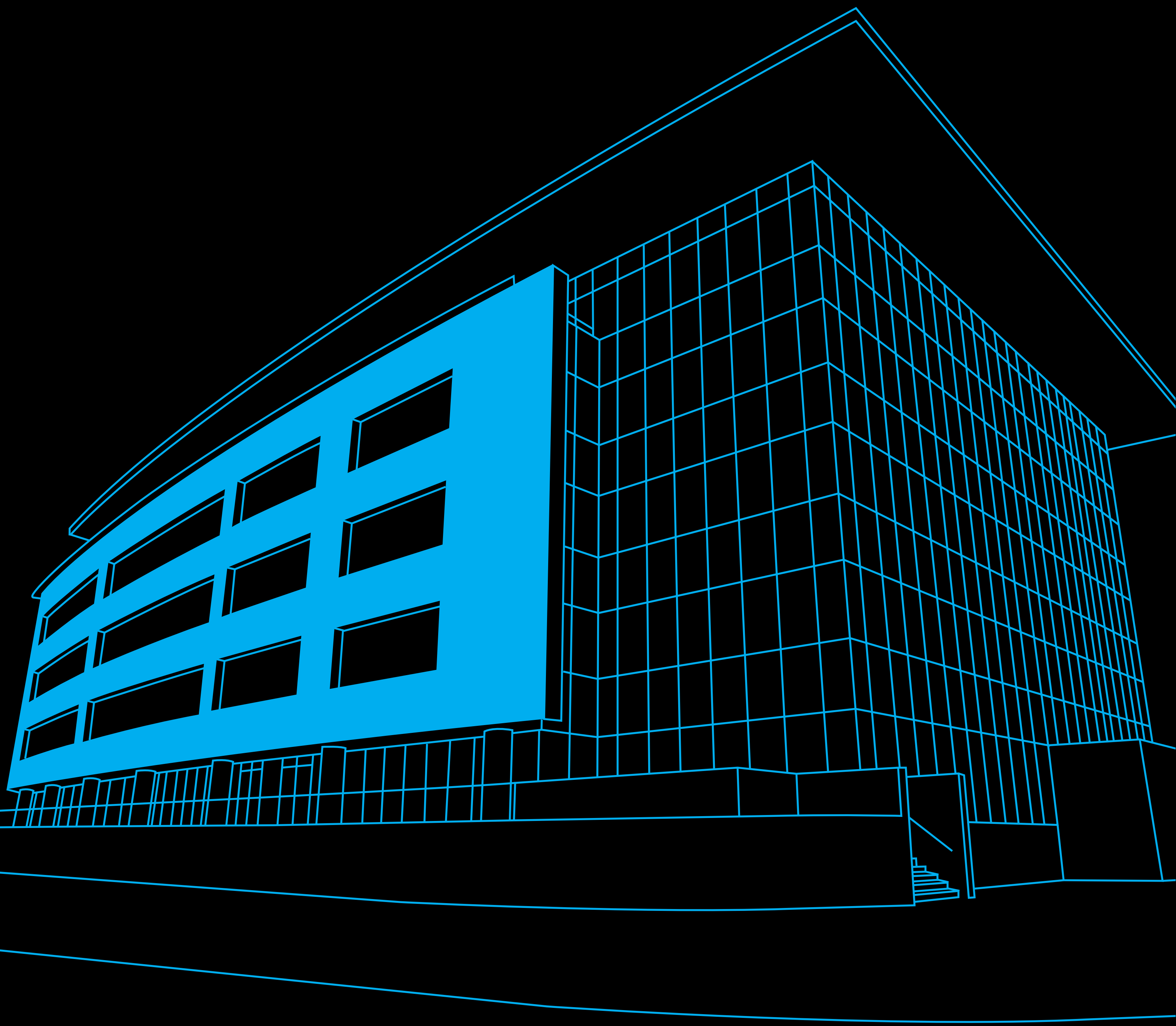
ANNUAL REPORT 2015



RATED STRONG STANDARD & POOR'S A

Financial Strength Rating A.M. BEST A Excellent

orient

orient insurance pjsc

Registration No. (14)
Dated 29 December 1984
Under the provisions of
Federal Law No. (6) of 2007

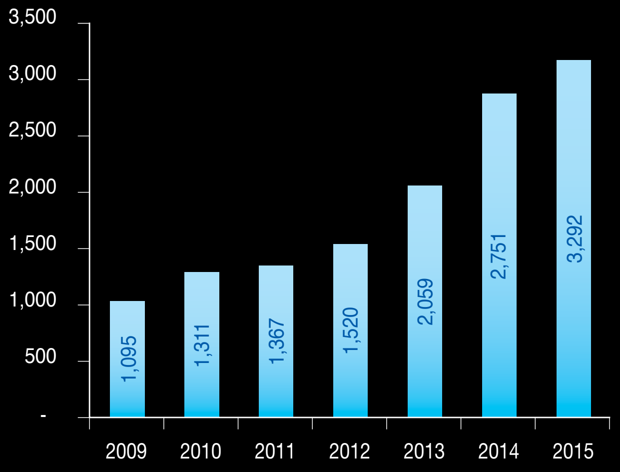
HEAD OFFICE
Orient Building
Al Badia Business Park
Dubai Festival City
P.O. Box 27966, Dubai, UAE
Tel: (04) 253 1300, Fax: (04) 253 1500

AUDITORS
ERNST & YOUNG

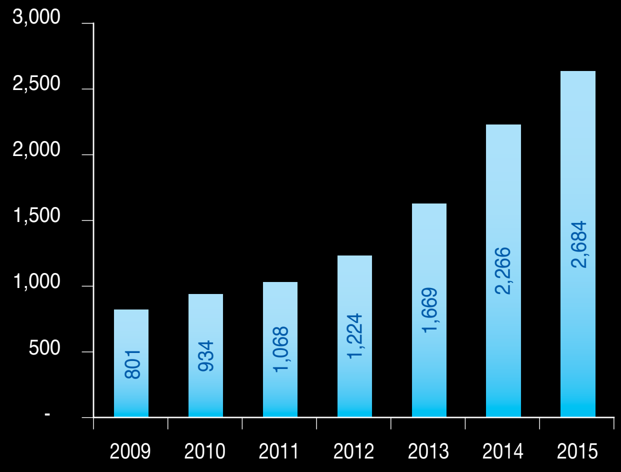
ANNUAL REPORT 2015

CONTENTS

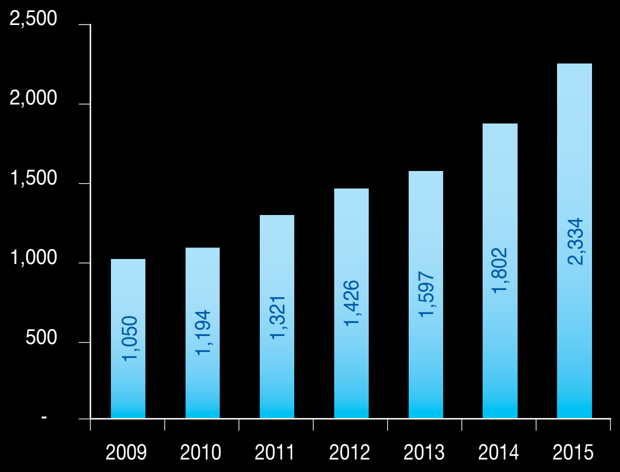
Total Investments
(Amount in AED Million)



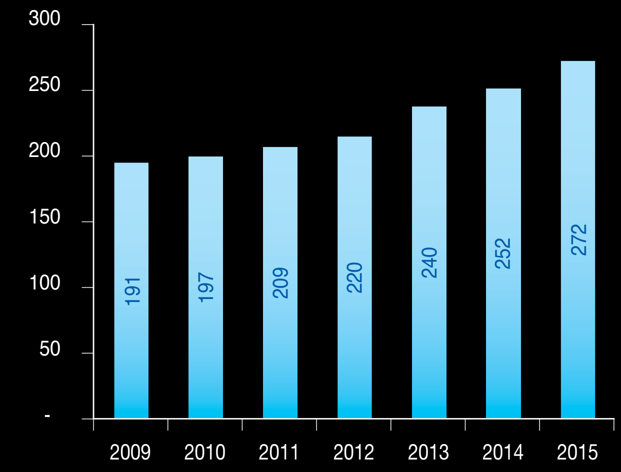
Shareholders' Equity
(Amount in AED Million)



Gross Premium
(Amount in AED Million)



Net Profit
(Amount in AED Million)



H. H. SHEIKH KHALIFA BIN ZAYED AL NAHYAN
President of the United Arab Emirates
Ruler of Abu Dhabi

H. H. SHEIKH MOHAMED BIN RASHID AL MAKTOUM
Vice President and Prime Minister of the United Arab Emirates
Ruler of Dubai

Directors and Management

BOARD OF DIRECTORS

Chairman	Abdulla Hamad Al-Futtaim (representative of Al-Futtaim Company (L.L.C.))
Vice Chairman	Omar Abdulla Al-Futtaim (representative of Al-Futtaim Development Services Co (L.L.C.))
Director	Ahmed Zaky Haroun (representative of Al-Futtaim Private Company (L.L.C.))
Director	Khalid Abdulla Al-Futtaim (representative of Al-Futtaim Development Services Co (L.L.C.))
Director	Buti Obaid Buti Al-Mulla

MANAGEMENT

President – Orient Group	Omer Hassan Elamin

Department and Branches

Executive Vice President - Technical
Rohana Alagiyage - F.C.I.I

Executive Vice President – Business Development
Syed Muhammad Asim - A.C.I.I., M.B.A

Executive Vice President – Life & Medical
Xavier Arputharaj - A.C.I.I

Senior Vice President – Sales and Marketing
Fadi Awni Al Ahmadi - P.I.C, A.C.I.I

Senior Vice President – Brokers
K.V. Suresh - M.sc (E), F.I.I.I.

Senior Vice President – Medical
Wissam Khalifeh - F.L.M.I., Diploma in Actuarial Sciences

Senior Vice President – Life
Selvan Raman - M.Sc, DAT, A.I.A.I

Senior Vice President – Finance
B. Sundararajan - F.C.A, F.I.I.I, A.C.I.I

Senior Vice President – Operations Control
S. Raj Gopal - A.C.A, A.I.I.I

Senior Vice President - Oman
Adil Hassan Al Lawati - C.I.P, A.C.I.I, C.B.M

Senior Vice President – Claims
Natarajan Ramesh - F.C.I.I, M.I.R.M

Senior Vice President – Reinsurance
Nadia Saleh - F.C.I.I

Senior Vice President – Marine and Energy
Upali Wijeratne - A.C.I.I BSc. (Mgt)

Senior Vice President – Human Resource & Admin
Gilbert Espiritu - B.Sc. Psychology

Senior Vice President – Bancassurance
Gurvir Man Singh - B.B.M (Finance), M.B.A (Finance)

Senior Vice President - Non Marine
Gaurav Bajaj - A.C.M.A, F.I.I, A.C.I.I

Senior Vice President - Area Manager Abu Dhabi Emirate
J. Daniel Swartz - F.I.I.I, A.C.I.I

Senior Vice President - Area Manager Bur Dubai
Muhamood Ahammed - B.Com, A.C.I.I

Senior Vice President - Agency
Ramkumar Narayanan - B.A. Corp Sec., PGBM

Senior Vice President - Bahrain
Jaffar Alakram - B.Com

BRANCHES:

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Mussafah Industrial City
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Report of the Directors

The Board of Directors has the pleasure to present the 34th Annual report of Orient Group together with the Audited Financial Statement for the year ended 31st December 2015.

BUSINESS OVERVIEW:

The year 2015 has seen the decline of the oil prices. Despite the fact that the contribution of the oil to UAE economy is as low as 30% and despite the success of the policy of economic diversification the reaction of some sectors has been more emotional than realistic. We have seen in the last quarter of 2015 a very volatile stock market that is being driven by emotional reactions rather than solid market fundamentals. We hope 2016 will see more stability in the local stock market which has effected the results of the portfolio of the local insurance companies. The real estate market has also seen some deterioration in values. We feel however that this correction is justified due to the substantial increase in the prices during the years 2013 and 2014. The other sectors of the economy including trading and tourism have continued to show excellent performance. Despite the skeptical outlook we are confident that 2016 will be a good year for Orient with so many positive factors on both technical and investment areas.

INSURANCE MARKET:

2015 was not a good year for the industry. There is considerable deterioration of technical results. By the 3rd quarter of 2015 the listed companies market has shown a technical net loss of AED 276 million against AED 163 million profit for the same period in 2014. On the net profit the market has shown AED 142 million net profit against 1.246 billion for the same period of 2014. If we exclude Orient on the net profit the market will be showing negative results of AED 97 million. Despite the heavy losses the market is suffering, there is no intention to improve rates and the competition is continuing in a very limited market with too many players. This year also witnessed the departure of one of the major international players. Some small companies have issues with solvency margins, others need recapitalization due to the fact that these companies have lost considerable amount of their capital in the past 2 years.

The Insurance Authority have started to implement the new regulations in respect of reserving and solvency margins. This will put further pressure on the non performing companies during 2016. We are hopeful that the current market difficulties will lead to consolidation and the reduction in the number of companies operating in the market. This might ease the continuous pressure on the rates, terms and conditions in the near future. The market has been hit by few large fires. Orient being a major player in the market had its share in these losses in the address hotel claim. The intensity of these fires and the substantial financial loss has drawn now the attention of the international reinsurance market. All these fires have been aggravated by the problem of the combustible cladding material used in most of the buildings that were constructed prior to 2013. Many of the leading reinsurers see this as a serious issue that needs attention and market response. Without such action these buildings can be excluded under the reinsurance treaties. There is a clear need for a general market response before the reinsurers are pushed to take drastic decisions. Regrettably the UAE Insurance Association is not active in handling market issues and did not take any initiative here which could have guided the companies to improve technical results.

ORIENT GROUP PERFORMANCE:

Orient has done extremely well in 2015. Despite the massive address hotel fire that hit the company and the fact that the full provision was taken in 2015 our profit has still grown by 8%. Our equity has grown by 18% and premiums have grown by 29%. Amazing performance in very difficult market conditions. We expect 2016 to be a great year for the company. Following a good increase in interest rates locally and more diversification on our investment portfolio we can expect improved investment returns. This is in addition to a substantial movement of the UPR as a result of the major increase in premiums written during the year. With these 2 factors we can look with great optimism to the year ahead. Our overseas operations have continued to perform well and as planned. Our Syrian subsidiary is still delivering profit despite the difficult working conditions in that country.

We have continued our overseas expansion and we are excited having being granted a license in Bahrain. We are grateful to the local authorities and are sure that Orient's presence will add value to the market. We are currently looking into further expansion in the Kingdom of Saudi Arabia and possibly Algeria. Our application to establish a local takaful company has been accepted by the authorities and the company is under establishment. We have also applied for a life insurance company license in compliance with the law to separate the life business from the general. We hope that our application will be accepted soon. The establishment of the life insurance company will mean more focus on the life business. We have achieved substantial growth in 2015 on the individual life business having almost reached the milestone of AED 100 million premium. Together with our substantial group life portfolio of AED 135 million we are now a solid number and a major player in the life insurance sector.

ORIENT INTERACTIVE RATING

The company has continued to enjoy the highest rating in the market from both S&P and AM Best. In the insurance market report issued by S&P, Orient has received exceptionally positive comments due to the consistency in delivering and the outstanding performance.

REINSURANCE TREATIES

We have renewed our reinsurance treaties for the whole group with improved terms. Our long term relationship has been truly excellent as we believe in continuity. With the fast growth of the company locally and overseas we are sure that this relationship will gain further strength in the future.

THE FUTURE

We look at tomorrow with great confidence and optimism. Our prudent underwriting as well as our conservative investment strategy has both paid us back. This is in addition to our investment in the human capital. We are sure that the implementation of the new regulations by the Insurance Authority will improve the market and will reflect positively on Orient's leading position.

FINANCIAL HIGHLIGHTS:

	2015 AED'000	2014 AED'000	%Increase over 2014
Gross Premium Written	2,333,682	1,802,305	29%
Net Premium Written	733,554	543,647	35%
Net Claims Incurred	299,201	235,181	27%
Technical Profit	164,345	157,940	4%
Net Profit	272,037	252,109	8%
Share Capital	500,000	500,000	-
Shareholders' Equity	2,684,403	2,266,010	18%
Total Investments	3,292,405	2,750,611	20%

We are truly grateful to our valued customers, friendly brokers, business partners and well-wishers for the unlimited support we receive from them. We are also grateful to our reinsurers for their continuous patronage. And of course to our excellent management team and the staff for their loyalty, sincerity, dedication and business ownership.

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 2015, 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 Federal Law No. (2) of 2015 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.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's 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.

OPINION

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

Independent Auditors' Report to the Shareholders of Orient Insurance PJSC (continued)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

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

iii) The Company has maintained proper books of account;

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

v) The Company has purchased or invested in shares or stocks during the financial year ended 31 December 2015;

vi) Note 17 reflects material related party transactions and the terms under which they were conducted;

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

viii) There were no social contributions made during the year.

EY
Building a better working world

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

31st January 2016
Dubai, United Arab Emirates

Consolidated statement of financial position as at 31 December 2015

	Notes	2015 AED'000	2014 AED'000
ASSETS			
Property and equipment	5	**118,680**	123,453
Investment securities	6	**1,979,633**	1,484,818
Insurance contract assets	13	**1,738,427**	993,317
Insurance receivables	7	**447,137**	322,189
Prepayments and other receivables		**32,112**	24,472
		4,315,989	2,948,249
Deposits with banks	8	**1,282,272**	1,128,758
Cash and cash equivalents	9	**119,371**	237,576
		1,401,643	1,366,334
TOTAL ASSETS		**5,717,632**	4,314,583
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	10	**500,000**	500,000
Statutory reserve	11	**125,000**	125,000
Legal reserve	11	**226,596**	200,076
Exceptional loss reserve	11	**159,680**	141,170
General reserve	11	**509,845**	390,159
Retained earnings		**14,118**	15,274
Available-for-sale reserve	11	**1,055,087**	791,235
Foreign currency translation reserve	11	**(46,938)**	(37,766)
Proposed dividends	12	**100,000**	100,000
		2,643,388	2,225,148
Non-controlling interests		**41,015**	40,862
Total equity		**2,684,403**	2,266,010
Liabilities			
Insurance contract liabilities	13	**2,334,640**	1,467,964
Reinsurance payables		**337,359**	278,875
Amounts held under reinsurance treaties		**164,315**	143,941
Other payables and accruals	14	**196,915**	157,793
Total liabilities		**3,033,229**	2,048,573
TOTAL EQUITY AND LIABILITIES		**5,717,632**	4,314,583

These consolidated financial statements were approved by the Board of Directors on 31 January 2016 and signed on its behalf by:

ABDULLA HAMAD AL-FUTTAIM
Chairman

OMAR ABDULLA AL-FUTTAIM
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 2015

	Notes	2015 AED'000	2014 AED'000
UNDERWRITING INCOME			
Gross premiums			
Insurance contracts premium	13	**2,333,682**	1,802,305
Movement in provision for unearned premiums	13	**(282,459)**	(117,258)
Insurance premium revenue	13	**2,051,223**	1,685,047
Less: Reinsurers' share of premium			
Insurance contracts premium	13	**1,600,128**	1,258,658
Movement in provision for unearned premiums	13	**(175,476)**	(70,061)
		1,424,652	1,188,597
Net insurance premium revenue		**626,571**	496,450
Commission income		**177,424**	167,670
Total underwriting income		**803,995**	664,120
UNDERWRITING EXPENSES			
Claims paid	13	**821,842**	613,488
Less: reinsurance share	13	**(556,904)**	(413,997)
Net claims paid	13	**264,938**	199,491
Increase in outstanding claims	13	**34,263**	35,690
Net claims incurred	13	**299,201**	235,181
Commission expenses		**169,206**	120,019
General and administration expenses		**171,243**	150,980
Total underwriting expenses		**639,650**	506,180
NET UNDERWRITING INCOME		**164,345**	157,940
INVESTMENT INCOME			
Interest income		**53,214**	42,243
Dividend income		**50,658**	54,882
Rental and other income		**10,475**	6,248
Fair value loss on investments carried at fair value through profit or loss		**(52)**	(3,406)
Total investment income		**114,295**	99,967
PROFIT BEFORE TAX		**278,640**	257,907
Income tax expense	4	**(6,603)**	(5,798)
PROFIT AFTER TAX		**272,037**	252,109
Attributable to:			
Equity holders of the parent		**263,888**	246,686
Non-controlling interests		**8,149**	5,423
		272,037	252,109
Basic and diluted earnings per share (AED) attributable to equity holders of the parent	16	**52.78**	49.34

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 2015

	2015 AED'000	2014 AED'000
Profit after tax for the year	**272,037**	252,109
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(14,198)**	(9,260)
Net unrealised gain on available -for- sale investments	**263,852**	432,771
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**249,654**	423,511
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**521,691**	675,620
Attributable to:		
Equity holders of parent	**518,568**	674,264
Non-controlling interests	**3,123**	1,356
	521,691	675,620

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

Consolidated Statement of Cash Flows for the year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
OPERATING ACTIVITIES			
Profit before tax for the year		**278,640**	257,907
Adjustments for:			
Depreciation	5	**8,348**	8,349
Gain on sale of property and equipment		**(88)**	(10)
Interest income		**(53,214)**	(42,243)
Dividend income		**(50,658)**	(54,882)
Fair value loss on investments at fair value through profit or loss		**52**	3,406
Operating profit before changes in operating assets and liabilities		**183,080**	172,527
Insurance receivables		**(124,948)**	(30,390)
Insurance contract assets		**(745,110)**	(109,890)
Prepayments and other receivables		**(7,640)**	(9,418)
Insurance contract liabilities		**866,676**	189,650
Reinsurance payables		**58,484**	46,596
Amount held under reinsurance treaties		**20,374**	19,170
Other payables and accruals		**36,090**	30,719
Income tax paid	4	**(3,571)**	(5,074)
Net cash from operating activities		**283,435**	303,890
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(3,604)**	(8,355)
Proceeds from sale of property and equipment		**117**	145
Interest income		**53,214**	42,243
Dividends received		**50,658**	54,882
Deposits with banks		**(153,514)**	(119,827)
Purchase of held to maturity investments		**(17,983)**	(38,740)
Purchase of available-for-sale investments		**(220,199)**	(14,175)
Sale of available for sale investments		**7,167**	3,608
Net cash used in investing activities		**(284,144)**	(80,219)
FINANCING ACTIVITIES			
Dividends paid	12	**(100,000)**	(81,000)
Dividends paid to non-controlling interest		**(2,752)**	(1,679)
Share capital paid by non-controlling interests		**-**	4,661
Statutory payment to employees		**(546)**	(704)
Net cash used in financing activities		**(103,298)**	(78,722)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(104,007)**	144,949
Cash and cash equivalents at 1 January	9	**237,576**	101,887
Movement in foreign currency translation reserve		**(14,198)**	(9,260)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	**119,371**	237,576

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 2015

	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 2015	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
Profit for the year	-	-	-	-	-	263,888	-	-	-	263,888	8,149	272,037
Other comprehensive income for the year	-	-	-	-	-	-	263,852	(9,172)	-	254,680	(5,026)	249,654
Total comprehensive income	-	-	-	-	-	263,888	263,852	(9,172)	-	518,568	3,123	521,691
Transfers	-	-	26,520	18,510	119,686	(164,716)	-	-	-	-	-	-
Dividend paid (note 12)	-	-	-	-	-	-	-	-	(100,000)	(100,000)	(2,752)	(102,752)
Dividend proposed (note 12)	-	-	-	-	-	(100,000)	-	-	100,000	-	-	-
Statutory payment to employees	-	-	-	-	-	(328)	-	-	-	(328)	(218)	(546)
At 31 December 2015	**500,000**	**125,000**	**226,596**	**159,680**	**509,845**	**14,118**	**1,055,087**	**(46,938)**	**100,000**	**2,643,388**	**41,015**	**2,684,403**
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.

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 been registered under UAE Federal Law No.(2) of 2015, 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 ultimate holding company of the Group is Al Futtaim Private Company which is based in Dubai, United Arab Emirates.

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 also invests its funds in investment securities.

The Company has established subsidiary companies in Syria, Egypt, Sri Lanka, Turkey and has branches in Sultanate of Oman and Bahrain. During the previous 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 2015. 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, a 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

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 (other comprehensive income) 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 in 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.

Subsidiaries	Principal activity	Country of incorporation	Ownership 2015	2014
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 Anonim Sirketi	General insurance	Turkey	100%	100%

2.2 BASIS OF CONSOLIDATION (CONTINUED)

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 and amended standards and interpretations effective after 1 January 2015

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 consolidated financial statements but may affect the accounting for future transactions or arrangements

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

Annual Improvements 2010-2012 Cycle

With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Group has applied these improvements for the first time in these consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. These amendments did not impact the Group's consolidated financial statements or accounting policies.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IAS 39. This is consistent with the Group's current accounting policy and, thus, this amendment did not impact the Group's accounting policy.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

New and amended standards and interpretations effective after 1 January 2015 (continued)

IFRS 8 Operating Segments
The amendments are applied retrospectively and clarify that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar' and;

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. These amendments did not impact the Group's consolidated financial statements or accounting policies.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets
The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not impact the Group's consolidated financial statements.

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from entities.

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 2015, with the Group not opting for early adoption. These have, therefore, not been applied in preparing these consolidated financial statements.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date. Overall, the Group expects no significant impact on its consolidated statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9.

(a) Classification and measurement
The Group does not expect a significant impact on its consolidated statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value. The equity shares in non-listed companies are intended to be held for the foreseeable future.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

New standards and interpretations not yet effective (continued)
IFRS 9 Financial Instruments (continued)

(b) Impairment
IFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables.

(c) Hedge accounting
The Group does not have any existing hedging relationships. IFRS 9 does not change the general principles of how an entity accounts for effective hedges, the Group does not expect a significant impact as a result of applying IFRS 9. The Group will assess possible changes related to the accounting for the time value of options, forward points or the currency basis spread in more detail in the future, if applicable.

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 ("OCI"). The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2015, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

New standards and interpretations not yet effective (continued)

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

New standards and interpretations not yet effective (continued)

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. These amendments are not expected to have any impact on the Group.

IFRS 7 Financial Instruments: Disclosures
(i) Servicing contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments. These amendments are not expected to have any impact on the Group.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the Group.

IAS 19 Employee Benefits
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively. These amendments are not expected to have any impact on the Group.

IAS 34 Interim Financial Reporting
The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1.
- That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated.
- That entities have flexibility as to the order in which they present the notes to financial statements.
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

2.3 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (CONTINUED)

New standards and interpretations not yet effective (continued)
Amendments to IAS 1 Disclosure Initiative (continued)

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statements of income and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

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.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Judgements (continued)

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.

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 group 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 Life insurance
The assumptions used in actuarial valuations for unearned premium reserves for medical and 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.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Estimation uncertainty (continued)

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.

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 ceded.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 consolidated statement of income as incurred.

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.

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 consolidated statement of income. 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.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred tax (continued)

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in consolidated statement of income.

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.

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 basis as rental income.

Foreign currencies

The Group's consolidated financial statements are presented in UAE Dirhams, which is also the Parent Company's functional currency. For each entity the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or statement of income are also recognised in other comprehensive income or statement of income, respectively).

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

ii) Group companies
On consolidation, the assets and liabilities of foreign operations are translated into UAE Dirham at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment (continued)

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.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

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.

Deferred acquisition cost (DAC)

Commissions that vary with and are related to the acquisition of new investment and insurance contracts are treated as prepayments (DAC) to the extent that the commission relates to the future provision of services by the parties to whom payments are made, when the degree of completeness of the service can be reliably measured and the Group is confident of future economic benefit from the introduction acquired. Prepaid commission is expensed through consolidated statement of income over a period determined by policy features chosen by the contract holder introduced in return for the commission payment. The periods over which it is expensed range from six to sixty months. Commissions for which liability arises on completion of a significant act without the expectation of the delivery of further services are recognised in expenses when incurred. For investment contract introductions where costs are deferred, no costs are deferred beyond the point at which the introducer is considered to have fulfilled his contractual obligations and is not expected or obliged to perform further services.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 foreign branches 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 national employees, the Group makes contributions to a pension or social security fund established by the respective countries, 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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 and other income.

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Product classification (continued)

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.

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.

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:

	2015 AED'000	2014 AED'000
Staff costs	**115,317**	108,388
Rental costs – Operating leases	**5,941**	5,882

4 INCOME TAXES

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

A reconciliation of accounting profit to tax charge has not been presented as the majority of the Group's operations are in the UAE and are not subject to a charge of tax.

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

	2015 AED'000	2014 AED'000
Current year	**6,603**	5,798

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

	2015 AED'000	2014 AED'000
Provision as at 1 January	**2,427**	1,840
Provided during the year	**6,603**	5,798
Taxes paid during the year	**(3,571)**	(5,074)
Exchange differences	**(348)**	(137)
Balance as at 31 December	**5,111**	2,427

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 & fixtures AED'000	Motor vehicles AED'000	Total AED'000
Cost:					
At 1 January 2015	20,000	96,456	34,341	1,917	152,714
Additions	-	-	3,226	378	3,604
Disposals	-	-	(12)	(207)	(219)
At 31 December 2015	**20,000**	**96,456**	**37,555**	**2,088**	**156,099**
Depreciation:					
At 1 January 2015	-	11,648	16,689	924	29,261
Depreciation charge for the year	-	3,858	4,179	311	8,348
Relating to disposals	-	-	(10)	(180)	(190)
At 31 December 2015	-	15,506	20,858	1,055	37,419
Net carrying amount:					
At 31 December 2015	**20,000**	**80,950**	**16,697**	**1,033**	**118,680**

	Land AED'000	Building AED'000	Office equipment, furniture & 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

The depreciation charge for the year of AED 8,348 thousand (2014: AED 8,349 thousand) has been included in general and administrative expenses.

6 INVESTMENT SECURITIES

	Carrying value		Fair Value	
	2015	2014	**2015**	2014
	AED'000	AED'000	**AED'000**	AED'000
Investments carried at fair value through profit or loss				
Managed portfolios				
(outside UAE)	**2,148**	2,136	**2,148**	2,136
	2,148	2,136	**2,148**	2,136
Held for trading-quoted shares (within UAE)	**11,406**	11,470	**11,406**	11,470
	13,554	13,606	**13,554**	13,606
Held to maturity				
Debt				
Unquoted (outside UAE)	**130,125**	112,142	**130,125**	112,142
	130,125	112,142	**130,125**	112,142
Available-for-sale investments				
Debt				
Quoted (within UAE)	**9,800**	9,625	**9,800**	9,625
Unquoted (outside UAE)	**8,684**	8,421	**8,684**	8,421
	18,484	18,046	**18,484**	18,046
Quoted equity shares (within UAE)	**1,564,720**	1,292,408	**1,564,720**	1,292,408
Quoted investments held on behalf of policy holders of unit linked products	**14,055**	6,588	**14,055**	6,588
Unquoted investment funds (within UAE)	**238,695**	42,028	**238,695**	42,028
	1,817,470	1,341,024	**1,817,470**	1,341,024
	1,835,954	1,359,070	**1,835,954**	1,359,070
	1,979,633	1,484,818	**1,979,633**	1,484,818

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

	2015 AED'000	2014 AED'000
Premiums receivable	**334,213**	211,652
Due from reinsurance companies	**50,744**	43,452
Due from related parties (note 17)	**62,180**	67,085
	447,137	322,189

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 2015, premiums and insurance companies' balances at nominal value of AED 19,540 thousand (2014: AED 18,597 thousand) were impaired.

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

	2015 AED'000	2014 AED'000
At 1 January	**18,597**	17,370
Charge for the year	**943**	1,227
At 31 December	**19,540**	18,597

8 DEPOSITS WITH BANKS

Deposits with banks include the following:

	2015 AED'000	2014 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	**22,283**	21,939
c) Amounts under lien with Omani Unified Bureau for the Orange Card (SAOC)	**478**	478
d) Amounts under lien with Insurance Authority Syria	**418**	513
e) Amounts under lien with Egyptian Financial Supervisory Authority	**30,762**	36,277
f) Amounts under lien with Turkish Treasury, Turkey	**5,037**	10,264
g) Amounts under lien with Central Bank of Bahrain	**729**	-
	69,707	79,471
Other deposits:		
Fixed term deposits maturing after three months	**1,212,565**	1,049,287
	1,282,272	1,128,758

Interest on deposit with banks at fixed rates range from 0.8% - 12.8% (2014: 0.8% - 11.4%) 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:

	2015 AED'000	2014 AED'000
Bank balances and cash	**88,871**	100,541
Deposits with banks maturing within three months	**30,500**	137,035
	119,371	237,576

Interest on deposit with banks at fixed rates range from 0.8% - 12.8% (2014: 0.6% to 10.4%) per annum.

10 SHARE CAPITAL

	2015 AED'000	2014 AED'000
Issued and fully paid 5,000,000 shares of AED 100 each		
(2014: 5,000,000 shares of AED 100 each)	**500,000**	500,000

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 previous 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, no transfer to statutory reserve has been made during the year. 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.

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 a 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.

11 RESERVES (CONTINUED)

- 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 its foreign subsidiaries.

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12 DIVIDENDS

For the year ended 31 December 2015, the Board of Directors has proposed a cash dividend of 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 2016.

For the year ended 31 December 2014, the Shareholders at the annual general meeting dated 25 February 2015 approved a cash dividend of 20% (AED 20 per share) totalling AED 100 million and the same was paid.

13 INSURANCE CONTRACT ASSETS AND LIABILITIES

	Gross		*Reinsurers' share*		*Net*	
	2015	*2014*	***2015***	*2014*	***2015***	*2014*
	AED'000	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*
Unearned premium reserve (note 13A)	**1,064,346**	807,348	**(721,876)**	(554,205)	**342,470**	253,143
Payable to policy holders of unit linked products	**14,055**	6,588	**-**	-	**14,055**	6,588
Deferred acquisition cost	**2,256**	(2,218)	**(4,175)**	1,587	**(1,919)**	(631)
Outstanding claims (note 13B)	**1,253,983**	656,246	**(1,012,376)**	(440,699)	**241,607**	215,547
	2,334,640	1,467,964	**(1,738,427)**	(993,317)	**596,213**	474,647

13 (A) NET INSURANCE PREMIUM REVENUE

Year 2015

	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	2,099,747	(1,491,042)	608,705	233,935	(109,086)	124,849	2,333,682	(1,600,128)	733,554
Movement in provision for unearned premiums	(234,948)	165,582	(69,366)	(47,511)	9,894	(37,617)	(282,459)	175,476	(106,983)
Insurance premium revenue	1,864,799	(1,325,460)	539,339	186,424	(99,192)	87,232	2,051,223	(1,424,652)	626,571
Unearned premium as of 31 December	965,983	(681,859)	284,124	98,363	(40,017)	58,346	1,064,346	(721,876)	342,470

Year 2014

	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	1,645,414	(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

13 (B) OUTSTANDING CLAIMS

	General Insurance AED'000	Life Insurance AED'000	Total AED'000
At 1 January 2015:			
Outstanding claims	**591,848**	**64,398**	**656,246**
Due from reinsurers	**(388,150)**	**(52,549)**	**(440,699)**
	203,698	**11,849**	**215,547**
Exchange differences	**(8,203)**	**-**	**(8,203)**
Net increase	**34,952**	**(689)**	**34,263**
At 31 December 2015:			
Outstanding claims	**1,198,144**	**55,839**	**1,253,983**
Due from reinsurers	**(967,697)**	**(44,679)**	**(1,012,376)**
	230,447	**11,160**	**241,607**

	General Insurance AED'000	Life Insurance AED'000	Total AED'000
At 1 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

13 (B) OUTSTANDING CLAIMS (continued)

Outstanding claims

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

	2015 Gross AED'000	2015 Reinsurer's share AED'000	2015 Net AED'000	2014 Gross AED'000	2014 Reinsurer's share AED'000	2014 Net AED'000
At 1 January						
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
Insurance claims paid	**(821,842)**	**556,904**	**(264,938)**	(613,488)	413,997	(199,491)
Claims incurred	**1,433,575**	**(1,134,374)**	**299,201**	693,870	(458,689)	235,181
Exchange differences	**(13,996)**	**5,793**	**(8,203)**	(7,366)	1,999	(5,367)
At 31 December	**1,253,983**	**(1,012,376)**	**241,607**	656,246	(440,699)	215,547
Analysis of outstanding claims						
At 31 December						
Claims incurred	**1,209,620**	**(1,008,107)**	**201,513**	607,587	(437,802)	169,785
Claims incurred but not reported	**44,363**	**(4,269)**	**40,094**	48,659	(2,897)	45,762
	1,253,983	**(1,012,376)**	**241,607**	656,246	(440,699)	215,547

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 2012 AED'000	2012 AED'000	2013 AED'000	2014 AED'000	2015 AED'000	Total AED'000
At the end of accident year	-	686,897	664,180	661,837	1,466,894	
One year later	-	668,464	659,505	704,341	-	
Two years later	-	717,511	628,365	-	-	
Three years later	-	667,202	-	-	-	
Four years later	3,331,394	-	-	-	-	
Current estimate of cumulative claims	3,331,394	667,202	628,365	704,341	1,466,894	
At the end of accident year	-	(337,029)	(355,833)	(385,402)	(510,781)	
One year later	-	(519,571)	(507,788)	(612,265)	-	
Two years later	-	(549,482)	(567,643)	-	-	
Three years later	-	(567,174)	-	-	-	
Four years later	(3,286,350)	-	-	-	-	
Cumulative payments to date	(3,286,350)	(567,174)	(567,643)	(612,265)	(510,781)	
Total gross outstanding claims	**45,044**	**100,028**	**60,722**	**92,076**	**956,113**	**1,253,983**

14 OTHER PAYABLES AND ACCRUALS

	2015 AED'000	2014 AED'000
Provision for staff costs	**19,093**	17,569
Other creditors and accruals	**154,222**	106,272
Employees' end of service benefits (note 15)	**15,729**	13,551
Amounts due to related parties (note 17)	**7,871**	20,401
	196,915	157,793

15 EMPLOYEES' END OF SERVICE BENEFITS

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

	2015 AED'000	2014 AED'000
Provision as at 1 January	**13,551**	12,853
Provided during the year	**3,198**	2,279
End of service benefits paid	**(1,020)**	(1,581)
Provision as at 31 December	**15,729**	13,551

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:

	2015 AED'000	2014 AED'000
Profit after tax for the year	**272,037**	252,109
Less: Attributable to non-controlling interests	**(8,149)**	(5,423)
Profit attributable to shareholders	**263,888**	246,686
Weighted average number of shares outstanding during the year	**5,000**	5,000
Earnings per share (AED)	**52.78**	49.34

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 2015 AED'000	Total 2014 AED'000
Administrative expenses	19,589	-	**19,589**	19,943
Gross premium written	223,719	477	**224,196**	222,224
Motor vehicle repair charges paid relating to claims	76,193	-	**76,193**	56,431
Interest income	4,202	-	**4,202**	5,534
Rental income	3,574	-	**3,574**	3,007
Dividend income	-	49,551	**49,551**	54,055

2015

	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	**38,695**	**163,350**	**62,180**	**7,871**

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

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 2015 AED'000	31 December 2014 AED'000
Short-term benefits	**22,890**	19,796
Employees' end of service benefits	**956**	565
	23,846	20,361

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. Operating segment information is presented below:

18.1 SEGMENTAL INCOME, EXPENSES AND RESULTS

	General Insurance		Life Insurance		Total	
	2015	2014	**2015**	2014	**2015**	2014
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
UNDERWRITING INCOME						
Insurance premium revenue	**1,864,799**	1,547,988	**186,424**	137,059	**2,051,223**	1,685,047
Reinsurers' share of premium	**(1,325,460)**	(1,101,486)	**(99,192)**	(87,111)	**(1,424,652)**	(1,188,597)
Net insurance premiums revenue	**539,339**	446,502	**87,232**	49,948	**626,571**	496,450
Commission income	**166,304**	151,220	**11,120**	16,450	**177,424**	167,670
TOTAL UNDERWRITING INCOME	**705,643**	597,722	**98,352**	66,398	**803,995**	664,120
UNDERWRITING EXPENSES						
Claims incurred	**1,349,616**	597,101	**83,959**	96,769	**1,433,575**	693,870
Reinsurers' share of claims	**(1,063,177)**	(375,074)	**(71,197)**	(83,615)	**(1,134,374)**	(458,689)
Net claims incurred	**286,439**	222,027	**12,762**	13,154	**299,201**	235,181
Commission expenses	**117,788**	98,245	**51,418**	21,774	**169,206**	120,019
General and administration expenses	**151,339**	135,274	**19,904**	15,706	**171,243**	150,980
TOTAL UNDERWRITING EXPENSES	**555,566**	455,546	**84,084**	50,634	**639,650**	506,180
NET UNDERWRITING INCOME	**150,077**	142,176	**14,268**	15,764	**164,345**	157,940
INVESTMENT INCOME					**114,295**	99,967
PROFIT BEFORE TAX					**278,640**	257,907

18.2 SEGMENTAL ASSETS & LIABILITIES

	General Insurance		Life Insurance		Investment		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Segmental assets	**2,244,033**	1,533,066	**211,694**	167,941	**3,261,905**	2,613,576	**5,717,632**	4,314,583
Segmental liabilities	**2,826,694**	1,885,632	**206,535**	162,941	**-**	-	**3,033,229**	2,048,573
Capital expenditure	**3,425**	6,621	**179**	1,734	**-**	-	**3,604**	8,355
Depreciation	**8,130**	8,110	**218**	239	**-**	-	**8,348**	8,349

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, Oman and Bahrain 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 2015 and 31 December 2014.

(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 RISK MANAGEMENT (CONTINUED)

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.

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.

19 RISK MANAGEMENT (CONTINUED)

19 A Insurance Risk (continued)

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 29% of the maximum credit exposure at 31 December 2015 (2014: 32%). The maximum theoretical credit risk exposure in this connection is mainly from receivables in the UAE business.

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.

19 RISK MANAGEMENT (CONTINUED)

19 B Financial Risk (continued)
Interest rate risk (continued)

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 2015	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	53,577	295,024	1,631,032	1,979,633	1% - 12.6%
Insurance receivables	-	-	447,137	447,137	
Other receivables	-	-	32,112	32,112	
Deposits with banks	941,823	340,449	-	1,282,272	0.8% - 12.8%
Bank balances	30,500	-	88,811	119,311	0.8% - 12.8%
	1,025,900	**635,473**	**2,199,092**	**3,860,465**	

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	

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.

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.

19 RISK MANAGEMENT (CONTINUED)

19 B Financial Risk (continued)
Foreign currency risk (continued)

	Increase in exchange rate	*Effect on profit & OCI AED'000*
31 December 2015		
Egyptian Pounds	+5%	**3,055**
Syrian Pounds	+5%	**1,142**
Sri Lankan Rupees	+5%	**640**
Turkish Lire	+5%	**319**
31 December 2014		
Egyptian Pounds	+5%	**3,043**
Syrian Pounds	+5%	**1,139**
Sri Lankan Rupees	+5%	**846**
Turkish Lire	+5%	**887**

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 2015) 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 2015) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2015			*2014*		
	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**	**157,878**	**1,141**	10	129,900	1,147

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.

19 RISK MANAGEMENT (CONTINUED)

19 B Financial Risk (continued)
Credit risk (continued)

- 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 2015 AED'000***	*31 December 2014 AED'000*
Investment securities	6	**1,979,633**	1,484,818
Insurance receivables	7	**447,137**	322,189
Reinsurance assets	13	**1,738,427**	993,317
Deposits with banks and bank balances	8&9	**1,401,583**	1,366,298
TOTAL CREDIT RISK EXPOSURE		**5,566,780**	4,166,622

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 2015	*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	**1,979,633**	**-**	**-**	**-**	**1,979,633**
Insurance receivables	**447,137**	**-**	**-**	**19,540**	**466,677**
Reinsurance assets	**1,738,427**	**-**	**-**	**-**	**1,738,427**
Deposits with banks and bank balances	**1,401,583**	**-**	**-**	**-**	**1,401,583**
					5,586,320
Less: impairment provision					**(19,540)**
					5,566,780

19 RISK MANAGEMENT (CONTINUED)

19 B Financial Risk (continued)
Credit risk (continued)

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

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 2015	**123,179**	**190,306**	**15,401**	**24,867**	**353,753**	**(19,540)**	**334,213**
31 December 2014	66,996	124,397	23,558	15,298	230,249	(18,597)	211,652

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.

19 RISK MANAGEMENT (CONTINUED)

19 B Financial Risk (continued)

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 consolidated statement of financial position.

	31 December 2015				31 December 2014			
	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	-	-	118,680	118,680	-	-	123,453	123,453
Investment securities	53,577	295,024	1,631,032	1,979,633	101,637	28,541	1,354,640	1,484,818
Insurance contract assets	1,738,427	-	-	1,738,427	993,317	-	-	993,317
Insurance receivables	447,137	-	-	447,137	322,189	-	-	322,189
Prepayments and other receivables	32,112	-	-	32,112	24,472	-	-	24,472
Term deposits and bank balances	992,156	340,449	68,978	1,401,583	1,102,909	183,918	79,471	1,366,298
TOTAL ASSETS	3,263,409	635,473	1,818,690	5,717,572	2,544,524	212,459	1,557,564	4,314,547
EQUITY AND LIABILITIES								
Equity								
Share capital	-	-	500,000	500,000	-	-	500,000	500,000
Statutory reserve	-	-	125,000	125,000	-	-	125,000	125,000
Legal reserve	-	-	226,596	226,596	-	-	200,076	200,076
Exceptional loss reserve	-	-	159,680	159,680	-	-	141,170	141,170
General reserve	-	-	509,845	509,845	-	-	390,159	390,159
Retained earnings	-	-	14,118	14,118	-	-	15,274	15,274
Available-for-sale reserve	-	-	1,055,087	1,055,087	-	-	791,235	791,235
Foreign currency translation reserve	-	-	(46,938)	(46,938)	-	-	(37,766)	(37,766)
Proposed dividends	100,000	-	-	100,000	100,000	-	-	100,000
Non-controlling interest	-	-	41,015	41,015	-	-	40,862	40,862
Total equity	100,000	-	2,584,403	2,684,403	100,000	-	2,166,010	2,266,010

19 RISK MANAGEMENT (CONTINUED)

19 B Financial Risk (continued)
Liquidity risk (continued)

	31 December 2015				31 December 2014			
	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	2,320,585	14,055	-	2,334,640	1,461,376	6,588	-	1,467,964
Reinsurance payables	337,359	-	-	337,359	278,875	-	-	278,875
Amounts held under reinsurance treaties	164,315	-	-	164,315	143,941	-	-	143,941
Other payables and accruals	181,186	-	15,729	196,915	144,242	-	13,551	157,793
Total liabilities	3,003,445	14,055	15,729	3,033,229	2,028,434	6,588	13,551	2,048,573
TOTAL EQUITY AND LIABILITIES	3,103,445	14,055	2,600,132	5,717,632	2,128,434	6,588	2,179,561	4,314,583

Capital management
Capital requirements are set and regulated by the regulatory requirements in the UAE, Oman, Syria, Egypt, Sri Lanka, Turkey and Bahrain. 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 2015, guarantees, other than those relating to claims for which provisions are held, amounting to AED 15,893,595 (2014: AED 19,549,802) 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:

	2015 AED'000	2014 AED'000
Commitment for investments	**16,505**	21,771

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 AED'000	Level 2 AED'000	Level 3 AED'000	Total fair value AED'000
31 December 2015				
Financial assets held-for-trading:				
Equity securities	11,406	-	-	11,406
Financial assets designated at fair value through profit or loss				
Equity securities	-	-	2,148	2,148
Available-for-sale financial assets:				
Banking sector	1,560,845	-	-	1,560,845
Other sectors	3,875	-	-	3,875
Equity securities				
Investments held on behalf of policy holders of unit linked products	14,055	-	-	14,055
Debt securities	9,800	-	-	9,800
	1,599,981	-	2,148	1,602,129

21 FAIR VALUE MEASUREMENT (CONTINUED)

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total fair value 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				
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

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.

21 FAIR VALUE MEASUREMENT (CONTINUED)

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 2015

	At 1 January 2015 AED'000	*Total gain or loss recorded in profit and loss AED'000*	*At 31 December 2015 AED'000*
Financial assets designated at fair value through profit or loss			
Equity securities	**2,136**	**12**	**2,148**
Total	**2,136**	**12**	**2,148**

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

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 2015 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.