Khazna Insurance Company P.S.C.
Abu Dhabi, UAE

Report on the consolidated financial statements

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

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and its preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 and Insurance Authority Board Decision Number (25) of 2014 Pertinent to Financial Regulations for Insurance Companies ("Financial Regulations for Insurance Companies"), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Basis for qualified opinion

As disclosed in Note 7 to the consolidated financial statements, the Group's investments include:

- An investment classified at FVTPL for which trading at the stock exchange has been suspended in September 2014. This investment is measured at its fair value at the date of suspension amounting to AED 44.8 million.
- Investments classified as available-for-sale (AFS) which are measured at the previous year's fair value of AED 27.1 million due to absent current information.

We were unable to obtain sufficient appropriate audit evidence supporting the fair value of these investments as at 31 December 2015. Consequently, we were unable to determine whether any adjustment to these amounts were necessary.

Qualified opinion

In our opinion, except for the effect of the matters described in the basis for qualified opinion paragraph above, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without further qualifying our opinion, we draw attention to Note 6 to the consolidated financial statements, which disclose that the Group's investment properties include two plots of land with a carrying value of AED 89.3 million whose title was not transferred to the name of the Group, pending the settlement of the last installment and concluding with the seller on an extension for the development period.

Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Report on other legal and regulatory requirements

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

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

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

iii) The Group has maintained proper books of account;

iv) The financial information included in the Board of Directors' report is consistent with the books of account of the Group;

v) Note 7 to the consolidated financial statements of the Group disclose purchases or investments in shares during the financial year ended 31 December 2015;

vi) Note 18 to the consolidated financial statements of the Group discloses material related party transactions and balances, and the terms under which they were conducted; and

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

As at 31 December 2015, the Group's accumulated losses exceeded 50% of its share capital. As per Article 302 of the Federal Law No. (2) of 2015 concerning Commercial Companies, the Board of Directors shall invite the General Assembly to take a special Resolution to resolve the Company prior to the expiry of its term or to continue in the activity of the Company. In a General Meeting on 22 March 2016, the Shareholders approved to continue the activity of the Company.

Further, as required by the UAE Federal Law No. (6) of 2007 and the related Financial Regulations for Insurance Companies and as discussed in note 3.1 to the financial statements, the Company is in the process of complying with the requirements of the Financial Regulations for Insurance Companies especially relating to the preparation of its financial statements.

Deloitte & Touche (M.E.)

Georges F. Najem
Registration Number 809
28 March 2016

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Consolidated statement of financial position as at 31 December 2015

	Notes	2015 AED	2014 AED
ASSETS			
Property and equipment	5	**6,847,823**	7,068,202
Investment properties	6	**334,674,000**	333,124,000
Investments in securities:			
- Available-for-sale (AFS) investments	7	**75,803,618**	84,530,976
- Investments designated at fair value through profit or loss (FVTPL)	7	**187,250,824**	215,827,431
Statutory deposit	8	**10,000,000**	10,000,000
Re-insurance contract assets	9	**98,933,000**	99,488,168
Insurance and other receivables	10	**136,007,300**	94,970,786
Deferred acquisition costs		**6,452,973**	1,912,644
Term deposits		**1,800,927**	1,774,848
Cash and cash equivalents	11	**46,322,500**	30,123,360
Total assets		**904,092,965**	878,820,415
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**420,000,000**	420,000,000
Share premium		**1,788,422**	1,788,422
Legal reserve	13	**62,145,349**	62,145,349
Regulatory reserve	14	**60,103,225**	60,103,225
Fair value reserve		**30,757,827**	39,485,185
Revaluation reserve		**11,736,841**	11,736,841
Accumulated losses		**(237,110,644)**	(177,439,767)
Total capital and reserves		**349,421,020**	417,819,255
LIABILITIES			
Provision for end of service benefit	15	**5,126,985**	4,389,215
Insurance contract liabilities	9	**221,508,000**	158,802,151
Insurance and other payables	16	**85,265,251**	80,294,537
Bank borrowings	17	**230,067,673**	207,926,622
Re-insurance deposit retained		**2,585,489**	3,422,608
Unearned reinsurance commission		**1,276,378**	2,617,868
Accruals and deferred income		**8,842,169**	3,548,159
Total liabilities		**554,671,945**	461,001,160
Total equity and liabilities		**904,092,965**	878,820,415

(28/3/2016)

Chairman **Director** for **Chief Financial Officer**

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

Consolidated statement of profit or loss for the year ended 31 December 2015

	Notes	2015 AED	2014 AED
Gross premiums written		**172,081,539**	127,927,415
Change in unearned premium provision		**(26,992,971)**	(24,072,029)
Premium income earned		**145,088,568**	103,855,386
Reinsurance premium ceded		**(55,795,491)**	(60,313,257)
Change in unearned premium provision		**(5,146,696)**	2,883,532
Reinsurance ceded		**(60,942,187)**	(57,429,725)
Net premium earned		**84,146,381**	46,425,661
Gross claims paid		**(100,830,090)**	(57,764,944)
Change in outstanding claims provision		**(19,969,878)**	(18,053,471)
Change in unallocated loss adjustment expense		**(2,543,000)**	-
Change in unexpired risk reserve		**(13,200,000)**	-
Gross claims incurred		**(136,542,968)**	(75,818,415)
Reinsurance share of claims paid		**36,024,421**	22,583,037
Change in reinsurance share of outstanding claims		**4,591,528**	16,042,373
Reinsurance share of claims incurred		**40,615,949**	38,625,410
Net claims incurred		**(95,927,019)**	(37,193,005)
Commission expenses		**(6,601,232)**	(1,940,062)
Commission income		**6,266,194**	5,648,048
Operating expenses	**19**	**(24,228,153)**	(24,625,967)
Net underwriting loss		**(36,343,829)**	(11,685,325)
Net investment loss	**20**	**(9,837,077)**	(33,974,970)
Other expenses	**19**	**(4,720,366)**	(4,781,943)
Finance costs – net		**(22,173,433)**	(18,785,860)
Other income – net		**13,403,828**	785,501
Loss for the year attributable to equity holders of the parent company	**21**	**(59,670,877)**	(68,442,597)
Basic and diluted loss per share	**22**	**(0.142)**	(0.162)

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

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

	2015 AED	2014 AED
Loss for the year	**(59,670,877)**	(68,442,597)
Other comprehensive loss:		
Items that will be reclassified subsequently to profit or loss:		
Net fair value (loss)/gain on available-for-sale investments	**(8,727,358)**	7,625,767
Other comprehensive (loss)/income for the year	**(8,727,358)**	7,625,767
Total comprehensive loss for the year	**(68,398,235)**	(60,816,830)
Attributable to:		
Equity holders of the Parent Company	**(68,398,235)**	(60,816,830)

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

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

	Share capital AED	Share premium AED	Legal reserve AED	Regulatory reserve AED	Fair value and revaluation reserves AED	Accumulated losses AED	Attributable to the equity holders of the Company AED
Balance at 1 January 2014	420,000,000	1,788,422	62,145,349	60,103,225	43,596,259	(108,997,170)	478,636,085
Loss for the year	-	-	-	-	-	(68,442,597)	(68,442,597)
Other comprehensive income	-	-	-	-	7,625,767	-	7,625,767
Total comprehensive loss for the year	-	-	-	-	7,625,767	(68,442,597)	(60,816,830)
Balance at 1 January 2015	420,000,000	1,788,422	62,145,349	60,103,225	51,222,026	(177,439,767)	417,819,255
Loss for the year	-	-	-	-	-	(59,670,877)	(59,670,877)
Other comprehensive loss	-	-	-	-	(8,727,358)	-	(8,727,358)
Total comprehensive loss for the year	-	-	-	-	(8,727,358)	(59,670,877)	(68,398,235)
Balance at 31 December 2015	**420,000,000**	**1,788,422**	**62,145,349**	**60,103,225**	**42,494,668**	**(237,110,644)**	**349,421,020**

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

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

	Notes	2015 AED	2014 AED
Cash flows from operating activities			
Loss for the year		**(59,670,877)**	(68,442,597)
Adjustments for:			
Depreciation of property and equipment	5	**716,870**	732,529
Net fair value gain on investment properties	6	**(1,550,000)**	(2,360,000)
Net fair value loss on investments designated at FVTPL	7	**28,576,607**	49,777,447
Dividends from investments in securities	20	**(9,405,389)**	(9,270,897)
Net income from investment properties	20	**(8,089,358)**	(5,145,315)
Interest income	20	**(29,361)**	(69,242)
Finance costs		**22,173,433**	18,785,860
Gain on disposal of property, plant and equipment		**(97,766)**	(155,263)
Reversals of provisions for impairment of doubtful receivables, net	19	**(5,919,140)**	(3,585,989)
Provision for employees' end of service benefit	15	**951,981**	737,001
Cash flows used in operating activities before movements in working capital		**(32,343,000)**	(18,996,466)
Increase in deferred acquisition costs		**(4,540,329)**	(772,419)
Decrease/(increase) in reinsurance contract assets		**555,168**	(18,925,905)
Increase in insurance contract liabilities		**62,705,849**	42,125,500
(Decrease)/increase in unearned reinsurance commissions		**(1,341,490)**	33,531
Increase in insurance and other receivables		**(31,255,905)**	(11,943,476)
Increase/(decrease) in insurance and other payables		**5,023,305**	(4,080,793)
Decrease in reinsurance deposit retained		**(837,119)**	(828,212)
Increase in accruals and deferred income		**5,294,010**	881,328
Cash generated from/(used in) operating activities		**3,260,489**	(12,506,912)
Employees' end of service benefit paid	15	**(214,211)**	(372,023)
Net cash generated from/(used in) operating activities		**3,046,278**	(12,878,935)
Cash flows from investing activities			
Movement in term deposits with maturity of greater than three months		**(26,079)**	(36,828)
Payments to acquire property and equipment	5	**(511,995)**	(1,086,302)
Dividends received		**9,405,389**	9,270,897
Net income received from investment properties		**4,229,561**	4,331,664
Interest income received		**27,689**	76,320
Proceeds from sale of property and equipment		**113,270**	273,153
Net cash generated from investing activities		**13,237,835**	12,828,904
Cash flows from financing activities			
Dividends paid		**(3,889)**	(4,989)
Repayment of bank borrowings		**(81,084)**	-
Net cash used in financing activities		**(84,973)**	(4,989)
Net increase/(decrease) in cash and cash equivalents		**16,199,140**	(55,020)
Cash and cash equivalents at beginning of the year		**30,123,360**	30,178,380
Cash and cash equivalents at end of the period	11	**46,322,500**	30,123,360

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

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

2.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

New and revised IFRSs	Summary of requirements
Annual Improvements to IFRSs 2010 - 2012 Cycle: IFRS 3 *Business Combinations* – Amendment on Accounting for contingent consideration in a business combination	The amendment clarifies that contingent consideration should be measured at fair value at each reporting date, irrespective of whether or not the contingent consideration falls within the scope of IFRS 9 or IAS 39. Changes in fair value (other than measurement period adjustments as defined in IFRS 3) should be recognised in profit and loss. The amendment to IFRS 3 requires prospective application, i.e. entities should apply the amendment prospectively to business combinations for which the acquisition date is on or after 1 July 2014.
Annual Improvements to IFRSs 2010 - 2012 Cycle: IFRS 8 *Operating Segments* – Amendments on (i) Disclosure about judgements involved in deciding whether or not to aggregate operating segments and (ii) When reconciliation of the total of the reportable segments' assets to the entity's assets is required	The amendment: (i) requires an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a brief description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments share similar economic characteristics; and (ii) clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if information about the amount of the segment assets are regularly provided to the chief operating decision-maker.
Annual Improvements to IFRSs 2010 - 2012 Cycle: IFRS 13 *Fair Value Measurement* – Amendment on Short-term receivables and payables	The amendment to the basis for conclusions of IFRS 13 clarifies that the issuance of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. This amendment does not include any effective date because this is just to clarify the intended meaning in the basis for conclusions.
Annual Improvements to IFRSs 2010 - 2012 Cycle: IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* – Amendment on Revaluation method – proportionate restatement of accumulated depreciation and amortisation	The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/ amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

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

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

2.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

New and revised IFRSs	Summary of requirements
Annual Improvements to IFRSs 2010 - 2012 Cycle: IAS 24 *Related Party Disclosures* – Amendment on Key management personnel	The amendment clarifies that a management entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of compensation to key management personnel that is paid by the management entity to the management entity's employees or directors is not required
Annual Improvements to IFRSs 2011 - 2013 Cycle: IFRS 3 *Business Combinations* – Amendment on Scope exceptions for joint ventures	The amendment clarifies that IFRS 3 does not apply to the accounting for the formation of joint arrangement in the financial statements of the joint arrangement itself.
Annual Improvements to IFRSs 2011 - 2013 Cycle: IFRS 13 *Fair Value Measurement* – Amendment on Scope of paragraph 52 (portfolio exception)	The amendment clarifies that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.
Annual Improvements to IFRSs 2011 - 2013 Cycle: IAS 40 *Investment Property* – Amendment on Clarifying the interrelationship between IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property	The amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring an investment property must determine whether: (a) the property meets the definition of investment property in accordance with IAS 40; and (b) the transaction meets the definition of a business combination in accordance with IFRS 3. An entity should apply the amendment prospectively for acquisitions of investment property from the beginning of the first period for which it adopts the amendment. Consequently, accounting for acquisitions of investment property in prior periods should not be restated. However, an entity may choose to apply the amendment to individual acquisitions of investment property that occurred prior to the beginning of the first annual period occurring on or after the effective date (i.e. 1 July 2014) if and only if information needed to apply the amendment to earlier transactions is available to the entity.

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

2.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

New and revised IFRSs	Summary of requirements
Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions*	The amendments to IAS 19 clarify the accounting treatment for contributions from employees or third parties to a defined benefit plan. According to the amendments, discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan. When the formal terms of the plan specify contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows: • If the contributions are not linked to services (e.g. contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they affect the re-measurement of the net defined benefit liability (asset). • If contributions are linked to services, they reduce service costs. If the amount of contribution is dependent on the number of years of service, the entity should reduce service cost by attributing it to the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 (for the gross benefits). If the amount of contribution is independent of the number of years of service, the entity is permitted to either reduce service cost in the period in which the related service is rendered, or reduce service cost by attributing the contributions to the employees' periods of service in accordance with IAS 19 paragraph 70. The amendment requires retrospective application.

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

2.2 New and revised IFRSs in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	1 January 2016
Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016
Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	1 January 2016
Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	1 January 2016
Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	Effective date deferred indefinitely
Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 January 2016
Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortisation.	1 January 2016
Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in *Joint Operations*.	1 January 2016
Amendments to IFRS 7 *Financial Instruments*: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 *Financial Instruments*: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied

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

2.2 New and revised IFRSs in issue but not yet effective

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9 *Financial Instruments* (2009) issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 Financial Instruments (2010) revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement.*	1 January 2018

IFRS 9 *Financial Instruments* (2013) was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9. Finalised version of IFRS 9 (IFRS 9 *Financial Instruments* (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.

The standard contains requirements in the following areas:

- **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised
- **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

IFRS 16 *Leases*	1 January 2019

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

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

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

2.2 New and revised IFRSs in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 15 *Revenue from Contracts with Customers*	1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2016 or as and when they are applicable, and adoption of these new standards, interpretations and amendments, except for IFRS 9 (2014), may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 9 (2014) will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018. The adoption of IFRS 9 (2014) may have significant impact on amounts reported and disclosures made in the Group's financial statements in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application of this standard until the Group performs a detailed review.

3 Summary of significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates (UAE) Federal Law No. 2 of 2015 and Federal Law No. 6 of 2007, concerning the formation of Insurance Authority of UAE.

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

The Company is in the process of implementing the requirements to comply with the Financial Regulations for Insurance Companies and Circular No. (4) of 2016 concerning the annual reporting requirements for insurance companies operating in the UAE. This mainly includes preparation of the financial statements and disclosures based on Appendix (1) of the Financial Regulations for Insurance Companies and disclosures in respect of the technical provisions and solvency margin.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments and investment properties. Historical cost is generally based on fair value of the consideration given in exchange for assets.

These consolidated financial statements have been prepared on a going concern basis. As at 31 December 2015, the Group's accumulated losses exceeded 50% of its share capital. As per Article 302 of the Federal Law No. (2) of 2015 concerning Commercial Companies, the Board of Directors shall invite the General Assembly to take a special resolution to resolve the Company prior to the expiry of its term or to continue in the activity of the Company. In a General Meeting held on 22 March 2016, the Shareholders approved to continue the activity of the Company.

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

The principal accounting policies are set out below:

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

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

Name of subsidiary	Proportion of ownership		Country of incorporation	Principal activities
	2015	2014		
The Best Tenants LLC ***	**99%**	99%	UAE	To market, promote and deliver property management and advisory services.
Real Estate Academy Est. (Al Akarya Academy) **	**100%**	100%	UAE	To market, promote and delivery management and advisory services in respect of real estate.
Al Khazna Real Estate Est. *	**100%**	100%	UAE	To market, promote and deliver management and advisory services in respect of real estate.
Modern Academy Administrative Training LLC *	**100%**	100%	UAE	To provide business management training.
IT Academy LLC *	**100%**	100%	UAE	To provide business management training.
Real Estate Academy for Training LLC *	**100%**	100%	UAE	To provide business management training.
Academy of Tourism and Holidays LLC *	**100%**	100%	UAE	To provide training in the field of travel, tourism and hotel management.
First Deal Real Estate LLC ***	**100%**	100%	UAE	To manage investments in real estate.
Academy for Investment Est. *	**100%**	100%	UAE	To manage investments in real estate.
Under Writing Electronics Solutions Est. *	**100%**	100%	UAE	Data formatting, computer system and instruments filling services.
Tadawel Electronics Solutions Est. *	**100%**	100%	UAE	Software consultancy, storing and retrieving data.
Tel Fast Recruitment Agencies LLC *	**99%**	99%	UAE	Employment services – recruitment.
Tel Fast Manpower Supply LLC *	**99%**	99%	UAE	Labourers supply services.

*These subsidiaries have not yet commenced operations and their trade licenses have expired and not been renewed.
**These subsidiaries have not yet commenced operations and do not have trade licenses.
***These subsidiaries have commenced operations but their trade licenses have expired and not been renewed.

3 Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3 Summary of significant accounting policies (continued)

3.4 Foreign currencies

For the purpose of these consolidated financial statements UAE Dirhams (AED) is the functional and the presentation currency of the Group.

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

Exchange differences are recognised in the consolidated statement of profit or loss in the period in which they arise.

3.5 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated so as to write off the cost of property and equipment less their estimated residual values, on a straight line basis over their expected useful economic lives, as follows:

Furniture, fixtures and office equipment	5 years
Motor vehicles	4 years
Computer equipment and accessories	5 years

The estimated useful lives, residual values and depreciation method reviewed at the end of each annual reporting period with the effect of any changes accounted for on a prospective basis. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

3.6 Capital work in progress

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. When the asset is ready for its intended use and is commissioned, capital work in progress is transferred to the appropriate property, plant and equipment or intangible asset category and is depreciated or amortised on the same basis as other assets in accordance with Group's policies.

3 Summary of significant accounting policies (continued)

3.7 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss for the period in which they arise.

3.8 Impairment of non-financial assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use.

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

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

3.9 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

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

3 Summary of significant accounting policies (continued)

3.10 Insurance contracts

The Group issues insurance contracts which are those contracts that transfer significant insurance risk.

Recognition and measurement

General insurance contracts protect the Group's customers for damage suffered to their assets as well as against the risk of causing harm to third parties as a result of their legitimate activities. General insurance contracts also protect the Group's customers from the consequences of events such as illness and disability.

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

Claim and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owned to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the Group.

The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Liability adequacy tests

Liability adequacy tests are performed at the end of the reporting period to ensure the adequacy of the contract liabilities. In performing these test, current best estimates of future contractual cash flows and claims handling and administration expenses are used. Any deficiency is immediately charged to profit or loss.

Insurance contract liabilities

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the end of the reporting period, 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 end of the reporting period and is estimated using the time proportionate method. The unearned premiums are computed using the 365-day method to spread the premium written proportionally over the period of coverage for all lines of business, except for marine cargo which is calculated as 25% of gross written premium and for engineering which is calculated on a daily decreasing basis over the term of the policy.

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

3 Summary of significant accounting policies (continued)

3.10 Insurance contracts (continued)

Reinsurance contracts held

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

Insurance contracts entered into by the Group under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer-term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contract and in accordance with the terms of each reinsurance contracts. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expenses when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance assets is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of income.

Reinsurance commissions received from the reinsurers are carried over the same period as the related ceded premiums.

Deferred policy acquisition costs

Commissions that are related to securing new contracts and renewing existing contracts are capitalised as Deferred Acquisition Costs ("DAC"). All other costs are recognised as expenses when incurred. Deferred acquisition costs are subsequently amortised over the life of the contracts. The resulting change to the carrying value of the DAC is charged to the consolidated statement of profit or loss.

Receivable and payables related to insurance contracts

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

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

The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

3 Summary of significant accounting policies (continued)

3.10 Insurance contracts (continued)

Salvage and subrogation reimbursements

Some insurance contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimated of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

3.11 Employee benefits

Accrual is made for the full amount of end of service benefits due to non-UAE national employees in accordance with UAE Labour Law, for their period of service up to the end of the reporting period.

Pension contributions are made in respect of UAE national employees to the UAE General Pension and Social Security Authority in accordance with the UAE Federal Law No (9) of 2000 for Pension and Social Security. Such contributions are charged to profit or loss during the employees' period of service.

3.12 Operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee All other leases are classified as operating leases.

The Group as a lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3.13 Financial assets

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

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

3 Summary of significant accounting policies (continued)

3.13 Financial assets (continued)

3.13.1 Classification of financial assets

The Group classifies its financial assets under the following categories: loans and receivables, available for sale financial assets and financial assets at fair value through profit or loss (FVTPL).

3.13.2 Loans and receivables

Cash and cash equivalents

Cash and cash equivalents which include cash on hand and deposits held at call with banks with original maturities of three months or less, are classified as loans and receivables.

Insurance receivables

Insurance receivables and other receivables that are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Interest income is recognised by applying the effective interest rate, except for short- term receivables when the recognition of interest would be immaterial.

3.13.3 Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL where the financial assets is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3 Summary of significant accounting policies (continued)

3.13 Financial assets (continued)

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

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair values of financial assets at fair value through profit or loss are determined by reference to quoted market prices.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue* and is included in the 'net investment income' line item in the profit and loss.

3.13.4 Available for-sale financial assets

Investments not classified as "FVTPL", loans and receivables, and held-to-maturity investments are classified as AFS investments and are initially measured at trade date value, plus directly attributable transaction costs.

After initial recognition, AFS investments are remeasured at fair value, based on quoted market prices at the end of reporting period.

Unrealised gains and losses on remeasurement to fair value on AFS investments are recognised directly in equity until the investment is sold, collected or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gains or losses previously reported in equity are included in profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

3.13.5 Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3 Summary of significant accounting policies (continued)

3.13 Financial assets (continued)

3.13.5 Impairment of financial assets (continued)

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

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

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

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

3.13.6 Derecognition of financial assets

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

3.14 Financial liabilities and equity instruments

<u>Classification as debt or equity</u>

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

<u>Equity instruments</u>

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

3 Summary of significant accounting policies (continued)

3.14 Financial liabilities and equity instruments (continued)

Financial liabilities

Financial liabilities comprised of insurance payables and other liabilities, term loan and bank overdraft are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term liabilities when the recognition of interest would be immaterial.

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

Derecognition of financial liabilities

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

3.15 Dividend distribution

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

3.16 Revenue recognition

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

Insurance contract income

Revenue from insurance contracts is measured under revenue recognition criteria stated under insurance contracts in these consolidated financial statements (see above 3.10)

Commission income and expenses

Commission income is recognised as 'deferred income' when reinsurance contract is entered into and subsequently amortised in profit or loss over the term of the reinsurance contract.

Commission expense is recognised as 'deferred acquisition cost' under prepayment when policies are issued and subsequently amortised in profit or loss over the term of the policies as premium is earned.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the relevant lease and is stated net of related expenses.

Dividend income

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

3 Summary of significant accounting policies (continued)

3.16 Revenue recognition (continued)

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable.

4 Critical accounting judgments and key sources of estimation of uncertainty

While applying the accounting policies as stated in Note 3, management of the Group has made certain judgments, estimates and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at available for sale or FVTPL. In judging whether investments in securities are as at available for sale or FVTPL. Management has considered the detailed criteria for determination of such classification as set out in IAS 39, *Financial Instruments*: *Recognition and Measurement*. Management is satisfied that its investments in securities are appropriately classified.

4.2 Impairment for available-for-sale financial assets

The Group follows the guidance of IAS 39 '*Financial Instruments*': *Recognition and Measurement* to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and short-term business for the investee.

4.3 Obligations arising from claims made under insurance contracts

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

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

4.4 Liability adequacy test

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

4.5 Impairment of amounts due from policy holders

An estimate of the collectible amount from policy holders is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired entails the management's evaluation of the specific credit and liquidity position of the policy holders and their historical recovery rates including detailed investigations carried out during the year. Impairment of amounts due from policy holders at 31 December 2015 is AED 16,576,725 (2014: AED 25,234,317).

4.6 Impairment of amounts due from insurance and re-insurance companies

Management regularly reviews the collectability of amounts due from insurance and re-insurance companies. The majority of these receivables are due from reputable local and international insurance and re-insurance companies. Such balances are regularly reconciled by both parties and are settled by on account payments on a regular basis. Based on above evaluation, Management is satisfied that no impairment is necessary on receivables from insurance and re-insurance companies.

4.7 Interest on bank loan

The Group accounted for the interest expense on the bank loan using the interest rate stipulated in the loan agreement. A dispute with the Bank has arisen as the Bank changed the interest charged on the facility to a rate higher than that stipulated in the loan agreement. The excess interest charged to 31 December 2015 is approximately AED 19.9 million (2014: AED 18.5 million). This has not been recorded by the Group as a finance cost based on the restructuring agreement finalised with the Bank.

4.8 Carrying value of the long term prepaid rent

Included in the insurance and other receivables is prepaid rent with a carrying value of AED 4.7 million. This relates to a 5 year prepaid rent contract with an original value of AED 49 million. The Group intends to enter into an educational project on this leased property. Management estimate that as of 31 December 2015 an amount of AED 4.7 million (2014: AED 9.4 million) will be recoverable and will be contributed to the project (note 10). A change in the estimates or the delay in the project would have a significant effect on the consolidated financial results of the Group.

4.9 Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determined the amount within a range of reasonable fair value estimates. In making its judgment, the Group considered recent prices of similar properties in the same location and similar conditions, which adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices. Such estimation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

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

4.10 Useful lives and residual values of property and equipment

Management reviews the residual values and estimated useful lives of property and equipment at the end of each annual reporting period in accordance with IAS 16 *Property, Plant and Equipment*. Management has determined that current year expectations do not differ from previous estimates based on its review.

5 Property and equipment

	Furniture, fixtures and office equipment AED	Motor vehicles AED	Computer equipment and accessories AED	Capital work in progress AED	Total AED
Cost					
1 January 2014	6,758,719	1,429,372	5,254,997	5,145,916	18,589,004
Additions	29,500	409,330	647,472	-	1,086,302
Disposals	(37,655)	(444,432)	-	-	(482,087)
1 January 2015	6,750,564	1,394,270	5,902,469	5,145,916	19,193,219
Additions	171,421	189,400	151,174	-	511,995
Disposals	(35,000)	(248,944)	-	-	(283,944)
31 December 2015	**6,886,985**	**1,334,726**	**6,053,643**	**5,145,916**	**19,421,270**
Accumulated depreciation					
1 January 2014	5,984,026	1,218,653	4,554,006	-	11,756,685
Charge for the year	264,325	127,246	340,958	-	732,529
Eliminated on disposals	(15,279)	(348,918)	-	-	(364,197)
1 January 2015	6,233,072	996,981	4,894,964	-	12,125,017
Charge for the year	193,305	160,790	362,775	-	716,870
Eliminated on disposals	(19,496)	(248,944)	-	-	(268,440)
31 December 2015	**6,406,881**	**908,827**	**5,257,739**	**-**	**12,573,447**
Carrying amount					
31 December 2015	**480,104**	**425,899**	**795,904**	**5,145,916**	**6,847,823**
31 December 2014	517,492	397,289	1,007,505	5,145,916	7,068,202

Capital work in progress of AED 5.1 million (2014: AED 5.1 million) at 31 December 2015 is largely comprised of a flat in a property under development in Dubai which the management intend to hold for their Group's use. The contracted value of the flat is AED 18.3 million of which AED 9.1 million has been advanced and the remaining commitment in respect of this flat amounts to AED 9.2 million at 31 December 2015 (2014: AED 9.2 million).

6 Investment properties

	Land AED	Buildings AED	Total AED
At 1 January 2014	161,064,000	169,700,000	330,764,000
Changes in fair value	(800,000)	3,160,000	2,360,000
At 1 January 2015	160,264,000	172,860,000	333,124,000
Changes in fair value	-	1,550,000	1,550,000
31 December 2015	**160,264,000**	**174,410,000**	**334,674,000**

Investment properties represent the fair value of lands with a total value of AED 160.3 million (2014: AED 160.3 million) and buildings with a value of AED 174.4 million (2014: AED 172.9 million) owned by the Group in Abu Dhabi, Al Ain and Mussaffah.

The fair value of the investment properties as of 31 December 2015 has been arrived at on the basis of valuations carried out by M/s Colliers International P.O. Box 71591, Dubai, United Arab Emirates, independent valuers that are not related to the Group. Messrs Colliers International is a member of the Royal Institute of Surveyors, and have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

Fair value of building properties

The fair values of building properties were determined based on a combination of market comparable approach and income capitalisation approach. Market comparable approach involves making adjustments to the rents achieved for comparable properties to account for differences in location, configuration, floor area, date of transaction, included facilities, potential views, and other individual characteristics.

Having established its opinion on the market rents based on the market comparable approach, the Group has thereafter utilised the income capitalisation method to assess the market value of the property. This methodology involves the capitalisation of the subject property's net income stream at an appropriate investment yield, after the deduction of non-recoverable items such as operational costs. The capitalisation rate adopted is made with reference to the yield rates observed by the valuer's for similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to the respective properties.

Fair value of land properties

The fair values of land properties were determined based on market comparable approach. This approach involves making adjustments to the sales price of comparable properties to account for differences in location, frontage, services provided, plot area and shape, level of site works required, maximum permitted Gross Floor Area (GFA) allowance, height allowance, date of sale, potential views, aspect and other relevant points of difference between the subject plot and the comparable evidence.

There has been no change to the valuation technique during the year.

In estimating the fair value of the properties, the highest and best use of properties is their current use.

6 Investment properties (continued)

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2015 and 2014 are as follows:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2015				
Building in Abu Dhabi	-	-	**153,000,000**	**153,000,000**
Building in Al Ain	-	-	**21,410,000**	**21,410,000**
Land plots in Abu Dhabi	-	-	**160,264,000**	**160,264,000**
	-	-	**334,674,000**	**334,674,000**
31 December 2014				
Building in Abu Dhabi	-	-	149,000,000	149,000,000
Building in Al Ain	-	-	23,860,000	23,860,000
Land plots in Abu Dhabi	-	-	160,264,000	160,264,000
	-	-	333,124,000	333,124,000

For investments categorised into Level 3 of the fair value hierarchy, the following information is relevant:

Property	Valuation techniques	Significant unobservable inputs	Sensitivity
Building in Abu Dhabi	Combination of Market comparable approach and Income capitalisation approach	Capitalisation rate (taking into account the capitalisation of rental income, potential, nature of property, and prevailing market condition) of 9.2%.	A 0.5% increase in the capitalisation rate used would result to a decrease in fair value by AED 8 million (2014: AED 8 million) and vice versa.
		Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, at an average of AED 2,300 per square meter per year for the showroom unit and AED 1,200 per square meter for other units.	A 5% increase in the market rent used would result to an increase in fair value by AED 7 million (2014: AED 7 million) and vice versa.
Building in Al Ain	Combination of Market comparable approach and Income capitalisation approach	Capitalisation rate (taking into account the capitalisation of rental income, potential, nature of property, and prevailing market condition) of 9%.	A 0.5% increase in the capitalisation rate used would result to a decrease in fair value by AED 1.1 million (2014: AED 1.3 million) and vice versa.
		Monthly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparables and the property, at a range of AED 660 to AED 945 per square meter.	A 5% increase in the market rent used would result to an increase in fair value by AED 1.1 million (2014: AED 1.2 million) and vice versa.

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

6 Investment properties (continued)

Property	Valuation techniques	Significant unobservable inputs	Sensitivity
Land plots in Abu Dhabi	Market comparable approach	Market value per Gross Floor Area (GFA), taking into account differences in location, frontage, services provided, plot area and shape, level of site works required, maximum permitted GFA allowance, height allowance, date of sale, potential views, aspect and other relevant points of difference between the subject plot and the comparable evidence.	A 5% increase in the market value per GFA used would result to an increase in fair value by AED 8.1 million (2014: AED 8.1 million) and vice versa.

A building with a carrying value of AED 153 million (2014: AED 149 million) is mortgaged in favour of First Gulf Bank against the bank loan (note 17).

Included within investment property are two plots of land with a carrying value of AED 89.3 million (2014: AED 89.3 million) whose title was not transferred to the name of the Group, pending the settlement of the last installment and concluding with the seller on an extension for the development period.

Also included in investment property is a plot of land valued at AED 10.8 million (2014: AED 10.8 million) registered in the name of previous directors who assigned full beneficial rights of the plot to the Group.

The property rental income earned by the Group from its investment properties, part of which is leased out under operating leases and the direct operating expenses arising on the investment properties are as follows:

	2015 **AED**	2014 AED
Rental income	**9,833,850**	6,314,339
Direct operating expenses	**(1,744,492)**	(1,169,024)
	8,089,358	5,145,315

7 Investments in securities

	2015 **AED**	2014 AED
Available for sale (AFS) investments		
Quoted UAE equity securities	**5,774,610**	5,774,610
Unquoted UAE equity securities	**70,029,008**	78,756,366
	75,803,618	84,530,976
Investments at FVTPL		
Quoted UAE securities	**141,551,236**	170,683,999
Unquoted UAE equity securities	**487,500**	-
Quoted foreign equity securities	**105,888**	44,805,432
Unquoted foreign equity securities	**45,106,200**	338,000
	187,250,824	215,827,431

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

7 Investments in securities (continued)

The movement in the investments in securities is as follows:

	2015 AED	2014 AED
AFS investments		
Fair value at 1 January	**84,530,976**	76,905,209
(Decrease)/increase in fair value taken to other comprehensive income	**(8,727,358)**	7,625,767
Fair value at the end of the reporting year	**75,803,618**	84,530,976
Investments at FVTPL		
Fair value at 1 January	**215,827,431**	265,604,878
Decrease in fair value taken to profit or loss (note 20)	**(28,576,607)**	(49,777,447)
Fair value at the end of the reporting year	**187,250,824**	215,827,431

The geographical distribution of investments is as follows:

	2015 AED	2014 AED
Within UAE	**217,842,354**	255,214,975
Outside UAE	**45,212,088**	45,143,432
	263,054,442	300,358,407

The Group's investments include:

- An investment classified at FVTPL that has been suspended in September 2014. This investment is measured in these consolidated financial statements at its fair value at the date of suspension amounting to AED 44.8 million.
- Two unlisted investments classified as available-for-sale (AFS). Due to the lack of recent financial information, these investments are measured in these consolidated financial statement at AED 24.4 million by reference to a fair valuation that is based on 2014 financial information.

8 Statutory deposit

In accordance with the requirements of UAE Federal Law No.6/2007 covering insurance companies and agencies, the Company maintains a bank deposit of AED 10,000,000 (2014: AED 10,000,000) which cannot be utilised without the consent of the UAE Insurance Authority.

9 Insurance contract liabilities and re-insurance contract assets

	2015 AED	2014 AED
Insurance liabilities - gross		
- Claims reported unsettled	**89,155,000**	85,279,122
- Claims incurred but not reported	**19,010,000**	2,916,000
- Unearned premiums	**97,600,000**	70,607,029
- Unallocated loss adjustment expense	**2,543,000**	-
- Unexpired risk reserve	**13,200,000**	-
	221,508,000	158,802,151
Recoverable from re-insurers		
- Claims reported unsettled	**66,714,000**	69,300,199
- Claims incurred but not reported	**8,197,000**	1,019,273
- Unearned premiums	**24,022,000**	29,168,696
	98,933,000	99,488,168
Insurance liabilities - net		
- Claims reported unsettled	**22,441,000**	15,978,923
- Claims incurred but not reported	**10,813,000**	1,896,727
- Unearned premiums	**73,578,000**	41,438,333
- Unallocated loss adjustment expense	**2,543,000**	-
- Unexpired risk reserve	**13,200,000**	-
	122,575,000	59,313,983

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

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

	2015			2014		
	Gross AED	**Reinsurance AED**	**Net AED**	Gross AED	Reinsurance AED	Net AED
CLAIMS						
Notified claims	**85,279,122**	**69,300,199**	**15,978,923**	67,600,221	53,246,286	14,353,935
Incurred but not reported	**2,916,000**	**1,019,273**	**1,896,727**	2,541,430	1,030,813	1,510,617
Total at 1 January	**88,195,122**	**70,319,472**	**17,875,650**	70,141,651	54,277,099	15,864,552
Claims settled	**(100,830,090)**	**(36,024,421)**	**(64,805,669)**	(57,764,944)	(22,583,037)	(35,181,907)
Increase in liabilities	**136,542,968**	**40,615,949**	**95,927,019**	75,818,415	38,625,410	37,193,005
Total at 31 December	**123,908,000**	**74,911,000**	**48,997,000**	88,195,122	70,319,472	17,875,650
Notified claims	**89,155,000**	**66,714,000**	**22,441,000**	85,279,122	69,300,199	15,978,923
Incurred but not reported	**19,010,000**	**8,197,000**	**10,813,000**	2,916,000	1,019,273	1,896,727
Unallocated loss adjustment expense	**2,543,000**	**-**	**2,543,000**	-	-	-
Unexpired risk reserve	**13,200,000**	**-**	**13,200,000**	-	-	-
Total at 31 December	**123,908,000**	**74,911,000**	**48,997,000**	88,195,122	70,319,472	17,875,650
UNEARNED PREMIUM						
Total at 1 January	**70,607,029**	**29,168,696**	**41,438,333**	46,535,000	26,285,164	20,249,836
Premiums written during the year	**172,081,539**	**55,795,491**	**116,286,048**	127,927,415	60,313,257	67,614,158
Release during the year	**(145,088,568)**	**(60,942,187)**	**(84,146,381)**	(103,855,386)	(57,429,725)	(46,425,661)
Net increase/(decrease) during the year	**26,992,971**	**(5,146,696)**	**32,139,667**	24,072,029	2,883,532	21,188,497
Total at 31 December	**97,600,000**	**24,022,000**	**73,578,000**	70,607,029	29,168,696	41,438,333

10 Insurance and other receivables

	2015 AED	2014 AED
Due from policy holders	**79,070,181**	65,261,205
Due from agents, brokers and intermediaries	**37,447,005**	19,787,959
Due from insurance companies	**16,162,357**	14,863,582
Less: provision for impairment of receivables	**(16,576,725)**	(25,234,317)
	116,102,818	74,678,429
Deposits and other receivables	**16,002,687**	12,891,247
Less: provision for impairment of other receivables	**(8,138,452)**	(5,400,000)
	7,864,235	7,491,247
Prepayments	**5,709,730**	10,700,154
Rent receivables	**6,330,517**	2,100,956
	136,007,300	94,970,786

Due from policy holders include an amount of AED 3.3 million receivable from a related party (note 18).

Deposits and other receivables include an amount of AED 3.1 million relating to security deposit for tender bonds.

Prepayments include an amount of prepaid rent of AED 4.7 million (2014: AED 9.4 million) which represents a 5 year lease agreement that commenced on 19 November 2011 for a five storey building in Dubai World Center which management intends to use for a university project.

The Group signed a Memorandum of Understanding (MoU) with Abu Dhabi Holding, a related party, on 27 March 2013. As per the MoU, both parties agreed to enter into a partnership to establish and operate a University, whereby the Group contribution would be providing the leased premises to the partnership for which the prepaid rent of AED 4.7 million is outstanding as at 31 December 2015 (2014: AED 9.4 million). The partnership has not been established as at 31 December 2015, and is subject to obtaining regulatory approvals and finalisation of legal documentation.

At 31 December 2015, the Group had a concentration of credit risk, with five customers (2014: five customers) accounting for 32.0% of insurance receivables outstanding at that date (2014: 41.0%). Management is confident that this concentration of credit risk will not result in any loss to the Group considering the credit history of these customers.

As at 31 December 2015, insurance receivables with a carrying value of AED 16.6 million (2014: AED 25.23 million) were impaired and fully provided. An amount of AED 16.6 million (2014: 25 million) of impaired loans and receivables were overdue for more than 1 year.

10 Insurance and other receivables (continued)

The movement in allowance for impairment loss in respect of receivables is as follows:

	2015 AED	2014 AED
At 1 January	**25,234,317**	28,820,306
Provision for the year	**284,096**	421,326
Release of provision	**(8,941,688)**	(4,007,315)
At 31 December	**16,576,725**	25,234,317

Insurance receivables that are outstanding for more than three months are considered past due. At 31 December 2015, due from contract holders, agents, brokers, intermediaries and reinsurers of AED 71.5 million (2014: AED 58.2 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	2015 AED	2014 AED
Not past due:	**44,580,130**	16,477,256
Past due but not impaired:		
91 to 180 days	**26,777,559**	32,377,661
181 to 365 days	**5,102,559**	5,089,715
More than 1 year	**39,642,570**	20,733,797
	71,522,688	58,201,173
Past due and impaired:		
More than 1 year	**16,576,725**	25,234,317
	132,679,543	99,912,746

Impairment of other receivables

The provision for impaired other receivables amounted to AED 8.1 million as at 31 December 2015 (2014: AED 5.4 million).

The creation of provision for impaired insurance receivables and the provision for impaired other receivables has been included in the consolidated statement of profit or loss. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

11 Cash and cash equivalents

	2015 AED	2014 AED
Balances held at UAE banks	**44,629,331**	28,437,928
Balances held at foreign banks abroad	**1,514,844**	1,519,892
Cash on hand	**178,325**	165,540
	46,322,500	30,123,360

For the purpose of the consolidated statement of cash flows, bank overdraft amounting to AED 204.2 million (2014: AED 153.9 million) was excluded from cash and cash equivalents since it relates to the financing of the bank loan (note 17) and is included within the financing activities.

12 Share capital

	2015 AED	2014 AED
Authorised:		
420,000,000 shares of AED 1 each	**420,000,000**	420,000,000
Allotted, issued and fully paid:		
420,000,000 shares of AED 1 each	**420,000,000**	420,000,000

In an Extraordinary General Meeting on 22 December 2013, the Shareholders approved to increase the share capital of the Company by AED 200 million. The Company did not start the process to obtain the necessary approvals from the concerned authorities for the capital increase. Moreover, the Shareholders have requested the issue of bonus shares up to the maximum amount.

13 Legal reserve

In accordance with the UAE Federal Law number (2) of 2015 concerning Commercial Companies and the Company's Articles of Association, 10% of profit is to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.

14 Regulatory reserve

In accordance with Article 57 of the Company's Articles of Association, 10% of the Company's annual profit is transferred to the regulatory reserve. This reserve may be used for such purposes as the Directors deem fit.

15 Provision for end of service benefits

	2015 AED	2014 AED
Balance at the beginning of the year	**4,389,215**	4,024,237
Charge for the year	**951,981**	737,001
Paid during the year	**(214,211)**	(372,023)
Balance at the end of the year	**5,126,985**	4,389,215

16 Insurance and other payables

	2015 AED	2014 AED
Due to insurance companies	**13,851,368**	20,924,489
Other insurance payables	**43,419,295**	31,521,617
Dividends payable	**18,045,083**	18,048,972
Accruals and other payables	**9,949,505**	9,799,459
	85,265,251	80,294,537

17 Bank borrowings

	Current AED	Non-current AED	Total AED
As at 31 December 2015			
Term loan 1	**25,644,245**	-	**25,644,245**
Term loan 2	**81,084**	**155,405**	**236,489**
Bank overdrafts	**204,186,939**	-	**204,186,939**
	229,912,268	**155,405**	**230,067,673**
As at 31 December 2014			
Term loan 1	31,400,000	22,341,662	53,741,662
Term loan 2	81,084	236,489	317,573
Bank overdrafts	153,867,387	-	153,867,387
	185,348,471	22,578,151	207,926,622

Term loan 1 is from First Gulf Bank and is repayable in semi-annual installments of AED 15.7 million each up to 2017. The loan carries interests at a rate of 6 month EIBOR + 1.50%. The Group has provided First Gulf Bank with a primary mortgage over AKIC Tower, classified under the investment properties, fair valued at AED 153 million (2014: AED 149 million).

17 Bank borrowings (continued)

Beginning 2009, the bank changed the interest rates on the bank loan and charged the Group interest rate greater than what was stipulated in the loan agreement. As per the agreement, changes in interest rate need to be mutually agreed by both parties through a written confirmation. The Group did not acknowledge any change in interest rate and requested the justification from the bank for the change in interest rate.

The bank has opened a bank overdraft facility in the name of the Group for the repayment of the ten due installments on which the group defaulted from 2011 to 2015. The outstanding overdraft balance as at 31 December 2015 amounted to AED 204.2 million (2014: AED 153.9 million). The Bank charged an interest at a rate of 10% on this overdraft facility.

Management believes that the 10% interest charged on the overdraft facility is excessive and the bank would not be eligible for more than 3% interest over the overdraft facility as a penalty for the due payments as per the original agreement.

The excess interest charged to date on the loan and the overdraft facility is approximately AED 19.9 million (2014: AED 18.5 million).

The Group has finalised the negotiation with the bank to restructure the term loan and overdraft balance. The total agreed liability to the bank will amount to AED 220 million consisting of term loan of AED 185 million and bank overdraft of AED 35 million.

- The term loan will carry an interest of 3 Months EIBOR + 1.5% per annum, and is payable in 8 equal semi-annual instalments of AED 23.125 million.
- The overdraft will carry an interest of 1 Month EIBOR + 1.5% per annum, and is payable on demand.

However, the restructuring is not yet executed with the Bank.

Term Loan 2:

Term loan 2 is from a local bank and is repayable in monthly installments of AED 6,757 each up to November 2018. The loan carries interests at a rate of 5% per annum.

18 Related parties

Related parties comprise the major Shareholders, the Directors and key management personnel of the Group and those entities in which they have the ability to control or exercise significant influence in financial and operation decisions.

The Group maintains significant balances with these related parties which arise from commercial transactions as follows:

	2015 AED	2014 AED
Due from policyholders	**3,340,021**	6,219,631
Other receivables	**3,572,166**	3,351,341

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

18 Related parties (continued)

	2015 AED	2014 AED
Due to policyholders	**40,700**	11,565

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

	2015 AED	2014 AED
Net premiums written	**46,221,139**	34,736,000
Claims paid	**11,175,186**	13,186,295
Remuneration of key management personnel	**6,971,675**	6,935,479

The remuneration of key management personnel is based on the remuneration agreed in their employment contract as approved by the Board of Directors.

19 Operating expenses

	2015 AED	2014 AED
Staff costs	**21,617,881**	21,078,873
Rent	**7,364,632**	7,159,161
Reversals of provisions for impairment of doubtful receivables, net	**(5,919,140)**	(3,585,989)
Depreciation and property and equipment	**716,870**	732,529
Fees and licenses	**1,177,970**	950,366
Others	**3,990,306**	3,072,970
	28,948,519	29,407,910
Allocated to:		
Underwriting	**24,228,153**	24,625,967
Other expenses	**4,720,366**	4,781,943
	28,948,519	29,407,910

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

20 Net investment loss

	2015 AED	2014 AED
Net fair value gain on investment properties (note 6)	**1,550,000**	2,360,000
Net fair value loss on investments at FVTPL (note 7)	**(28,576,607)**	(49,777,447)
Dividends from investments in securities	**9,405,389**	9,270,897
Net income from investment properties (note 6)	**8,089,358**	5,145,315
Interest on term deposits	**29,361**	69,242
Other investment loss – net	**(334,578)**	(1,042,977)
	(9,837,077)	(33,974,970)

21 Loss for the year

Loss for the year is arrived after charging the following:

	2015 AED	2014 AED
Staff costs	**21,617,881**	21,078,873
Depreciation on property and equipment	**716,870**	732,529

22 Basic and diluted loss per share

Loss per share are calculated by dividing the loss for the year over the weighted average number of ordinary shares outstanding during the year as follows:

	2015	2014
Loss for the year (AED)	**(59,670,877)**	(68,442,597)
Weighted number of ordinary shares in issue throughout the year	**420,000,000**	420,000,000
Basic and diluted loss per share (AED)	**(0.142)**	(0.162)

As of 31 December 2015 and 2014, the Group has not issued any instruments that have an impact on earnings per share when exercised and accordingly diluted earnings per share are the same as basic earnings per share.

23 Segment information

The segments disclosed in the current year were revised based on the new measure reported to the Chief Operating Decision Maker for purposes of resource allocation and segments performance.

For operating purposes, the Group is organised into two main business segments:

Underwriting of general insurance business – incorporating all classes of general insurance such as; fire, marine, motor, general accident and miscellaneous.

Investments – Incorporating investments in marketable equity securities, term deposits with banks and investment properties and other securities.

Primary segment information- business segment

The following is an analysis of the Group's revenue and results by operating segment:

	Underwriting		**Investments**		**Total**	
	2015 AED	2014 AED	**2015 AED**	2014 AED	**2015 AED**	2014 AED
Segment revenue	**178,347,733**	133,575,463	**(9,837,077)**	(33,974,970)	**168,510,656**	99,600,493
Segment result	**(36,343,829)**	(11,685,325)	**(14,557,443)**	(38,756,913)	**(50,901,272)**	(50,442,238)
Unallocated expenses					**(8,769,605)**	(18,000,359)
Loss for the year					**(59,670,877)**	(68,442,597)

The following is an analysis of the Group's assets and liabilities by operating segment:

	Underwriting		**Investments**		**Total**	
	2015 AED	2014 AED	**2015 AED**	2014 AED	**2015 AED**	2014 AED
Segment assets	**248,241,096**	203,439,800	**609,529,369**	645,257,255	**857,770,465**	848,697,055
Unallocated assets					**46,322,500**	30,123,360
Total assets					**904,092,965**	878,820,415
Segment liabilities	**297,717,020**	231,477,407	**238,909,842**	211,474,781	**536,626,862**	442,952,188
Unallocated liabilities					**18,045,083**	18,048,972
Total liabilities					**554,671,945**	461,001,160

There were no transactions between the business segments during the year.

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

23 Segment information (continued)

Secondary segment information-revenue from underwriting departments

The following is an analysis of the Group's revenues (gross written premiums and commission income) classified by major underwriting departments.

	2015 AED	2014 AED
Motor	**49,476,980**	28,147,336
Engineering	**5,956,235**	6,658,970
Fire and General Accidents	**28,300,641**	34,877,527
Marine and Aviation	**20,711,839**	19,828,857
Employee Benefits, Medical and Personal Assurance	**73,902,038**	44,062,774
	178,347,733	133,575,464

Geographical information

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

Total revenues and total assets of the underwriting and investment segments by geographical location are detailed below:

	Revenue 2015 AED	Revenue 2014 AED	**Total assets 2015 AED**	Total assets 2014 AED
United Arab Emirates	**175,396,719**	128,919,957	**836,658,122**	811,736,116
Other GCC countries	**662,754**	-	**46,192,308**	46,443,906
Others	**2,288,260**	4,655,506	**21,242,535**	20,640,393
	178,347,733	133,575,463	**904,092,965**	878,820,415

24 Contingent liabilities and commitments

At 31 December 2015, the Group had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 0.3 million (2014: AED 9.2 million).

The Group has a commitment to pay AED 9.2 million for a flat in a property under development in Dubai (note 5).

25 Insurance risk

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

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

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

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

25 Insurance risk (continued)

25.1 Frequency and severity of claims

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

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

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Group should not suffer net insurance losses of a set limit of AED 200,000 for motor, AED 500,000 for marine, AED 10,000 for medical and AED 750,000 for others in any one policy. The Group has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

The concentration of insurance risk before and after reinsurance in relation to the type of general insurance risk that is accepted is summarized below, with reference to the net carrying amount of the related insurance liabilities (gross and net of reinsurance) arising from general insurance contracts.

	Type of risk					
	Fire	Motor	Medical	Marine and aviation	Accident and others	Total
2015	**AED**	**AED**	**AED**	**AED**	**AED**	**AED**
Gross	**11,226,000**	**46,247,000**	**70,870,000**	**60,592,000**	**32,573,000**	**221,508,000**
Net	**1,333,000**	**44,241,000**	**68,828,000**	**3,825,000**	**4,348,000**	**122,575,000**
2014						
Gross	20,961,730	31,940,420	34,377,438	35,556,439	35,966,124	158,802,151
Net	1,618,855	17,773,176	32,651,228	2,306,547	4,964,177	59,313,983

25 Insurance risk (continued)

25.2 Sources of uncertainty in the estimation of future claim payments

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

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

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

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

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

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

	Year ended 31 December 2015		Year ended 31 December 2014	
Type of risk	**Gross loss ratio**	**Net loss ratio**	Gross loss ratio	Net loss ratio
Motor	**86%**	**86%**	59%	61%
Medical	**100%**	**102%**	112%	107%
Other lines	**36%**	**26%**	27%	25%

25 Insurance risk (continued)

25.3 Process used to decide on assumptions

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

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

25.4 Claims development process

The following schedules reflect the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last five years on an underwriting year basis for motor and non-motor:

Underwriting year	**2011 and earlier AED' 000**	**2012 AED' 000**	**2013 AED' 000**	**2014 AED' 000**	**2015 AED' 000**	**Total AED' 000**
At the end of the underwriting year	572,878	35,930	10,177	28,851	60,012	n/a
One year later	616,163	26,721	19,028	45,567	-	n/a
Two years later	609,242	32,796	25,902	-	-	n/a
Three years later	587,729	20,687	-	-	-	n/a
Four years later	618,582	-	-	-	-	n/a
Current estimate of cumulative claims	618,582	20,687	25,902	45,567	60,012	770,750
Cumulative payments to date	(601,660)	(13,108)	(16,102)	(31,715)	-	(662,585)
Liability recognised in the consolidated statement of financial position	**16,922**	**7,579**	**9,800**	**13,852**	**60,012**	**108,165**

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

25 Insurance risk (continued)

25.5 Concentration of insurance risk

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

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

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

The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted is summarised below:

		31 December 2015 Type of risk		
Territory		**Marine AED '000**	**Non-marine AED '000**	**Total AED '000**
UAE	Gross	**1,739,707**	**36,085,175**	**37,824,882**
	Net	**132,806**	**11,115,903**	**11,248,709**
GCC Countries	Gross	-	**142,925**	**142,925**
	Net	-	**31,668**	**31,668**
Others	Gross	-	**493,471**	**493,471**
	Net	-	**1,501**	**1,501**
Total	Gross	**1,739,707**	**36,721,571**	**38,461,278**
	Net	**132,806**	**11,149,072**	**11,281,878**

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

25 Insurance risk (continued)

25.5 Concentration of insurance risk (continued)

		31 December 2014 Type of risk		
Territory		Marine AED '000	Non-marine AED '000	Total AED '000
UAE	Gross	1,116,242	37,548,545	38,664,787
	Net	208,605	9,097,446	9,306,051
GCC Countries	Gross	-	478,755	478,755
	Net	-	104,290	104,290
Others	Gross	-	556,388	556,388
	Net	-	49,150	49,150
Total	Gross	1,116,242	38,583,688	39,699,930
	Net	208,605	9,250,886	9,459,491

25.6 Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the loss of the Group amounts to AED 13.2 million for the year ended 31 December 2015 (2014: AED 11.7 million). The Group does not foresee any major impact from insurance operations due to the following reasons:

The Company has an overall risk retention level of 53% and the same is mainly contributed by one class of business i.e., Motor line wherein the retention level is 75%. However, in this class the liabilities are adequately covered by excess of loss reinsurance programs to guard against major financial impact.

25.7 Managing insurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess of loss reinsurance contracts.

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

26 Financial instruments

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

26.1 Capital risk management

The Group's objectives in managing its capital are:

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

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

The table below summarises the minimum regulatory capital of the Group and the total capital held.

	2015 **AED**	2014 AED
Total Shareholders' equity	**349,421,020**	417,819,255
Minimum regulatory capital	**100,000,000**	100,000,000

26.2 Significant accounting policies

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

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

26 Financial instruments (continued)

26.3 Categories of financial instruments

	2015 AED'000	2014 AED'000
Financial assets		
AFS investments	**75,803,618**	84,530,976
Investments designated at FVTPL	**187,250,824**	215,827,431
Statutory deposit	**10,000,000**	10,000,000
Reinsurers' share of outstanding claims	**66,714,000**	69,300,199
Reinsurers' share of claims incurred but not recorded	**8,197,000**	1,019,273
Reinsurers' share of unearned premiums	**24,022,000**	29,168,696
Insurance and other receivables	**130,297,570**	84,270,632
Term deposits	**1,800,927**	1,774,848
Bank balances and cash	**46,322,500**	30,123,360
Total	**550,408,439**	526,015,415
Financial liabilities		
Gross outstanding claims	**89,155,000**	85,279,122
Gross claims incurred but not reported	**19,010,000**	2,916,000
Gross unallocated loss adjustment expense	**2,543,000**	-
Gross unexpired risk reserve	**13,200,000**	-
Gross unearned premiums	**97,600,000**	70,607,029
Insurance and other payables	**85,265,251**	80,294,537
Bank borrowings	**230,067,673**	207,926,622
Total	**536,840,924**	447,023,310

26.4 Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Group. The Group's result will be affected by changes in prevailing interest rates since it incurs significant interest on borrowings. A minor portion of its income derives from interest on investments and bank deposits.

The Group generally tries to minimise the interest rate risk by closely monitoring the market interest rates and investing in those financial assets in which such risk is expected to be minimal. The Group is exposed to cash flow interest rate risk as the bank borrowing carries interest at a floating rate.

Interest rate sensitivity analysis

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the end of the reporting period.

26 Financial instruments (continued)

26.4 Interest rate risk management (continued)

Interest rate sensitivity analysis (continued)

If on the outstanding borrowings at 31 December 2015 the interest rates had been 1% higher/lower during the year with all other variables held constant, loss for the year would have been AED 2.3 million higher/lower (2014: AED 2.1 million higher/lower loss), mainly as a result of higher/lower interest expense on floating rate borrowings.

26.5 Market price risk management

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

Equity price risk sensitivity analysis

At the end of the reporting period, if the equity prices are 5% higher/lower as per the assumptions mentioned below and all the other variables were held constant:

- The Group's loss would (decrease)/increase by AED 9.3 million (2014: AED 10.8 million) as a result of the Group's portfolio of listed securities classified under fair value through profit and loss (FVTPL).
- The Group's fair value reserves would increase/(decrease) by AED 289 thousand (2014: AED 289 thousand) as a result of the Group's portfolio of listed securities classified as available-for-sale financial assets (AFS).

26.6 Foreign currency risk management

Foreign currency risk is the risk that the financial instrument will fluctuate due to change in foreign currency rates. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures.

Management believes that there is minimal risk of significant loss due to exchange rate fluctuations and consequently the Group does not hedge its foreign currency exposure.

The Group's main operations are currently in the United Arab Emirates and therefore have limited exposure to foreign exchange risk. The transactions and balances are denominated in either AED or in currencies which the AED is currently pegged to.

26 Financial instruments (continued)

26.7 Credit risk management (continued)

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

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

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

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

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

The Group maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policy holders and groups of policy holders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policy holders, or homogenous groups of policy holders, a financial analysis equivalent to that conducted for re-insurers is carried out by the Group. Details on concentration of amounts due from policy holders is disclosed in Note 10. Management believes that the concentration of credit risk is mitigated by high credit rating and financial stability of its policy holders.

At 31 December 2015 and 2014, virtually all of the deposits were placed with 8 banks. Management is confident that this concentration of liquid assets at year end does not result in any credit risk to the Group as the banks are major banks operating in the UAE and are highly regulated by the Central Bank.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk for such receivables and liquid funds.

26.8 Liquidity risk management

Liquidity risk is the risk that the Group will be unable to meet its funding requirements. Bank facilities, the policy holders and the re-insurers, are the major sources of funding for the Company and the liquidity risk for the Group is assessed to be low. The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

26 Financial instruments (continued)

26.8 Liquidity risk management (continued)

The tables below summarise the maturities of the Group's undiscounted financial liabilities and financial assets as of 31 December 2015 and 2014 based on contractual payment dates.

	< 1 year AED	**> 1 year AED**	**Total AED**
31 December 2015			
Gross outstanding claims	**89,155,000**	-	**89,155,000**
Gross claims incurred but not reported	**19,010,000**	-	**19,010,000**
Gross unearned premiums	**97,600,000**	-	**97,600,000**
Gross unallocated loss adjustment expense	**2,543,000**	-	**2,543,000**
Gross unexpired risk reserve	**13,200,000**	-	**13,200,000**
Insurance and other payables	**85,265,251**	-	**85,265,251**
Bank borrowings	**230,067,673**	-	**230,067,673**
	536,840,924	-	**536,840,924**

	< 1 year AED	> 1 year AED	Total AED
31 December 2014			
Gross outstanding claims	85,279,122	-	85,279,122
Gross claims incurred but not reported	2,916,000	-	2,916,000
Gross unearned premiums	70,607,029	-	70,607,029
Insurance and other payables	80,294,537	-	80,294,537
Bank borrowings	185,348,471	22,578,151	207,926,622
	424,445,159	22,578,151	447,023,310

The maturity profile of financial assets as of 31 December 2015 and 2014 was as follows:

	Current AED	**Non-current AED**	**Total AED**
31 December 2015			
Statutory deposit	-	**10,000,000**	**10,000,000**
Reinsurers' share of outstanding claims	**66,714,000**	-	**66,714,000**
Reinsurers' share of claims incurred but not reported	**8,197,000**	-	**8,197,000**
Reinsurers' share of unearned premiums	**24,022,000**	-	**24,022,000**
Insurance and other receivables	**130,297,570**	-	**130,297,570**
Term deposits	**1,800,927**	-	**1,800,927**
Bank balances and cash	**46,322,500**	-	**46,322,500**
	277,353,997	**10,000,000**	**287,353,997**

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

26 Financial instruments (continued)

26.8 Liquidity risk management (continued)

	Current AED	Non-current AED	Total AED
31 December 2014			
Statutory deposit	-	10,000,000	10,000,000
Reinsurers' share of outstanding claims	69,300,199	-	69,300,199
Reinsurers' share of claims incurred but not reported	1,019,273	-	1,019,273
Reinsurers' share of unearned premiums	29,168,696	-	29,168,696
Insurance and other receivables	84,270,632	-	84,270,632
Term deposits	1,774,848	-	1,774,848
Bank balances and cash	30,123,360	-	30,123,360
	215,657,008	10,000,000	225,657,008

26.9 Fair value of financial instruments

While the Group prepares its consolidated statements under the historical cost convention modified for measurement to fair value of investments carried at fair value and investment properties, in the opinion of management, the estimated carrying values and fair values of financial assets and liabilities, that are not carried at fair value in the consolidated financial statements are not materially different, since assets and liabilities are either short term in nature or in the case of deposits, frequently repriced.

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

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

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy for the year ended 31 December 2015 and 2014:

31 December 2015	**Date of valuation**	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**	**Total AED**
ASSETS MEASURED AT FAIR VALUE					
At fair value through profit or loss					
Quoted equity securities	31.12.2015	**141,657,124**	-	-	**141,657,124**
Unquoted equity securities	31.12.2015	-	-	**45,593,700**	**45,593,700**
		141,657,124	-	**45,593,700**	**187,250,824**

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

26 Financial instruments (continued)

26.9 Fair value of financial instruments (continued)

31 December 2015	**Date of valuation**	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**	**Total AED**
AFS financial assets					
Quoted equity securities	31.12.2015	**5,774,610**	-	-	**5,774,610**
Unquoted equity securities	31.12.2015	-	**10,129,577**	**59,899,431**	**70,029,008**
		5,774,610	**10,129,577**	**59,899,431**	**75,803,618**

31 December 2014	Date of valuation	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
ASSETS MEASURED AT FAIR VALUE					
At fair value through profit or loss					
Quoted equity securities	31.12.2014	215,489,431	-	-	215,489,431
Unquoted equity securities	31.12.2014	-	-	338,000	338,000
		215,489,431	-	338,000	215,827,431
AFS financial assets					
Quoted equity securities	31.12.2014	5,774,610	-	-	5,774,610
Unquoted equity securities	31.12.2014	-	10,129,577	68,626,789	78,756,366
		5,774,610	10,129,577	68,626,789	84,530,976

Reconciliation of level 3 fair value measurements

	2015 AED	2014 AED
Opening balance	**68,964,789**	60,653,125
Transfer into level 3	**44,776,200**	-
(Decrease)/increase in fair value	**(8,247,858)**	8,311,664
Closing balance	**105,493,131**	68,964,789

Transfer between categories

During the year, there were no transfers between level 1 and level 2 fair value measurements and one transfer into level 3 fair value measurements (2014: none).

26 Financial instruments (continued)

26.9 Fair value of financial instruments (continued)

The following is a description of the determination of fair value for assets which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the assets.

Investments carried at fair value through profit or loss

Investments carried at fair value through profit or loss are mainly listed equity instruments in local as well as international exchanges. Valuations are based on market prices as quoted in the exchange.

Available for sale investments

The revaluation gains/losses of which are recognised through equity, comprise long term strategic investments in listed equities and companies. Listed equity valuations are based on market prices as quoted in the exchange. For companies, the financial statements provide the valuations of these investments which are arrived at primarily by discounted cash flow analysis. Fair value of the unquoted ordinary shares has been estimated using DCF model and Price Earning Multiple basis valuation. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility and price earnings multiples. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

27 Subsequent events

Subsequent to the year end, in a General Meeting held on 22 March 2016, the Shareholders approved to continue the activity of the Company as per the requirement of Article 302 of the Federal Law No. (2) of 2015 due to the fact that the Group's accumulated losses exceeded 50% of its share capital as at 31 December 2015.

28 Approval of consolidated financial statements

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 March 2016.