Orient Insurance PJSC and its subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2014

Building a better
working world

Ernst & Young
P.O. Box 9267
28th Floor, Al Saqr Business Tower
Sheikh Zayed Road
Dubai, United Arab Emirates

Tel: +971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
ey.com/mena

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ORIENT INSURANCE PJSC

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Orient Insurance PJSC and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of income, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the applicable provisions of the articles of association of Orient Insurance PJSC , the UAE Commercial Companies Law of 1984 (as amended) and the UAE Federal Law No. (6) of 2007. The management is responsible for such internal control as it determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' 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 auditors' judgement, 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 the management, as well as evaluating the overall presentation of the consolidated financial statements.

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ORIENT INSURANCE PJSC (continued)

Opinion

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

Report on other legal and regulatory requirements

We also confirm that, in our opinion, the consolidated financial statements include, in all material respects, the applicable requirements of the UAE Commercial Companies Law of 1984 (as amended), UAE Federal Law No. (6) of 2007 and the articles of association of Orient Insurance PJSC ; proper books of account have been kept by the Company; an inventory was duly carried out, and the contents of the report of the Board of Directors relating to these consolidated financial statements are consistent with the books of account. We have obtained all the information and explanations which we required for the purpose of our audit and, to the best of our knowledge and belief, no violations of the UAE Commercial Companies Law of 1984 (as amended), UAE Federal Law No. (6) of 2007, or of the articles of association of Orient Insurance PJSC have occurred during the year which would have had a material effect on the business of Orient Insurance PJSC or on its financial position.

Ernst + Young

Signed by:
Anthony O'Sullivan
Partner
Registration No. 687

28 January 2015

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2014

	Notes	*2014* *AED'000*	*2013* *AED'000*
ASSETS			
Property and equipment	5	**123,453**	123,582
Investment securities	6	**1,484,818**	1,006,146
Insurance contract assets	13	**993,317**	883,427
Insurance receivables	7	**322,189**	291,799
Prepayments and other receivables		**24,472**	15,054
		2,948,249	2,320,008
Deposits with banks	8	**1,128,758**	1,008,931
Cash and cash equivalents	9	**237,576**	101,887
		1,366,334	1,110,818
TOTAL ASSETS		**4,314,583**	3,430,826
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	10	**500,000**	405,000
Statutory reserve	11	**125,000**	101,250
Legal reserve	11	**200,076**	175,452
Exceptional loss reserve	11	**141,170**	123,100
General reserve	11	**390,159**	405,603
Retained earnings	11	**15,274**	15,010
Available-for-sale reserve	11	**791,235**	358,464
Foreign currency translation reserve	11	**(37,766)**	(32,573)
Proposed dividends	12	**100,000**	81,000
		2,225,148	1,632,306
Non-controlling interests		**40,862**	36,806
Total equity		**2,266,010**	1,669,112
Liabilities			
Insurance contract liabilities	13	**1,467,964**	1,278,314
Reinsurance payables		**278,875**	232,279
Amounts held under reinsurance treaties		**143,941**	124,771
Other payables and accruals	14	**157,793**	126,350
Total liabilities		**2,048,573**	1,761,714
TOTAL EQUITY AND LIABILITIES		**4,314,583**	3,430,826

These consolidated financial statements were approved by the Board of Directors on 28 January 2015 and signed on its behalf by:

....

Chairman Vice Chairman

The attached notes 1 to 21 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 December 2014

	Notes	*2014* AED'000	*2013* AED'000
UNDERWRITING INCOME			
Gross premiums			
Insurance contracts premium	13	**1,802,305**	1,596,631
Movement in provision for unearned premiums	13	**(117,258)**	(85,001)
Insurance premium revenue	13	**1,685,047**	1,511,630
Less: **Reinsurers' share of premium**			
Insurance contracts premium	13	**1,258,658**	1,115,100
Movement in provision for unearned premiums	13	**(70,061)**	(49,697)
		1,188,597	1,065,403
Net insurance premium revenue		**496,450**	446,227
Commission income		**167,670**	138,777
Total underwriting income		**664,120**	585,004
UNDERWRITING EXPENSES			
Claims paid	13	**613,488**	596,174
Less: re-insurance share	13	**(413,997)**	(401,082)
Net claims paid	13	**199,491**	195,092
Increase in outstanding claims	13	**35,690**	31,019
Net claims incurred	13	**235,181**	226,111
Commission expenses		**120,019**	96,783
General and administration expenses		**150,980**	121,761
Total underwriting expenses		**506,180**	444,655
NET UNDERWRITING INCOME		**157,940**	140,349
INVESTMENT INCOME			
Interest income		**42,243**	36,498
Dividend income		**54,882**	55,342
Rental and other income		**6,248**	3,730
Fair value (loss) gain on investments carried at fair value through profit or loss		**(3,406)**	7,337
Total investment income		**99,967**	102,907
PROFIT BEFORE TAX		**257,907**	243,256
Income tax expense	4	**(5,798)**	(3,252)
PROFIT AFTER TAX		**252,109**	240,004
Attributable to:			
Equity holders of the parent		**246,686**	235,809
Non-controlling interests		**5,423**	4,195
		252,109	240,004
Basic and diluted earnings per share (AED) attributable to equity holders of the parent	16	**49.34**	47.16

The attached notes 1 to 21 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 ***AED'000***	*2013* *AED'000*
Profit after tax for the year	**252,109**	240,004
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(9,260)**	(33,933)
Net unrealised gain on available -for- sale investments	**432,771**	316,497
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**423,511**	282,564
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**675,620**	522,568
Attributable to:		
Equity holders of parent	**674,264**	535,893
Non-controlling interests	**1,356**	(13,325)
	675,620	522,568

The attached notes 1 to 21 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

	Notes	***2014*** ***AED'000***	*2013* *AED'000*
OPERATING ACTIVITIES			
Profit before tax for the year		**257,907**	243,256
Adjustments for:			
Depreciation	5	**8,349**	6,818
Gain on sale of property and equipment		**(10)**	(58)
Interest income		**(42,243)**	(36,498)
Dividend income		**(54,882)**	(55,342)
Fair value loss (gain) on investments at fair value through profit or loss		**3,406**	(7,337)
Operating profit before changes in operating assets and liabilities		**172,527**	150,839
Insurance receivables		**(30,390)**	(48,496)
Insurance contract assets		**(109,890)**	(23,961)
Prepayments and other receivables		**(9,418)**	23,342
Insurance contract liabilities		**189,650**	60,293
Reinsurance payables		**46,596**	29,727
Amount held under reinsurance treaties		**19,170**	7,132
Other payables and accruals		**30,719**	28,991
Income tax paid	4	**(5,074)**	(3,518)
Net cash from operating activities		**303,890**	224,349
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(8,355)**	(4,603)
Proceeds from sale of property and equipment		**145**	200
Interest income		**42,243**	36,498
Dividends received		**54,882**	55,342
Deposits with banks		**(119,827)**	(164,386)
Purchase of held to maturity investments		**(38,740)**	(12,820)
Purchase of available-for-sale investments		**(14,175)**	(1,791)
Sale of available for sale investments		**3,608**	7,753
Net cash used in investing activities		**(80,219)**	(83,807)
FINANCING ACTIVITIES			
Dividends paid	12	**(81,000)**	(81,000)
Dividends paid to non controlling interest		**(1,679)**	-
Share capital paid by non-controlling interests		**4,661**	3,205
Statutory payment to employees		**(704)**	-
Net cash used in financing activities		**(78,722)**	(77,795)
INCREASE IN CASH AND CASH EQUIVALENTS		**144,949**	62,747
Cash and cash equivalents at 1 January	9	**101,887**	73,073
Movement in foreign currency translation reserve		**(9,260)**	(33,933)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	**237,576**	101,887

The attached notes 1 to 21 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

	Attributable to shareholders of the parent											
	Share capital AED'000	*Statutory reserve AED'000*	*Legal reserve AED'000*	*Exceptional loss reserve AED'000*	*General reserve AED'000*	*Retained earnings AED'000*	*Available-for-sale reserve AED'000*	*Foreign currency translation reserve AED'000*	*Proposed dividend AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total AED'000*
At 1 January 2014	405,000	101,250	175,452	123,100	405,603	15,010	358,464	(32,573)	81,000	1,632,306	36,806	1,669,112
Profit for the year	-	-	-	-	-	246,686	-	-	-	246,686	5,423	252,109
Other comprehensive income for the year	-	-	-	-	-	-	432,771	(5,193)	-	427,578	(4,067)	423,511
Total comprehensive Income	-	-	-	-	-	246,686	432,771	(5,193)	-	674,264	1,356	675,620
Increase in paid up share capital (note 10)	95,000	-	-	-	(95,000)	-	-	-	-	-	4,661	4,661
Transfers	-	23,750	24,624	18,070	79,556	(146,000)	-	-	-	-	-	-
Dividend paid (note 12)	-	-	-	-	-	-	-	-	(81,000)	(81,000)	(1,679)	(82,679)
Dividend proposed (note 12)	-	-	-	-	-	(100,000)	-	-	100,000	-	-	-
Statutory payment to employees	-	-	-	-	-	(422)	-	-	-	(422)	(282)	(704)
At 31 December 2014	**500,000**	**125,000**	**200,076**	**141,170**	**390,159**	**15,274**	**791,235**	**(37,766)**	**100,000**	**2,225,148**	**40,862**	**2,266,010**

The attached notes 1 to 21 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2014

	Attributable to shareholders of the parent											
	Share capital AED'000	*Statutory reserve AED'000*	*Legal reserve AED'000*	*Exceptional loss reserve AED'000*	*General reserve AED'000*	*Retained earnings AED'000*	*Available-for-sale reserve AED'000*	*Foreign currency translation reserve AED'000*	*Proposed dividend AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total AED'000*
At 1 January 2013	405,000	101,250	152,331	107,740	293,434	10,851	41,967	(16,160)	81,000	1,177,413	46,926	1,224,339
Profit for the year	-	-	-	-	-	235,809	-	-	-	235,809	4,195	240,004
Other comprehensive income for the year	-	-	-	-	-	-	316,497	(16,413)	-	300,084	(17,520)	282,564
Total comprehensive income	-	-	-	-	-	235,809	316,497	(16,413)	-	535,893	(13,325)	522,568
Increase in paid up share capital	-	-	-	-	-	-	-	-	-	-	3,205	3,205
Transfers	-	-	23,121	15,360	112,169	(150,650)	-	-	-	-	-	-
Dividend paid (note 12)	-	-	-		-	-	-	-	(81,000)	(81,000)	-	(81,000)
Dividend proposed (note 12)	-	-	-	-	-	(81,000)	-	-	81,000	-	-	-
At 31 December 2013	405,000	101,250	175,452	123,100	405,603	15,010	358,464	(32,573)	81,000	1,632,306	36,806	1,669,112

The attached notes 1 to 21 form part of these consolidated financial statements

1 CORPORATE INFORMATION

Orient Insurance PJSC was incorporated with limited liability on 22 July 1980 in the Emirate of Dubai by a decree of His Highness The Ruler of Dubai and commenced operations on 1 January 1982. The Company was registered in accordance with the UAE Federal Law No.(9) of 1984, as amended, ("The Insurance Companies Law") on 29 December 1984 with registration No.14. On 2 May 1988 the Company was converted into a public shareholding company in accordance with the requirements of the Insurance Companies Law and has since been registered under UAE Federal Law No.(8) of 1984, as amended, relating to commercial companies. The shares of the Company are listed on the Dubai Financial Market. The Company is subject to the regulations of UAE Federal Law No. 6 of 2007, on Establishment of Insurance Authority and organisation of its operations. The registered address of the Company is P.O. Box 27966, Dubai United Arab Emirates. The holding company of the Group is Al Futtaim Development Services Company which is based in Dubai, United Arab Emirates and has a significant influence over the Group.

The Company engages in the business of issuing short term insurance contracts in connection with Property, Engineering, Motor, Marine, Miscellaneous Accidents and Medical (collectively referred as General Insurance) and Group Life and Individual Life classes (collectively referred as Life Insurance). The Company's insurance portfolio includes a relatively small number of life assurance contracts all of which are long term insurance contracts. The Company also invests its funds in investment securities.

The Company has established subsidiary companies in Syria, Egypt, Sri Lanka, Turkey and has a branch in Sultanate of Oman. During the year, its subsidiary in Egypt has changed its name from Arab Orient Takaful Insurance Company (S.A.E) to Orient Takaful Insurance Company (S.A.E). The change of name was approved in an extraordinary general meeting held on 2 October 2014 and the regulatory approvals were obtained on 6 January 2015.

These consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (collectively referred to as the "Group").

2.1 BASIS OF PREPARATION

Accounting convention
The consolidated financial statements are prepared under the historical cost convention except for available-for-sale (AFS) financial assets and Investments carried at fair value through profit or loss that have been measured at fair value. The consolidated financial statements have been presented in UAE Dirhams and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

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

Statement of compliance
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates Laws.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2014. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company with the exception of Orient Takaful Insurance Company (S A E) - Egypt, an subsidiary, whose year end is 30 June and hence the Group uses their reviewed 12 months accounts as at 31 December. Consistent accounting policies are applied to like transactions and events in similar circumstances. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

2.2 BASIS OF CONSOLIDATION (continued)

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses 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. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

The Group comprises of the Company and the under-mentioned subsidiary companies.

		Country of	*Ownership*	
Subsidiaries	*Principal activity*	*incorporation*	*2014*	*2013*
Arab Orient Insurance	General insurance	Syria	40%	40%
Orient Takaful Insurance Company (S.A.E)	General insurance	Egypt	60%	60%
Orient Insurance Limited	General insurance	Sri Lanka	100%	100%
Orient Sigorta Anomin Sirketi	General insurance	Turkey	100%	100%

If the Group loses control over a subsidiary, it:

Derecognises the assets (including goodwill) and liabilities of the subsidiary
Derecognises the carrying amount of any non-controlling interest
Derecognises the cumulative translation differences, recorded in equity
Recognises the fair value of the consideration received
Recognises the fair value of any investment retained
Recognises any surplus or deficit in profit or loss
Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New standards and interpretations effective after 1 January 2014

The following new and revised IFRSs have been applied in the current period in these consolidated financial statements. Their adoption had no significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard	***Description***	***Effective date (early adoption permitted)***
Amendment to IAS 32 and IFRS 7, 'Financial Instruments: Presentation'	These amendments relate to the application guidance and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.	1 January 2014
Financial Instruments: Recognition and Measurement Amendment to IAS 39 'Novation of derivatives'	This amendment provides relief from discontinuing hedge accounting when novation to a hedging instrument to a central counter party meets specified criteria.	1 January 2014
Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures	This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	1 January 2014

New standards and interpretations not yet effective

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2014, with the Group not opting for early adoption. These have, therefore, not been applied in preparing these consolidated financial statements.

Standard	***Description***	***Effective date (early adoption permitted)***
IFRS 10 Consolidated Financial Statements and IAS 28 - Investments in Associates & Joint Ventures	The amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 Business Combinations). require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' interests in that associate or joint venture.	1 January 2016
IFRS 14 Regulatory Deferral Accounts	IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. Since the Group is an existing IFRS preparer, this standard would not apply.	1 January 2016

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New standards and interpretations not yet effective (continued)

Standard	*Description*	*Effective date (early adoption permitted)*
IFRS 15, 'Revenue from contracts with Customers'.	This is the converged standard on revenue recognition. It replaces IAS 11, 'Construction contracts', IAS 18,'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises 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.	1 January 2017
IFRS 15, 'Revenue from contracts with Customers'.	IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.	1 January 2017
IFRS 9, 'Financial instruments'	The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (OCI); and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different from that currently prepared under IAS 39.	1 January 2018

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

New standards and interpretations not yet effective (continued)

The Group is in the process of analysing the impact of IFRS 9. The Group has assessed the impact of other standards, amendments to standards, revisions and interpretations. Based on the assessment, the above standards, amendments to standards, revisions and interpretations have no material impact on the consolidated financial statements of the Group as at the reporting date.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Judgements

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, fair value though profit or loss or available-for-sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular, that the Group has the intention and ability to hold these to maturity.

The Group classifies investments as held for trading if they are acquired primarily for the purpose of making a short term profit.

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

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

Operating lease commitments-group as lessor

The Group has entered into commercial property lease on its property and equipment. The Group, as a lessor, has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of its property and so accounts for them as operating leases.

Estimates & assumptions

Impairment losses on available for sale investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. Where fair values are not available, the recoverable amount of such investment is estimated to test for impairment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and discount factors for unquoted equities.

Impairment losses on held-to-maturity investments

The Group reviews its individually significant held-to-maturity investments at each statement of financial position date to assess whether an impairment loss should be recorded in the consolidated statement of income. In particular, management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgements (continued)

Impairment losses on receivables
Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the inability to pay all amounts due as per contractual terms.

Going concern
The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Medical and Group life insurance
The assumptions used in actuarial valuations for unearned premium reserves for medical and group life business are based on experience relating to insurance industry.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for outstanding claims, whether reported or not
Considerable judgment by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainity and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the statement of financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the statement of financial position date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and claims incurred but not reported regularly.

All insurance contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the consolidated financial statements are set out below:

Revenue recognition

Insurance premium revenue
Gross premiums
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. The proportion attributable to subsequent periods is deferred as unearned premium reserve.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance premiums
Reinsurance premiums ceded comprise the total premiums payable for the whole cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Commission income
Commissions income on policies written is recognised at the time the reinsurance premium is ceeded.

Interest income
Interest income is recognised in the consolidated statement of income as it accrues and is calculated by using the effective interest rate method.

Other income
- Dividend income is accounted for when the right to receive payment is established.
- Rental income is recognised as income over the period to which it relates.

Taxes

Current income tax
Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Claims
Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries made are charged to income as incurred. Claims comprise the estimated amounts payable, in respect of claims reported to the Group and those not reported at the statement of financial position date.

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the statement of financial position date. Any difference between the provisions at the statement of financial position date and settlements and provisions for the following year is included in the consolidated statement of income for that year. Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Commission expenses
Commissions and other costs directly related to the acquisition and renewal of insurance contracts are charged to the consolidated statement of income when incurred.

Leases
Group as a lessee
The Group has no finance leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

Foreign currencies
Monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the Group consolidated financial statements, assets and liabilities denominated in foreign currencies are translated into UAE Dirhams at rates of exchange ruling at the reporting date, and the resulting gains and losses are taken to the Group consolidated income statement and statement of other comprehensive income.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or are 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 income during the financial period in which they are incurred.

Freehold land and fixed assets not commissioned are not depreciated. The estimated useful life of fixed assets for the Group is as follows:

Building	25 years
Furniture and fixtures	4 to 7 years
Office equipment	3 to 5 years
Motor vehicles	5 years

Assets are depreciated on a straight-line basis over their estimated useful lives as given above.

Fixed assets not commissioned are stated at cost. When commissioned, they are transferred to the appropriate property and equipment category and depreciated in accordance with the Group's policies.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the consolidated statement of income.

Financial assets
Initial recognition and measurement
Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets or liabilities designated at fair value through profit or loss or available-for-sale assets are recognised. Receivables are recognised on the day they are transferred to or acquired by the Group.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include bank balances and short term deposits, trade receivables, insurance receivables and quoted and unquoted financial instruments.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Subsequent measurement
A financial asset or a financial liability is recognised initially at its fair value plus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial recognition, all financial assets at fair value through profit or loss and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be measured reliably is stated at cost, including transaction costs, less impairment allowances.

All other financial assets and non-trading financial liabilities are measured at amortised cost less impairment allowances.

Derecognition
The Group derecognises financial assets when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of the ownership of the financial assets are transferred. Any interest in derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Insurance receivables
Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of income.

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Impairment of financial assets
An assessment is made at each statement of consolidated financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Impairment of non-financial assets (excluding goodwill)
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (excluding goodwill) (continued)
In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through income statement, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and insurance contracts.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through income statement
Financial liabilities at fair value through income statement includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through income statement.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

The Group has not designated any financial liabilities upon initial recognition as at fair value through income statement.

Insurance contract liabilities
Unearned premium reserve
The unearned premium reserve represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date.Unearned premiums relating to general insurance business are computed based on percentages of net premium written and are at least equal to the minimum stipulated in the Insurance Laws of the respective region. Unearned premium reserves for medical and group life business are calculated based on independent actuarial valuation as required by Article 44 of the UAE Insurance Companies Law and Insurance Laws of the respective countries where subsidiaries are registered.

Outstanding claims
Insurance contract liabilities are recognized when claims are intimated. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, including claims incurred but not reported together with related claims handling costs. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the statement of financial position date. The liability is not discounted for the time value of money. The liability is derecognised when the contract expires, is discharged or is cancelled.

Other payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods and services rendered, whether billed by the supplier or not.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions
Provisions are recognised when the Group has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits
The Group provides end of service benefits to its employees employed in the UAE in accordance with the UAE Labour Law and for employees employed in the Oman branch of the Group and subsidiary Companies in accordance with the respective region's labour Law. The entitlement of these benefits is based upon employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its U.A.E. national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Interest expense
Interest paid is recognised in the consolidated statement of income as it accrues and is calculated by using the effective interest rate method.

Liability adequacy test
At each statement of financial position date the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision created. The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the statement of financial position date.

Reinsurance contracts held
The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract. These amounts are shown as "reinsurance assets" in the statement of financial position until the claim is paid by the Group. Once the claim is paid the amount due from the reinsurer in connection with the paid claim is transferred to "insurance receivables".

Gains or losses on buying reinsurance are recognised in the consolidated statement of income immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policy holders.

At each reporting date, the Group assesses whether there is any indication that a reinsurance asset may be impaired. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. The impairment loss is recognised in the consolidated statement of income.

Offsetting
Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is legally enforceable right to offset the recognised amounts, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated statement of income unless required or permitted by an accounting standard or interpretation.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

For financial instruments traded in active markets, fair value at each reporting date is determined by reference to Stock Exchange quoted market bid prices, without any deduction for transaction costs.

For financial instruments not traded in active market, fair value is determined by reference to the current market value of a similar instrument, recent arm's length market transactions or is based on the expected discounted cash flows or any other valuation model.

Segment reporting
The Group's segmental reporting is based on the following operating segments: General insurance, Life assurance and Investment segment.

a) The general insurance segment comprises both general insurance and health insurance to individuals and businesses. General insurance products offered include motor, marine, fire, engineering, energy, general accident and medical. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident, e.g., employee liability claims and asbestos. Non-life healthcare contracts provide medical cover to policyholders. Revenue in this segment is derived primarily from insurance premiums and commission income.
b) The life insurance segment offers individual and group life insurance. Revenue from this segment is derived primarily from insurance premium and commission income.
c) The investment segment includes investment in equity, fixed income securities such as bonds and fixed deposits.

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

Investment contracts are those contracts that transfer significant financial risk and no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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

Investment contracts
The Group issues investment contracts without fixed and guaranteed terms (unit-linked) and in accordance with IAS 39 premium received and claims paid on these contracts are not recognised in the income statement but are treated as movements in the statement of financial position. All subsequent movements in respect of investment contract financial liabilities are included in "Available-for-sale reserve" under the statement of changes in equity. The financial liabilities are measured at current unit investment contract value which reflects the fair value of the assets of the funds.

If the investment contract is subject to a surrender option, exercisable at the discretion of the investment contract holder rather than the Group, the fair value of the financial liability is never less than the amount payable on surrender, discounted for the required notice period, where applicable, in accordance with the requirements of IAS 39: Recognition and Measurement paragraph 55.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment contract liabilities
The Group does not have any investment contracts or any insurance contracts with Discretionary Participation Features (DPF).

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment contract liabilities are measured at fair value through other comprehensive income.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the consolidated statement of financial position and are not recognised as gross premium in the consolidated income statement.

Investment contract liabilities (continued)
Fair value adjustments are performed at each reporting date and are recognised in the consolidated statement of other comprehensive income in "Net unrealised gain on available -for- sale investments". For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit prices at the reporting date are valued on a fair value basis adjusted to take account of the effect on the liabilities of the deferred tax on unrealised gains on assets in the fund.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

When contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the consolidated statement of financial position as described above.

3 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2014 ***AED'000***	*2013* *AED'000*
Staff costs	**108,388**	87,216
Rental costs – Operating leases	**5,882**	4,679

4 INCOME TAXES

The Group entities operate in the Sultanate of Oman, Egypt, Sri Lanka & Syria and are subject to income tax in these countries.

The component of income tax recognised in the consolidated statement of income is as follows:

	2014 ***AED'000***	*2013* *AED'000*
Current year	**5,798**	3,252

4 INCOME TAXES (continued)

Movements in the income tax payable recognised in the consolidated statement of financial position are as follows:

	2014 ***AED'000***	*2013* *AED'000*
Provision as at 1 January	**1,840**	2,640
Provided during the year	**5,798**	3,252
Taxes paid during the year	**(5,074)**	(3,518)
Exchange differences	**(137)**	(534)
Balance as at 31 December	**2,427**	1,840

The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

5 PROPERTY AND EQUIPMENT

	Land *AED'000*	*Building* *AED'000*	*Office equipment, furniture and fixtures* *AED'000*	*Motor vehicles* *AED'000*	*Total* *AED'000*
Cost:					
At 1 January 2014	20,000	96,456	26,617	1,831	144,904
Additions	-	-	7,932	423	8,355
Disposals	-	-	(208)	(337)	(545)
At 31 December 2014	20,000	96,456	34,341	1,917	152,714
Depreciation:					
At 1 January 2014	-	7,790	12,653	879	21,322
Depreciation charge for the year	-	3,858	4,206	285	8,349
Relating to disposals	-	-	(170)	(240)	(410)
At 31 December 2014	-	11,648	16,689	924	29,261
Net carrying amount:					
At 31 December 2014	**20,000**	**84,808**	**17,652**	**993**	**123,453**

5 PROPERTY AND EQUIPMENT (continued)

	Land *AED'000*	*Building* *AED'000*	*Office equipment, furniture and fixtures* *AED'000*	*Motor vehicles* *AED'000*	*Total* *AED'000*
Cost:					
At 1 January 2013	20,000	96,456	22,813	1,821	141,090
Additions	-	-	4,099	504	4,603
Disposals	-	-	(295)	(494)	(789)
At 31 December 2013	20,000	96,456	26,617	1,831	144,904
Depreciation:					
At 1 January 2013	-	3,932	10,277	942	15,151
Depreciation charge for the year	-	3,858	2,670	290	6,818
Relating to disposals	-	-	(294)	(353)	(647)
At 31 December 2013	-	7,790	12,653	879	21,322
Net carrying amount:					
At 31 December 2013	20,000	88,666	13,964	952	123,582

The depreciation charge for the year of AED 8,349 thousand (2013: AED 6,818 thousand) has been included in general and administrative expenses.

6 INVESTMENT SECURITIES

	Carrying value		***Fair Value***	
	2014 ***AED'000***	*2013* *AED'000*	***2014*** ***AED'000***	*2013* *AED'000*
Investments carried at fair value through profit or loss				
Managed portfolios				
- (outside UAE)	**2,136**	1,902	**2,136**	1,902
	2,136	1,902	**2,136**	1,902
Held for trading-quoted shares				
- (within UAE)	**11,470**	15,110	**11,470**	15,110
	13,606	17,012	**13,606**	17,012
Held to maturity				
Debt				
Unquoted (outside UAE)	**112,142**	73,402	**112,142**	73,402
	112,142	73,402	**112,142**	73,402
Available-for-sale investments				
Debt				
Quoted (within UAE)	**9,625**	9,698	**9,625**	9,698
Unquoted (outside UAE)	**8,421**	7,421	**8,421**	7,421
	18,046	17,119	**18,046**	17,119

6 INVESTMENT SECURITIES (continued)

	Carrying value		*Fair Value*	
	2014	*2013*	***2014***	*2013*
	AED'000	*AED'000*	***AED'000***	*AED'000*
Quoted equity shares (within UAE)	**1,292,408**	859,464	**1,292,408**	859,464
Quoted investments held on behalf of policy holders of unit linked products	**6,588**	1,923	**6,588**	1,923
Unquoted investment funds (within UAE)	**42,028**	37,226	**42,028**	37,226
	1,341,024	898,613	**1,341,024**	898,613
	1,359,070	915,732	**1,359,070**	915,732
	1,484,818	1,006,146	**1,484,818**	1,006,146

Unquoted equity securities are carried at cost due to the unpredictable nature of future cash flows and the lack of suitable other methods for arriving at reliable fair values.

Unquoted, held to maturity investments include investments under lien to comply with Insurance regulatory requirements in Egypt.

7 INSURANCE RECEIVABLES

	2014	*2013*
	AED'000	*AED'000*
Premiums receivable	**211,652**	185,582
Due from reinsurance companies	**43,452**	52,209
Due from related parties (note 17)	**67,085**	54,008
	322,189	291,799

All the above amounts are due within twelve months of the statement of financial position date. The reinsurers' share of claims not recovered by the Group at the statement of financial position date is disclosed in note 13. The amounts due from treaty reinsurers are normally settled on a quarterly basis.

As at 31 December 2014, premiums and insurance companies' balances at nominal value of AED 18,597 thousand (2013: AED 17,370 thousand) were impaired.

Movements in the allowance for impairment of receivables were as follows:

	2014	*2013*
	AED'000	*AED'000*
At 1 January	**17,370**	15,841
Charge for the year	**1,227**	1,529
At 31 December	**18,597**	17,370

8 DEPOSITS WITH BANKS

Deposits with banks include the following:

		2014	*2013*
		AED'000	*AED'000*
Statutory deposits:			
a)	Statutory deposit that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No.6 of 2007	**10,000**	10,000
b)	Amounts under lien with Capital Market Authority, Sultanate of Oman towards license of Muscat branch	**21,939**	17,746
c)	Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC)	**478**	478
d)	Amounts under lien with Insurance Authority Syria	**513**	650
e)	Amounts under lien with Egyptian Financial Supervisory Authority	**36,277**	18,664
f)	Amounts under lien with Turkish Treasury, Turkey	**10,264**	10,274
		79,471	57,812
Other deposits:			
Fixed term deposits maturing after three months		**1,049,287**	951,119
		1,128,758	1,008,931

Interest on deposit with banks at fixed rates are ranging from 0.8% - 11.4% (2013: 1.4% to 14.6%) per annum.

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following statement of financial position amounts:

	2014	*2013*
	AED'000	*AED'000*
Bank balances and cash	**100,541**	58,287
Deposits with banks maturing within three months	**137,035**	43,600
	237,576	101,887

Interest on deposit with banks at fixed rates are ranging from 0.6% - 10.4% (2013: 0.9% to 13.9%) per annum.

10 SHARE CAPITAL

	2014	*2013*
	AED'000	*AED'000*
Issued and fully paid 5,000,000 shares of AED 100 each (2013: 4,050,000 shares of AED 100 each)	**500,000**	405,000

The shareholders approved an increase in the share capital of AED 95 million by the capitalisation of general reserve in the extraordinary general meeting held on 27 February 2014. The legal formalities in respect of the increase in the share capital were completed during the year.

11 RESERVES

NATURE AND PURPOSE OF RESERVES

- **STATUTORY RESERVE**

In accordance with the Company's Articles of Association, the company has resolved not to increase the statutory reserve above an amount equal to 25% of its paid up capital. Accordingly, the transfer to statutory reserve which is less than 10% of the profit for the year is the amount required to raise the reserve to 25% of the paid up capital. The reserve can be used for any purpose to be decided by the shareholders upon the recommendation of the Board of Directors.

- **LEGAL RESERVE**

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of the profit for the year has been transferred to the legal reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the law.

- **EXCEPTIONAL LOSS RESERVE**

An amount equal to 10% of the net underwriting income for the year is transferred to an exceptional loss reserve to ensure that the Company has sufficient solvency to meet exceptional, non-recurring claims which may arise in future years for UAE.

An amount equal to 10% of the outstanding claims (Non-life) for the year and 1% of gross premiums for life assurance is transferred to an contingency loss reserve to ensure that the Company has sufficient solvency to meet exceptional, non-recurring claims which may arise in future years for Oman branch.

- **GENERAL RESERVE**

Transfers to the general reserve are made on the recommendation of the Board of Directors and its approved by the shareholders. This reserve may be used for such purposes as deemed appropriate by the Board of Directors.

- **AVAILABLE-FOR-SALE RESERVE**

This reserve records fair value changes on available-for-sale financial assets.

- **FOREIGN CURRENCY TRANSLATION RESERVE**

The foreign currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign subsidiaries.

12 DIVIDENDS

For the year ended 31 December 2014, the Board of Directors have proposed a cash dividend of 20% (AED 20 per share) totalling AED 100 million. This is subject to the approval of the shareholders at the Annual General Meeting to be held during 2015.

For the year ended 31 December 2013, the Shareholders at the annual general meeting dated 27 February 2014 approved a cash dividend of 20% (AED 20 per share) totalling AED 81 million and the same was paid.

13 INSURANCE CONTRACT ASSETS AND LIABILITIES

	Gross		*Reinsurers' share*		*Net*	
	2014 AED'000	*2013 AED'000*	***2014 AED'000***	*2013 AED'000*	***2014 AED'000***	*2013 AED'000*
Unearned premium reserve (note 13A)	**807,348**	693,670	**(554,205)**	(485,614)	**253,143**	208,056
Payable to policy holders of unit linked products	**6,588**	1,923	**-**	-	**6,588**	1,923
Deferred acquisition cost	**(2,218)**	(509)	**1,587**	193	**(631)**	(316)
Outstanding claims (note 13B)	**656,246**	583,230	**(440,699)**	(398,006)	**215,547**	185,224
	1,467,964	1,278,314	**(993,317)**	(883,427)	**474,647**	394,887

13 (A) NET INSURANCE PREMIUM REVENUE

Year 2014

	General Insurance			***Life Assurance***			***Total***		
	Gross AED'000	***Reinsurers' share AED'000***	***Net AED'000***	***Gross AED'000***	***Reinsurers' share AED'000***	***Net AED'000***	***Gross AED'000***	***Reinsurers' share AED'000***	***Net AED'000***
Gross premiums	**1,645,414**	**(1,167,627)**	**477,787**	**156,891**	**(91,031)**	**65,860**	**1,802,305**	**(1,258,658)**	**543,647**
Movement in provision for unearned premiums	**(97,426)**	**66,141**	**(31,285)**	**(19,832)**	**3,920**	**(15,912)**	**(117,258)**	**70,061**	**(47,197)**
Insurance premium revenue	**1,547,988**	**(1,101,486)**	**446,502**	**137,059**	**(87,111)**	**49,948**	**1,685,047**	**(1,188,597)**	**496,450**
Unearned premium as of 31 December	**746,478**	**(524,052)**	**222,426**	**60,870**	**(30,153)**	**30,717**	**807,348**	**(554,205)**	**253,143**

Year 2013

	General Insurance			*Life Insurance*			*Total*		
	Gross AED'000	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*
Gross premiums	1,475,716	(1,033,693)	442,023	120,915	(81,407)	39,508	1,596,631	(1,115,100)	481,531
Movement in provision for unearned premiums	(77,060)	46,509	(30,551)	(7,941)	3,188	(4,753)	(85,001)	49,697	(35,304)
Insurance premium revenue	1,398,656	(987,184)	411,472	112,974	(78,219)	34,755	1,511,630	(1,065,403)	446,227
Unearned premium as of 31 December	648,524	(455,543)	192,981	45,146	(30,071)	15,075	693,670	(485,614)	208,056

13 (B) OUTSTANDING CLAIMS

	General Insurance AED'000	***Life Assurance AED'000***	***Total AED'000***
At 01 January 2014:			
Outstanding claims	**550,790**	**32,440**	**583,230**
Due from reinsurers	**(373,294)**	**(24,712)**	**(398,006)**
	177,496	**7,728**	**185,224**
Exchange differences	**(5,367)**	**-**	**(5,367)**
Net increase	**31,569**	**4,121**	**35,690**
At 31 December 2014:			
Outstanding claims	**591,848**	**64,398**	**656,246**
Due from reinsurers	**(388,150)**	**(52,549)**	**(440,699)**
	203,698	**11,849**	**215,547**

	General Insurance AED'000	*Life Assurance AED'000*	*Total AED'000*
At 1 January 2013:			
Outstanding claims	568,413	27,604	596,017
Due from reinsurers	(399,785)	(20,374)	(420,159)
	168,628	7,230	175,858
Exchange differences	(21,653)	-	(21,653)
Net increase	30,521	498	31,019
At 31 December 2013:			
Outstanding claims	550,790	32,440	583,230
Due from reinsurers	(373,294)	(24,712)	(398,006)
	177,496	7,728	185,224

13 (B) OUTSTANDING CLAIMS (continued)

Outstanding claims
The movement in the provision for outstanding claims, and the related reinsurers' share, is as follows:

	2014			*2013*		
	Gross AED'000	***Reinsurer's share AED'000***	***Net AED'000***	*Gross AED'000*	*Reinsurer's share AED'000*	*Net AED'000*
At 1 January						
Claims incurred	**541,048**	**(396,103)**	**144,945**	558,628	(418,958)	139,670
Claims incurred but not reported	**42,182**	**(1,903)**	**40,279**	37,389	(1,201)	36,188
	583,230	**(398,006)**	**185,224**	596,017	(420,159)	175,858
Insurance claims paid	**(613,488)**	**413,997**	**(199,491)**	(596,174)	401,082	(195,092)
Claims incurred	**693,870**	**(458,689)**	**235,181**	610,325	(384,214)	226,111
Exchange differences	**(7,366)**	**1,999**	**(5,367)**	(26,938)	5,285	(21,653)
At 31 December	**656,246**	**(440,699)**	**215,547**	583,230	(398,006)	185,224
Analysis of outstanding claims						
At 31 December						
Claims incurred	**607,587**	**(437,802)**	**169,785**	541,048	(396,103)	144,945
Claims incurred but not reported	**48,659**	**(2,897)**	**45,762**	42,182	(1,903)	40,279
	656,246	**(440,699)**	**215,547**	583,230	(398,006)	185,224

The amounts due from reinsurers are contractually due as per the terms of reinsurance agreements from the date of the payment of the claims.

There are no material amounts for which amount and timing of claims payment is not resolved within one year of the statement of financial position date.

Claims development table - Gross
The following table reflects the cumulative incurred claims, including both claims notified and claims incurred but not reported (IBNR) for each successive accident year at each statement of financial position date, together with cumulative payments to date:

Accident year	***Before 2011 AED' 000***	***2011 AED' 000***	***2012 AED' 000***	***2013 AED' 000***	***2014 AED' 000***	***Total AED' 000***
At the end of accident year	-	650,853	686,897	664,180	661,837	
One year later	-	714,072	668,464	659,505	-	
Two years later	-	696,053	717,511	-	-	
Three years later	-	691,436	-	-	-	
Four years later	2,648,328	-	-	-	-	
Current estimate of cumulative claims	2,648,328	691,436	717,511	659,505	661,837	
At the end of accident year	-	(366,624)	(337,029)	(355,833)	(385,402)	
One year later	-	(564,532)	(519,571)	(507,788)	-	
Two years later	-	(612,022)	(549,482)	-	-	
Three years later	-	(651,351)	-	-		
Four years later	(2,628,348)	-	-	-	-	
Cumulative payments to date	(2,628,348)	(651,351)	(549,482)	(507,788)	(385,402)	
Total gross outstanding claims	**19,980**	**40,085**	**168,029**	**151,717**	**276,435**	**656,246**

14 OTHER PAYABLES AND ACCRUALS

	2014 *AED'000*	*2013* *AED'000*
Provision for staff costs	**17,569**	14,005
Other creditors and accruals	**106,272**	87,514
Employees' end of service benefits (note 15)	**13,551**	12,853
Amounts due to related parties (note 17)	**20,401**	11,978
	157,793	126,350

15 EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision recognised in the consolidated statement of financial position is as follows:

	2014 *AED'000*	*2013* *AED'000*
Provision as at 1 January	**12,853**	11,113
Provided during the year	**2,279**	2,861
End of service benefits paid	**(1,581)**	(1,121)
Provision as at 31 December	**13,551**	12,853

16 BASIC AND DILUTED EARNINGS PER SHARE

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

	2014 *AED'000*	*2013* *AED'000*
Profit after tax for the year (AED'000)	**252,109**	240,004
Less: Attributable to minority interest	**(5,423)**	(4,195)
Profit attributable to shareholders (AED'000)	**246,686**	235,809
Weighted average number of shares outstanding during the year ('000)	**5,000**	5,000
Earnings per share (AED)	**49.34**	47.16

No figures for diluted earnings per share are presented as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

17 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	Al Futtaim Group companies AED'000	***Other related parties AED'000***	**Total** ***2014 AED'000***	Total *2013 AED'000*
Administrative expenses	**19,943**	**-**	**19,943**	17,667
Gross premium written	**221,705**	**519**	**222,224**	188,668
Motor vehicle repair charges paid relating to claims	**56,431**	**-**	**56,431**	61,847
Rental income	**3,007**	**-**	**3,007**	2,005

2014

	Investment securities AED'000	***Deposits with banks AED'000***	***Amounts owed by related parties AED'000***	***Amounts owed to related parties AED'000***
Al Futtaim Group Companies and other related parties	**42,028**	**199,392**	**67,085**	**20,401**

2013

	Investment securities AED'000	*Deposits with banks AED'000*	*Amounts owed by related parties AED'000*	*Amounts owed to related parties AED'000*
Al Futtaim Group Companies and other related parties	37,226	137,762	54,008	11,978

Investment securities and deposits with banks are disclosed in notes 6 and 8, respectively.
Amounts due from and due to related parties are disclosed in notes 7 and 14 respectively.

Compensation of key management personnel
The remuneration of key management personnel during the year was as follows:

	31 December 2014 AED'000	*31 December 2013 AED'000*
Short-term benefits	**19,796**	16,588
Employees' end of service benefits	**565**	1,049
	20,361	17,637

18 SEGMENT INFORMATION

Identification of reportable segments
For management purposes the Group is organised into business units based on its products and services and has three reportable operating segments as follows:

- The general insurance segment comprises motor, marine, fire, engineering, general accident and medical.
- The life segment includes individual and group life insurance.
- Investment comprises investment and cash management for the Group's own account.

Transactions between operating segments are conducted at estimated market rates on an arm's length basis. Operating segment information is presented below:

18.1 SEGMENTAL INCOME, EXPENSES AND RESULTS

	General insurance		*Life assurance*		*Total*	
	2014	*2013*	***2014***	*2013*	***2014***	*2013*
	AED'000	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*
UNDERWRITING INCOME						
Insurance premium revenue	**1,547,988**	1,398,656	**137,059**	112,974	**1,685,047**	1,511,630
Reinsurers' share of premium	**(1,101,486)**	(987,184)	**(87,111)**	(78,219)	**(1,188,597)**	(1,065,403)
Net insurance premiums revenue	**446,502**	411,472	**49,948**	34,755	**496,450**	446,227
Commission income	**151,220**	129,603	**16,450**	9,174	**167,670**	138,777
TOTAL UNDERWRITING INCOME	**597,722**	541,075	**66,398**	43,929	**664,120**	585,004
UNDERWRITING EXPENSES						
Claims incurred	**597,101**	539,716	**96,769**	70,609	**693,870**	610,325
Reinsurers' share of claims	**(375,074)**	(323,388)	**(83,615)**	(60,826)	**(458,689)**	(384,214)
Net claims incurred	**222,027**	216,328	**13,154**	9,783	**235,181**	226,111
Commission expenses	**98,245**	85,964	**21,774**	10,819	**120,019**	96,783
General and administration expenses	**135,274**	111,211	**15,706**	10,550	**150,980**	121,761
TOTAL UNDERWRITING EXPENSES	**455,546**	413,503	**50,634**	31,152	**506,180**	444,655
NET UNDERWRITING INCOME	**142,176**	127,572	**15,764**	12,777	**157,940**	140,349
INVESTMENT INCOME					**99,967**	102,907
PROFIT BEFORE TAX					**257,907**	243,256

18 SEGMENT INFORMATION (continued)

18.2 SEGMENTAL ASSETS & LIABILITIES

	General Insurance		Life Assurance		Investment		Total	
	2014	*2013*	***2014***	*2013*	***2014***	*2013*	***2014***	*2013*
	AED'000	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*
Segmental assets	**1,533,066**	1,308,176	**167,941**	107,573	**2,613,576**	2,015,077	**4,314,583**	3,430,826
Segmental liabilities	**1,885,632**	1,659,141	**162,941**	102,573	**-**	-	**2,048,573**	1,761,714
Capital expenditure	**6,621**	4,533	**1,734**	70	**-**	-	**8,355**	4,603
Depreciation	**8,110**	6,711	**239**	107	**-**	-	**8,349**	6,818

19 RISK MANAGEMENT

The risks faced by the Group and the manner these risks are managed by management are summarised below:

(a) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Group President and Senior Vice Presidents.

The senior management meets regularly to approve any commercial, regulatory and organisational decisions. The Group President under the authority delegated from the board of directors defines the Group's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

(b) Capital management framework

The primary objective of the Group's capital management is to comply with the regulatory requirements in the UAE, Egypt, Sri Lanka, Syria, Turkey and Oman and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

19 RISK MANAGEMENT (continued)

(c) Regulatory framework

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

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

(d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages these positions to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders.

The Group President actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts.

The Group President regularly monitors the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance liabilities.

The risks faced by the Group and the way these risks are mitigated by management are summarised below.

19 A Insurance risk

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

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

Frequency and Severity of Claims
The frequency and severity of claims can be affected by several factors. The Group underwrites mainly property, engineering, motor, miscellaneous accident, marine, medical and group life and personal accident classes. These classes of insurance are generally regarded as short-term insurance contracts where claims are normally intimated and settled within a short time span. This helps to mitigate insurance risk.

Property
For property insurance contracts, the main perils are fire damage and other allied perils and business interruption resulting therefrom.

These contracts are underwritten either on replacement value or indemnity basis with appropriate values for the interest insured. The cost of rebuilding or repairing the damaged properties, the time taken to reinstate the operations to its pre-loss position in the case of business interruption and the basis of insurance are the main factors that influence the level of claims.

Engineering
For engineering insurance contracts, the main elements of risks are loss or damage to insured project works and resultant third party liabilities, loss or damage to insured plant, machinery and equipment and resultant business interruption losses. The extent of the loss or damage is the main factor that influences the level of claims.

19 RISK MANAGEMENT (continued)

19 A Insurance risk (continued)

Motor
For motor insurance contracts, the main elements of risks are claims arising out of death and bodily injury and damage to third party properties as well as that of insured vehicles.

The potential court awards for deaths and bodily injury and the extent of damage to properties are the key factors that influence the level of claims.

Miscellaneous Accident
For miscellaneous accident classes of insurance such as loss of money, infidelity of employees, personal accident, workmen's compensation, travel, general third party liability and professional indemnity, the extent of loss or damage and the potential court awards for liability classes are the main factors that influence the level of claims.

Marine
In marine insurance the main risk elements are loss or damage to insured cargo and hull due to various mishaps resulting in the total or partial loss claims. The extent of the loss or damage is the main factor that influences the level of claims.

Medical, Group Life and Personal Accident
In medical insurance, the main risk elements are illness and accidents and related healthcare costs. For group life and personal accident the main risks elements are claims arising from death and/or permanent or partial disability.

Individual Life
For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Group wide reinsurance limits on any single life insured and on all high risk individuals insured are in place.

The Group has adequate reinsurance arrangements to protect its financial viability against such claims for all the above classes.

Geographical concentration of risks
The insurance risk arising from insurance contracts is primarily concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to last year.

Reinsurance 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.

Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

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 reinsures.

The five largest reinsurers account for 32% of the maximum credit exposure at 31 December 2014 (2013: 36%). The maximum theoretical credit risk exposure in this connection is mainly in UAE.

19 RISK MANAGEMENT (continued)

19 B Financial risk

Financial instrument consists of financial assets and financial liabilities. The Group has no derivative financial instruments.

Financial assets of the Group include cash and cash equivalents, deposits with banks, other receivables, insurance receivables and investment securities,

Financial liabilities of the Group include reinsurance payables, amounts held under reinsurance treaties and other payables and accruals.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, equity price risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised as follows:

Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's only exposure to interest rate risk is on account of its investment in floating rate bonds included under available-for-sale investments. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its investment is denominated.

Details of maturities of the major classes of financial assets as at 31 December are as follows:

31 December 2014	***Less than 1 year AED' 000***	***1 to 5 years AED' 000***	***Non interest bearing items AED' 000***	***Total AED' 000***	***Effective interest rate***
Investment securities	101,637	28,541	1,354,640	1,484,818	1% - 12.6%
Insurance receivables	-	-	322,189	322,189	
Other receivables	-	-	24,472	24,472	
Deposits with banks	944,840	183,918	-	1,128,758	0.8% - 11.4%
Bank balances	137,035	-	100,505	237,540	0.6% - 10.4%
	1,183,512	**212,459**	**1,801,806**	**3,197,777**	

31 December 2013	*Less than 1 year AED' 000*	*1 to 5 years AED' 000*	*Non interest bearing items AED' 000*	*Total AED' 000*	*Effective interest rate*
Investment securities	35,910	54,599	915,637	1,006,146	1.6%-12.5%
Insurance receivables	-	-	291,799	291,799	
Other receivables	-	-	15,054	15,054	
Deposits with banks	860,726	148,205	-	1,008,931	1.4%-14.6%
Bank balances	43,600	-	58,252	101,852	0.9% - 13.9%
	940,236	202,804	1,280,742	2,423,782	

Effective interest rate varies among Group's investments across various countries where it operates.

The sensitivity of Group's consolidated statement of income to reasonably possible changes in interest rates, with all other variables constant is considered insignificant.

19 RISK MANAGEMENT (continued)

19 B Financial risk (continued)

Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The following table demonstrates the sensitivity to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit. The effect of decreases in exchange rates is expected to be equal and opposite to the effect of the increases shown. There is no effect on equity.

	Increase in exchange rate	***Effect on profit & OCI AED'000***
31 December 2014		
Egyptian Pounds	+5%	**3,043**
Syrian Pounds	+5%	**1,139**
Sri Lankan Rupees	+5%	**846**
Turkish Lire	+5%	**887**
31 December 2013		
Egyptian Pounds	+5%	2,171
Syrian Pounds	+5%	1,412
Sri Lankan Rupees	+5%	916
Turkish Lire	+5%	1,479

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

The Group's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices. The Group's equity investments comprise securities quoted on the Stock Exchanges in United Arab Emirates.

The effect on equity (as a result of a change in the fair values of equity instruments- available-for-sale investments at 31 December 2014) and on consolidated statement of income (as a result of changes in fair values of investments carried at fair value through profit or loss at 31 December 2014) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2014			*2013*		
	Change in equity price %	***Effect on equity AED'000***	***Effect on income statement AED'000***	*Change in equity price %*	*Effect on equity AED'000*	*Effect on income statement AED'000*
All investments – (Mainly Dubai Financial Market and Abu Dhabi Stock Market)	**10**	**129,900**	**1,147**	10	86,139	1,511

19 RISK MANAGEMENT (continued)

19 B Financial risk (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Group, the maximum exposure to credit risk to the Group is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- The Group only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Group's exposure to bad debts.
- The Group seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Group's bank balances are maintained with a range of local banks in accordance with limits set by the board of directors.
- There are no significant concentrations of credit risk within the Group.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	Notes	***31 December 2014 AED'000***	*31 December 2013 AED'000*
Investment securities	6	**1,484,818**	1,006,146
Insurance receivables	7	**322,189**	291,799
Reinsurance assets	13	**993,317**	883,427
Deposits with banks and bank balances	8&9	**1,366,298**	1,110,783
TOTAL CREDIT RISK EXPOSURE		**4,166,622**	3,292,155

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been made to the specific notes. The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties.

31 December 2014	***Neither past due nor impaired***				
	Investment grade AED'000	***Non Investment grade (satisfactory) AED'000***	***Non investment grade (unsatisfactory) AED'000***	***Past due or impaired AED'000***	***Total AED'000***
Investment securities	**1,484,818**	**-**	**-**	**-**	**1,484,818**
Insurance receivables	**322,189**	**-**	**-**	**18,597**	**340,786**
Reinsurance assets	**993,317**	**-**	**-**	**-**	**993,317**
Deposits with banks and bank balances	**1,366,298**	**-**	**-**	**-**	**1,366,298**
					4,185,219
Less: impairment provision					**(18,597)**
					4,166,622

19 RISK MANAGEMENT (continued)

19 B Financial risk (continued)

Credit risk (continued)

31 December 2013	*Neither past due nor impaired*				
	Investment grade AED'000	*Non Investment grade (satisfactory) AED'000*	*Non investment grade (unsatisfactory) AED'000*	*Past due or impaired AED'000*	*Total AED'000*
Investment securities	1,006,146	-	-	-	1,006,146
Insurance receivables	291,799	-	-	17,370	309,169
Reinsurance assets	883,427	-	-	-	883,427
Deposits with banks and bank balances	1,110,783	-	-	-	1,110,783
					3,309,525
Less: impairment provision					(17,370)
					3,292,155

The following table provides an age analysis of receivables arising from insurance and reinsurance contracts past due but not impaired.

	Neither past due nor impaired AED'000	***Past due but not impaired*** *<120 days AED'000*	*120-180 days AED'000*	*>180 days AED'000*	*Total AED'000*	*Past due and impaired AED'000*	*Total AED'000*
31 December 2014	**66,996**	**124,397**	**23,558**	**15,298**	**230,249**	**(18,597)**	**211,652**
31 December 2013	54,874	116,523	13,936	17,619	202,952	(17,370)	185,582

The Group provides credit facilities upto 120 days. For assets to be classified as 'past due and impaired' contractual payments in arrears are more than 120 days and an impairment adjustment is recorded in the consolidated statement of income for this. When the credit exposure is adequately secured, arrears more than 120 days might still be classified as 'past due but not impaired", with no impairment adjustment recorded.

The Group issues unit–linked investment policies in a number of its operations. In the unit–linked business, the policyholder bears the investment risk on the assets held in the unit–linked funds, as the policy benefits are directly linked to the value of the assets in the fund. Therefore, the Group has no material credit risk on unit– linked financial assets.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. The table in the following page summarises, in AED'000 the maturity of the assets and liabilities of the Group based on remaining undiscounted contractual obligations. As the Group does not have any interest bearing liabilities, the totals in the table match the statement of financial position.

19 RISK MANAGEMENT (continued)

19 B Financial risk (continued)

***Liquidity risk* (continued)**

	31 December 2014				*31 December 2013*			
	Less than one year AED'000	***More than one year AED'000***	***No term AED'000***	***Total AED'000***	*Less than one year AED'000*	*More than one year AED'000*	*No term AED'000*	*Total AED'000*
ASSETS								
Property and equipment	**-**	**-**	**123,453**	**123,453**	-	-	123,582	123,582
Investment in securities	**101,637**	**28,541**	**1,354,640**	**1,484,818**	35,910	54,599	915,637	1,006,146
Insurance contract assets	**993,317**	**-**	**-**	**993,317**	883,427	-	-	883,427
Insurance receivables	**322,189**	**-**	**-**	**322,189**	291,799	-	-	291,799
Prepayments and other receivables	**24,472**	**-**	**-**	**24,472**	15,054	-	-	15,054
Term deposits and bank balances	**1,102,909**	**183,918**	**79,471**	**1,366,298**	904,766	148,205	57,812	1,110,783
TOTAL ASSETS	**2,544,524**	**212,459**	**1,557,564**	**4,314,547**	2,130,956	202,804	1,097,031	3,430,791
EQUITY AND LIABILITIES								
Equity								
Share capital	**-**	**-**	**500,000**	**500,000**	-	-	405,000	405,000
Statutory reserve	**-**	**-**	**125,000**	**125,000**	-	-	101,250	101,250
Legal reserve	**-**	**-**	**200,076**	**200,076**	-	-	175,452	175,452
Exceptional loss reserve	**-**	**-**	**141,170**	**141,170**	-	-	123,100	123,100
General reserve	**-**	**-**	**390,159**	**390,159**	-	-	405,603	405,603
Retained earnings	**-**	**-**	**15,274**	**15,274**	-	-	15,010	15,010
Available-for-sale reserve	**-**	**-**	**791,235**	**791,235**	-	-	358,464	358,464
Foreign currency translation reserve	**-**	**-**	**(37,766)**	**(37,766)**	-	-	(32,573)	(32,573)
Proposed dividends	**100,000**	**-**	**-**	**100,000**	81,000	-	-	81,000
Non-controlling interest	**-**	**-**	**40,862**	**40,862**	-	-	36,806	36,806
Total equity	**100,000**	**-**	**2,166,010**	**2,266,010**	81,000	-	1,588,112	1,669,112

19 RISK MANAGEMENT (continued)

19 B Financial risk (continued)

***Liquidity risk* (continued)**

	31 December 2014				*31 December 2013*			
	Less than one year AED'000	***More than one year AED'000***	***No term AED'000***	***Total AED'000***	*Less than one year AED'000*	*More than one year AED'000*	*No term AED'000*	*Total AED'000*
Liabilities								
Insurance contracts liabilities	**1,461,376**	**6,588**	**-**	**1,467,964**	1,276,391	1,923	-	1,278,314
Reinsurance payables	**278,875**	**-**	**-**	**278,875**	232,279	-	-	232,279
Amounts held under reinsurance treaties	**143,941**	**-**	**-**	**143,941**	124,771	-	-	124,771
Other payables and accruals	**144,242**	**-**	**13,551**	**157,793**	113,497	-	12,853	126,350
Total liabilities	**2,028,434**	**6,588**	**13,551**	**2,048,573**	1,746,938	1,923	12,853	1,761,714
TOTAL EQUITY AND LIABILITIES	**2,128,434**	**6,588**	**2,179,561**	**4,314,583**	1,827,938	1,923	1,600,965	3,430,826

19 RISK MANAGEMENT (continued)

19 B Financial risk (continued)

Capital management

Capital requirements are set and regulated by the regulatory requirements in the UAE, Oman, Syria, Egypt, Sri Lanka and Turkey. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the Group to maintain a strong credit rating and healthy capital ratios in order to support its business objectives and maximise shareholders' value.

The Group manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in market conditions and risk characteristics of the Group's activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends to shareholders or issue capital securities.

The Group fully complied with the externally imposed capital requirements during the reported financial periods and no changes were made to its objectives, policies and processes from the previous year.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

20 CONTINGENCIES AND COMMITMENTS

a) Legal claims

The Group, in common with the majority of insurers, is subject to litigation in the normal course of its business. Based on independent legal advice, the management does not believe that the outcome of these court cases will have a material impact on the Group's income or financial condition.

b) Contingent liabilities

At 31 December 2014, guarantees, other than those relating to claims for which provisions are held, amounting to AED 19,549,802 (2013: AED 9,680,670) had been issued on behalf of the Group by its banker in the ordinary course of business.

c) Capital commitments

The Group has the following capital commitments at the statement of financial position date:

	2014 AED'000	*2013 AED'000*
Commitment for investments	**21,771**	25,463
Uncalled capital of subsidiary company	**-**	11,101
	21,771	36,564

21 FAIR VALUE MEASUREMENT

A. Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of assets by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of assets recorded at fair value by level of the fair value hierarchy:

	Level 1	***Level 2***	***Level 3***	***Total fair value***
	AED'000	***AED'000***	***AED'000***	***AED'000***
31 December 2014				
Financial assets held-for-trading:				
Equity securities	**11,470**	**-**	**-**	**11,470**
Financial assets designated at fair value through profit or loss				
Equity securities	**-**	**-**	**2,136**	**2,136**
Available-for-sale financial assets:				
Banking sector	**1,288,316**	**-**	**-**	**1,288,316**
Other sectors	**4,092**	**-**	**-**	**4,092**
Equity securities	**1,292,408**	**-**	**-**	**1,292,408**
Investments held on behalf of policy holders of unit linked products	**6,588**	**-**	**-**	**6,588**
Debt securities	**9,625**	**-**	**-**	**9,625**
	1,320,091	**-**	**2,136**	**1,322,227**

	Level 1	*Level 2*	*Level 3*	*Total fair value*
	AED'000	*AED'000*	*AED'000*	*AED'000*
31 December 2013				
Financial assets held-for-trading:				
Equity securities	15,110	-	-	15,110
Financial assets designated at fair value through profit or loss				
Equity securities	-	-	1,902	1,902
Available-for-sale financial assets:				
Banking sector	854,073	-	-	854,073
Other sectors	5,391	-	-	5,391
Equity securities	859,464	-	-	859,464
Investments held on behalf of policy holders of unit linked products	1,923	-	-	1,923
Debt securities	9,698	-	-	9,698
	886,195	-	1,902	888,097

21 FAIR VALUE MEASUREMENT (continued)

Financial instruments recorded at fair value
Included in the Level 1 category are financial assets that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions are assets for which pricing is obtained via pricing services, but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Group's own models whereby the majority of assumptions are market observable.

Non market observable inputs means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. The main asset classes in this category are unlisted equity investments limited partnerships. Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Group's own data. Management is of the view that the fair values of available for sale investment in unquoted fund cannot be reliably measured and that the net assets approximate the recoverable amounts. Accordingly, such investments are stated at cost.

Movements in level 3 financial instruments measured at fair value
The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

31 December 2014

	At 1 January 2014 AED'000	***Total gain or loss recorded in profit and loss AED'000***	***At 31 December 2014 AED'000***
Financial assets designated at fair value through profit or loss			
Equity securities	**1,902**	**234**	**2,136**
Total	**1,902**	**234**	**2,136**

31 December 2013

	At 1 January 2013 AED'000	*Total gain or loss recorded in profit and loss AED'000*	*At 31 December 2013 AED'000*
Financial assets designated at fair value through profit or loss			
Equity securities	1,825	77	1,902
Total	1,825	77	1,902

21 FAIR VALUE MEASUREMENT (continued)

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions
For equity securities, the Group does not have a material exposure as at 31 December 2014 and accordingly no sensitivity analysis has been done.

Fair value of financial assets and liabilities not carried at fair value
The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Asset for which fair value approximates carrying value
For financial assets and financial liabilities that have short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without specific maturity.

Fixed rate financial instruments
The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit and maturity. For other variable rate instruments an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.