

ANNUAL REPORT 2015

ANNUAL
REPORT
2015



His Highness The Late
Sheikh Zayed bin Sultan Al Nahyan
First President of the United Arab Emirates



His Highness
**Sheikh Khalifa bin Zayed
Al Nahyan**

President of the United Arab Emirates
and Ruler of Abu Dhabi



His Highness
**Sheikh Mohammed bin
Rashid Al Maktoum**

Vice President and Prime Minister
of the UAE and Ruler of Dubai



His Highness
**Sheikh Mohamed bin Zayed
Al Nahyan**

Crown Prince of Abu Dhabi and
Deputy Supreme Commander
of the UAE Armed Forces

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OUR GEOGRAPHICAL EXPANSION

 **Head Office**

 **Branches**

 **Sales and Services Centers**



THE BOARD OF DIRECTORS



H.E. Khalifa Mohamed Al-Kindi
Chairman



Shaikh Mohamed Bin Saif Al-Nahyan
Vice Chairman



Shaikh Theyab Bin Tahnoon Al-Nahyan
Member



H.E. Sultan Rashid Al-Dhaheri
Member



H.E. Ahmed Ali Al-Sayegh
Member



Mr. Ghanem Ali Hamooda Al-Dhaheri
Member



Mr. Mohammed Abdulazeez Al-Mehairi
Member



Mr. Khalifa Sultan Al-Suwaidi
Member



Mr. Abdulla Khalaf Al-Otaiba
Member



A MESSAGE FROM THE CHAIRMAN OF THE BOARD

On behalf of the Board of Directors of Abu Dhabi National Insurance Company (ADNIC), I hereby present our 43rd Board of Directors' Report and Audited Financial Statements for the year ended 31st December 2015.

The year 2015 was a challenging one for the insurance industry globally, and in particular, in the region. While the global economic slowdown continued to impact business in the region, certain sectors were quite severely affected. Despite these challenges, ADNIC continued to make progress on a number of fronts. The Board of Directors, as well as the Management Team, remain focused on returning the Company to its traditional levels of profitability and optimizing shareholder value. It is our enduring goal to ensure that ADNIC remains one of the regional market leaders and an insurance partner of choice for corporates and individuals.

ADNIC is fully supportive of the UAE Government's initiatives to improve corporate governance, social responsibility, and Emiratization. Following its commitment to Absher - a program dedicated to supporting UAE nationals seeking work in the private sector - ADNIC renewed its support to Al Bayt Mitwahid, a program launched by the Abu Dhabi Crown Prince Court to celebrate the unity of the nation and promote the nation's solidarity across the seven emirates.

On behalf of the shareholders and Management of ADNIC, the Board of Directors expresses its sincere appreciation and utmost gratitude to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the United Arab Emirates and Ruler of Abu Dhabi, and to His Highness the Crown Prince Sheikh Mohamed Bin Zayed Al Nahyan for their continued support extended to ADNIC and the business community at large.



Khalifa Al-Kindi
Chairman of the Board
of Directors



A MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

I hereby present the company's operational and financial results for the year ended 31st December 2015.

Operating Environment

The continuing volatility in the oil market was a major factor in the region's economic performance in 2015. However, the insurance industry, despite its exposure to the oil and gas sector, has continued to remain resilient. The UAE Government has also continuously and successfully sought to reduce its dependence on hydro-carbons, moving to a more diversified knowledge-based economy.

We expect this momentum to continue in the year ahead, creating new medium-term opportunities for growth across the country and the region. In light of these new industry dynamics, we put in place a selective underwriting and repricing strategy that would enable us to ensure healthier portfolios. We also continued to invest in the development of new products, technologies, and services for our customers to capture imminent growth opportunities.

The UAE Insurance Authority's new regulations regarding capital solvency and technical provisioning have been a step in the right direction for the industry. In keeping with its prudent approach to risk management, ADNIC further increased its technical reserves in 2015. We are confident that

the increase in reserves will bring greater stability and robustness to ADNIC's capital structure.

Additionally, ADNIC appointed a specialized firm to study options for strengthening the company's capital. Based on the firm's recommendations, ADNIC has decided to strengthen its capital adequacy by AED 390 million. On 15th February 2016, ADNIC General Assembly gave the green light for issuing mandatory convertible bonds worth AED 390 million.

As one of the leading providers of insurance solutions for corporates and individuals within the region, ADNIC is well positioned to return to its traditional levels of operating performance through prudent underwriting and excellent customer service.

Financial Results

Gross Premium Written

For the year 2015, ADNIC's Gross Premium Written was AED 2.29 billion compared to AED 2.63 billion last year. This was the result of implementing our revised strategy in line with ADNIC's selective underwriting policy.

Premium Retention

For the year 2015, ADNIC's Premium retention ratio was 48% compared to 54% last year.

Net Underwriting Results

For the year 2015, ADNIC reported a Net Underwriting Loss of AED 229 million against a Net Underwriting Loss of AED 157 million for 2014. This is mainly due to conducting a comprehensive review of our technical reserves which led to an increase in reserves.

General & Administrative Expenses

The Company enhanced its operational efficiency in 2015 which resulted in a reduction in General and Administrative Expenses by 9.8% to AED 208 million compared to AED 230 million for 2014.

Net Investment Income

Net Investment and Other Income was AED 102 million for 2015 compared to AED 106 million for 2014.

Net Results

The Company has reported a net loss of AED 334.5 million for full year 2015, compared to a net loss of AED 280.4 million for full year 2014. While the decision to strengthen our technical reserves impacted our net results, this highlights ADNIC's financial strength.

The net results for the three month period October to December 2015 was a net loss of AED 3.4 million as compared to Net Loss of AED 331.1 million reported for the nine month period January to September 2015.

Outlook

As in previous years, ADNIC has continued to be proactive in adjusting to new market conditions, which has enabled it to remain stable despite the global economic slowdown. Going forward, ADNIC is well-positioned to go back to its traditional levels of profitability and financial performance starting from 2016.

Our continued commitment to service, products, and innovation remains central to our business strategy. As part of our sustainable growth strategy and to meet with emerging challenges, we have also established an International Division in Dubai. This team has the mandate to underwrite inward facultative commercial lines of business emanating from the wider MENA region.

Together with our selective and prudent underwriting practices, I am confident that this strategy will return ADNIC to sustained profitability and shareholder value.

Appreciation

I would like to thank ADNIC's Board of Directors and shareholders for their continued support, our clients and business partners for their patronage. I would also like to thank the management team and employees for all their diligent efforts.



Ahmad Idris
Chief Executive Officer

OUR CORPORATE TEAM

Executive Management

From left to right (Back Row)

Hema Padmanabhan

Chief Underwriting Officer - Commercial Lines
(Engineering, Construction, Energy - Construction, Liabilities & Financial Lines)

Jugal Madaan

Chief Underwriting Officer - Commercial Lines
(Property, Energy - Operational, Aviation, Marine Hull & Cargo)

Mazen Allabadi

Chief Claims Officer - Consumer Lines

Hani Hirzallah

Chief Human Resources & Administration Officer

Vijay Singh

Chief Claims Officer - Commercial Lines

Anil Dixit

Chief Investment Officer

Vaidyanathan Srinivasan

Chief Underwriting Officer - Consumer Lines

From left to right (Front Row)

Alaa Fares

Chief Financial Officer

Andrew Woodward

Chief Business Development Officer

Abdulla Al Nuaimi

Chief Officer - Shared Services

Hussein Samara

Chief Information Officer

Raed Haddadin

Chief Legal & Compliance Officer

Tariq Zietoun

Chief Officer - Underwriting & Strategic Accounts Management

Lazhar Charfeddine

Chief Operations Officer



Senior Management

Underwriting and Strategic Accounts Management Team (SAM)

From left to right (Back Row)

Nabil Ben Azzouz

Sathish Krishnan

Laeque Shrieff

Khalid Rawashdeh

Anand Kalandy

Krishnan Raghunathan

Senior Manager - Marine & Energy Underwriting

Senior Manager - Liabilities & Financial Lines,
Energy (Construction) Underwriting

Senior Manager - Medical Underwriting

Senior Manager - Engineering, Construction, Energy -Construction
& Professional Indemnity Underwriting

Senior Manager - Medical Underwriting

Senior Manager - Property & Energy - Operational Underwriting

From left to right (Front Row)

Gurumurthy Lakshminarayanan

Sirish Rao

Tarek Moukarzel

Osama Altajer

Wissam Al-Khaldi

Vamshidhar Vanama

Senior Manager - Marine Hull & Cargo Underwriting

Senior Manager - Commercial & Motor Underwriting (Dubai & Northern Emirates)

Senior Manager - Life & Personal Accident Underwriting

Deputy Chief Officer - Aviation, Marine Hull & Cargo Underwriting

Senior Manager - Strategic Accounts Management

Head of Underwriting - International Division

Not present in the photo

Fatme Abdul Hamid El-Issa

Senior Manager - Motor Underwriting



OUR CORPORATE TEAM

Senior Management

Operations

From left to right (Back Row)

Khurram Masud
Adrian Alexander

Senior Manager- Risk Management & Actuarial Services
Deputy Chief Claims Officer - Commercial Lines Claims
(Energy and Non-Marine Claims)
Deputy Chief Reinsurance Officer
Senior Manager - Motor Claims - Abu Dhabi

Nadhmi Dammak
Riezad Shawish

From left to right (Front Row)

Sami Khalil
Smita Srivastava

Ashraf Genina
Maleka Al Neaimi
Sajiv Gopalkrishnan

Deputy Chief Officer - Risk Engineering Services
Deputy Chief Claims Officer - Medical, Life, Travel,
Personal Accident & General Claims
Senior Manager - Motor Claims - Dubai, Northern Emirates & Al Ain
Senior Manager - Reinsurance
Senior Manager - Risk Engineering Services



Senior Management

Business Development

From left to right

Aditya Kulkarni

Bassam El Jbeili

Alya Al Tamimi

Jihad Francis

Deputy Head of Brokers Dubai & Northern Emirates

Regional Manager - Abu Dhabi & Western Region

Regional Manager - Dubai & Northern Emirates

Head of Broker Business - Abu Dhabi & Western Region

Not presented in the photo

Anand Nair

Head of Brokers Relations (Dubai & Northern Emirates) and Head of Bancassurance & Alternative Distribution



OUR CORPORATE TEAM

Senior Management

Support Services

From left to right (Back Row)

Anishbabu Kanakkayil

Prabhatha Bellikoth

Manoj Khemani

Ravichandran Nair

Tarek Eltayech

Amjad Alhayek

Senior Manager - IT Operations

Senior Manager - IT Applications

Senior Manager - Human Resources

Senior Manager - General Accounting & Statutory Reporting

Senior Manager - Human Resources

Senior Manager - Legal

From left to right (Front Row)

C. P. Renganathan

Bouchra Al Wazzan

Esmat Taha

Mohammed Bin Naqib

Dana Hudairi

Hashem Shubbar

Deputy Chief Information Officer - IT Applications

Senior Manager - Administration

Senior Manager - Investments & Investor Relations

Senior Manager - Public Relations

Senior Manager - Corporate Marketing

Senior Manager - Credit Control, Payables & Management Reporting

Not presented in the photo

Sami Zouagui

Senior Manager - Legal & Compliance





OUR MISSION AND VISION

Our Mission

To serve our customers by offering quality and innovative, regional, and international insurance and reinsurance solutions.

Our Vision

To be the leading insurer of choice across the Middle East and North Africa region.



**"ADNIC
TRANSACTS
BOTH LIFE
AND NON-LIFE
INSURANCE
AND PROVIDES
A RANGE OF
INNOVATIVE
INSURANCE
PRODUCTS
THAT ARE
CUSTOMIZABLE
AND SCALABLE."**



ABOUT US

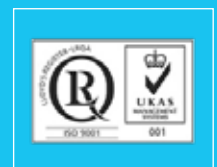
Founded in the United Arab Emirates (UAE) in 1972, Abu Dhabi National Insurance Company (ADNIC) PJSC is a leading multi-line regional insurance company providing insurance services to individuals and corporates. It has a wide network of branches and Sales and Service Centers across the country. ADNIC is publicly owned and listed on the Abu Dhabi Securities Exchange (ADX).

ADNIC transacts both Life and Non-Life Insurance and provides a range of innovative insurance products that are customizable and scalable. This flexibility enables the Company to meet the unique needs of individuals, as well as small, mid-sized and large companies in the UAE and the wider Middle East and North Africa (MENA) region.

ADNIC is committed to making a positive contribution to the communities within which it operates. Since 2013, ADNIC has been supporting the Al Bayt Mitwahid Association campaign, which was launched by the Crown Prince Court of Abu Dhabi, H.H. Sheikh Mohamed Bin Zayed Al Nahyan. The campaign provides an open platform for UAE communities to give back to society in a number of ways. This can include taking part in creating, fundraising, planning, and implementing a variety of caring initiatives that benefit a wide range of social causes across all of the seven emirates.

ADNIC is proud to work with the government to encourage UAE nationals to work in the private sector. During 2012, ADNIC joined the UAE Government's ABSHER Initiative to promote Emiratization. The Company's current level of Emiratization is amongst the highest in the UAE insurance sector.

ADNIC has worked to build its asset base up to AED 5.6 billion in 2015, while maintaining solid levels of liquidity and capitalization. Financial maturity and a robust balance sheet enables the Company to meet its obligations and this reliability helps to provide ADNIC's clients and customers with peace of mind. The Company once again received its ISO 9000 Certification in 2015 and has received recognition with a number of industry awards. These include the Corporate LiveWire Innovation and Excellence Award in 2015; Best Consumer Insurance Product at the 2015 Banker Middle East Industry Awards; and Best Mobile Experience at the Customer Festival Awards 2015.



OUR CORE VALUES

We pride ourselves in continuously operating in line with our corporate core values when we interact with our shareholders, partners, clients, and employees. These values are integral to the way we do business and communicate with our stakeholders:

- Reliability
- Innovation
- Fairness
- Customer Centricity
- Loyalty

OUR STRATEGIC PILLARS

At the foundation of our business strategy lies seven strategic pillars, which help us to maintain our commitment to be Your Reliable Insurer.

Modernization of our processes, facilities, and infrastructure

Expansion of our suite of products and services

Employer of Choice within the insurance industry

Product Development to ensure solutions are created to address your evolving business needs

Distribution of our products and services wherever you are

Customer Service to ensure that each interaction with you is effective

Innovation & Technology to ensure solutions are offered efficiently

OUR GLOBAL & REGIONAL RECOGNITION

Best Mobile Experience

Customer Festival Award 2015

Corporate LiveWire Business Award

Innovation & Excellence Award 2015

Banker Middle East - UAE Product Awards

Best Consumer Insurance Products 2015

The World Finance Insurance Awards

Middle East Insurance Company of the Year 2009

Middle East Insurance Company of the Year 2010

Middle East Insurance Company of the Year 2011

Middle East Insurance Forum (MEIF)

2011 MEIF - Insurance Company of the Year awarded by Central Bank of Bahrain

INSUREX - Achievement of the Year

Achievement of the Year 2011 - Team ADNIC awarded by Policy Magazine



OUR CORPORATE GOVERNANCE

ADNIC acknowledges its responsibilities to its shareholders, employees, partners, and customers in the UAE. ADNIC also believes that good corporate governance helps to achieve the Management's commitment of delivering value to shareholders through setting and achieving appropriate strategic business objectives.

As is known across the UAE and GCC, good governance provides an appropriate framework for the Board, its Committees, and the leadership of ADNIC proactively and efficiently to protect the interests of the Company.

ADNIC maintains high levels of transparency and accountability throughout its Management practices. We believe we have this responsibility to our shareholders and the community collectively. To this end, ADNIC implements and monitors business objectives, strategies, and procedures that comply with its legal and ethical responsibilities. This is how we embed good corporate governance principles and practices into the way we work.

The Board has established three permanent Board-Level Committees to assist in executing its functions, empowered, and entrusted them with responsibilities to implement resolutions of the Board:

Audit Committee

The Audit Committee aims at assisting the Board of Directors in monitoring the duties related to preparing the Company's Financial Statements. It also recommends the appointment of the External and Internal Auditors along with supervising their independency, finding weaknesses and strengths in the Internal Controls, and recommending improvements. The Committee holds its meetings at least once every three months or whenever it deems necessary. The minutes of the Committee's meetings are kept by the Secretary of the Committee.

The Audit Committee comprises the following members:

Shaikh Theyab Bin Tahnoon Al-Nahyan

Chairman

Mr. Khalifa Sultan Al-Suwaidi

Member

Mr. Omar Liaqat

External Member

Ms. Munira Stationers

Committee Secretary

Nomination & Remuneration Committee

The Nomination and Remuneration Committee monitors the independency of the Independent Board Members. It also prepares the Remuneration and Incentives Policies and the Human Resources Policies, in order to recruit and maintain qualified staff and to supervise their suitability. Moreover, the Committee develops and implements the plans and initiatives for employing UAE nationals and for providing best service to the Company's clients through strategic planning.

The Nomination & Remuneration Committee comprises the following members:

Shaikh Mohamed Bin Saif Al-Nahyan

Chairman

H.E. Ahmed Ali Al-Sayegh

Member

Mr. Mohammed Abdulazeez Al-Mehairi

Member

Mr. Abdulla Khalaf Al-Otaiba

Member

Mr. Raed Khalil Haddadin

Committee Secretary

Investment Committee

The Investment Committee assists the Board of Directors in supervising, monitoring, and evaluating the Company's investments. The Investment Committee performs its duties efficiently and in the best interest

of the Company's shareholders through the following:

1. Clarification of the risks realization, objectives, and guidelines to the Board of Directors for the investment of the Company's assets.
2. Determining the responsibilities of the Company's Management in investment, and how these are supervised by the Board of Directors.
3. Selecting acceptable assets classes that will allow the Company to meet its investment objectives.
4. Determining the appropriate asset allocation mix that will allow the Company to meet its expected investment return while minimizing the amount of risk incurred.
5. Establishing procedures for identifying, selecting, and monitoring investments.
6. Complying with all credit, economic, and due diligence requirements that experienced investment professionals would utilize, and all applicable legislation from various Local and Federal Regulatory Authorities.

The Investment Committee comprises the following members:

Shaikh Mohamed Bin Saif Al-Nahyan

Chairman

H.E. Sultan Rashid Al-Dhaheri

Member

Mr. Abdulla Khalaf Al-Otaiba

Member

Mr. David Beau

External Member

Mr. Ahmad Idris

Member

Mr. Alaa Fares

Member

Mr. Anil Dixit

Member

Mr. Esmat Taha

Committee Secretary

ADNIC has also established three permanent Executive-Level Committees to assist in the execution of its functions; thus, we bestowed them with powers and entrusted them with responsibilities to assist ADNIC in making informed decisions and achieve its strategic objectives.

Risk Management Committee

The Risk Management Committee (RMC) has been established to assist the Executive Management of ADNIC in taking knowledgeable and prudent decisions when it comes to risk and in fulfilling the duties of the Chief Executive Officer in respect of the Company's Corporate Governance. The Risk Management Committee is responsible for addressing issues related to Risk Management and Business Continuity. The Risk Management Committee has been authorized to perform the following:

- Develop a regulatory culture, which is aware of risk and its effective management.
- Engender an enterprise-wide approach to Risk Management that provides a comprehensive and appropriately tailored response to all identified risks across the insurance.
- Provide assurance that Risk Management is an integral part of the successful operation of ADNIC in the achievement of its strategic objectives.

The Risk Management Committee consists of key employees from the Executive Management and from various departments within the Company, who have knowledge and experience in Insurance and Risk Management. The Risk Management Committee is chaired by the Chief Executive Officer and administrated by the Risk Management Division.

ADNICity Life Committee

ADNIC's workplace is characterized by continuous change and growing diversity. Employees' satisfaction and success depends on the capacity to manage this change and to participate within this diversity, thus work-life balance is an important element in meeting this challenge.

ADNICity Life Committee is an approach to employee relations that recognizes business as well as the social and personal benefits of balancing work with other dimensions of life, plus having initiatives to launch various social and health awareness programs to ensure that ADNIC is the best choice for the employee.

ADNIC has 14 employee volunteers from different backgrounds, skills, and capabilities from various departments. They are always ready and have the ability to listen to ADNIC employees anytime, anywhere.

ADNIC Product Innovation Committee

ADNIC Product Innovation Committee (APIC) provides a formal forum comprising a cross section of ADNIC professionals who are tasked with accomplishing the following key functions:

- Exploring and proposing new insurance products to be developed.
- Gathering market intelligence on competitive products and trends.
- Analyzing and proposing new enhancements, tools, and special offering for existing products of the Company.

The Committee consists of cross functional members from all the relevant departments within the Company. The Committee is chaired by the Chief Officer-Underwriting and Strategic Accounts Management.

Our belief in transparency and our drive for continuous improvement in corporate governance has empowered the Company to produce a Corporate Governance Report for the year 2015, which is published on our website.

OUR CORPORATE COMMITMENT TO THE COMMUNITY

Our corporate philosophy embraces a commitment to improving the quality of life in the community. At ADNIC, we always seek to play a vital role as a major employer and significant contributor to local charities.

During 2015, we contributed and participated in several community events across the UAE.

- **ABSHER Initiative** - Ministry of Presidential Affairs (MOPA) initiative for the support of Emiratis
- **Al Bayt Mitwahid** - An initiative launched by the Crown Prince Court employees to celebrate and promote the nation's unity
- **Rashid Center for Pediatrics**
- **Emirates Association for the Visually Impaired**
- **Zayed Higher Organization for Humanitarian Care and Special Needs**
- **Blood Donation Day**
- **Martyr's Day Commemoration**



Martyr's Day Commemoration



Zayed Higher Organization for Humanitarian Care and Special Needs



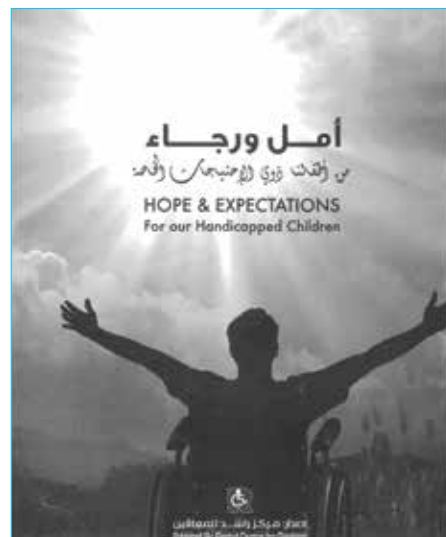
Blood Donation Day



Emirates Association for the Visually Impaired



Al Bayt Mitwahid



Rashid Center for Pediatrics

OUR WORK-LIFE BALANCE

ADNIC recognizes the importance of balancing work with social life activities. Therefore, we have established a committee, ADNICity Life Committee, which seeks to balance our employees' work and social life by engaging them and their families in social activities.

ADNICity Life Committee is an approach to employee relations that helps us in our continuous effort to be the Employer of Choice in the insurance industry.

- ADNIC Health Day
- ADNIC Cricket Team
- Annual Ramadan Iftar
- National Day Celebration
- Flag Day Celebration



Flag Day Celebration



ADNIC Health Day



National Day Celebration



ADNIC Cricket Team

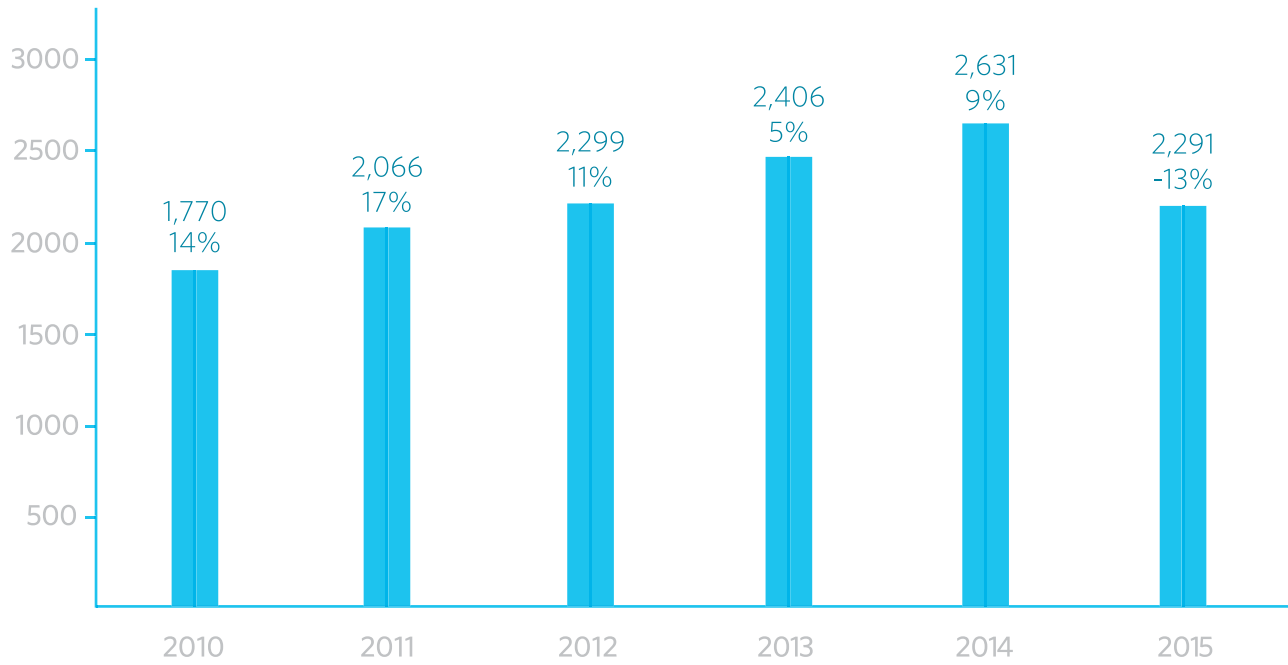


Annual Ramadan Iftar

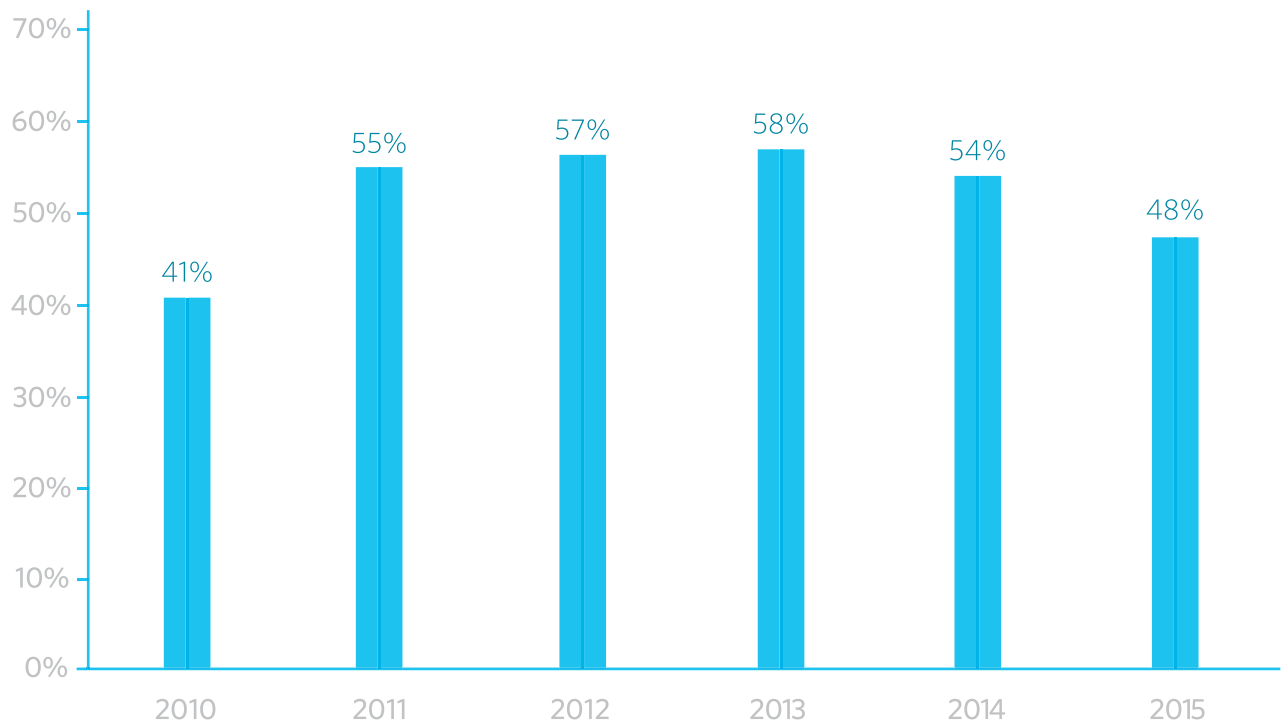


FINANCIAL STATEMENTS

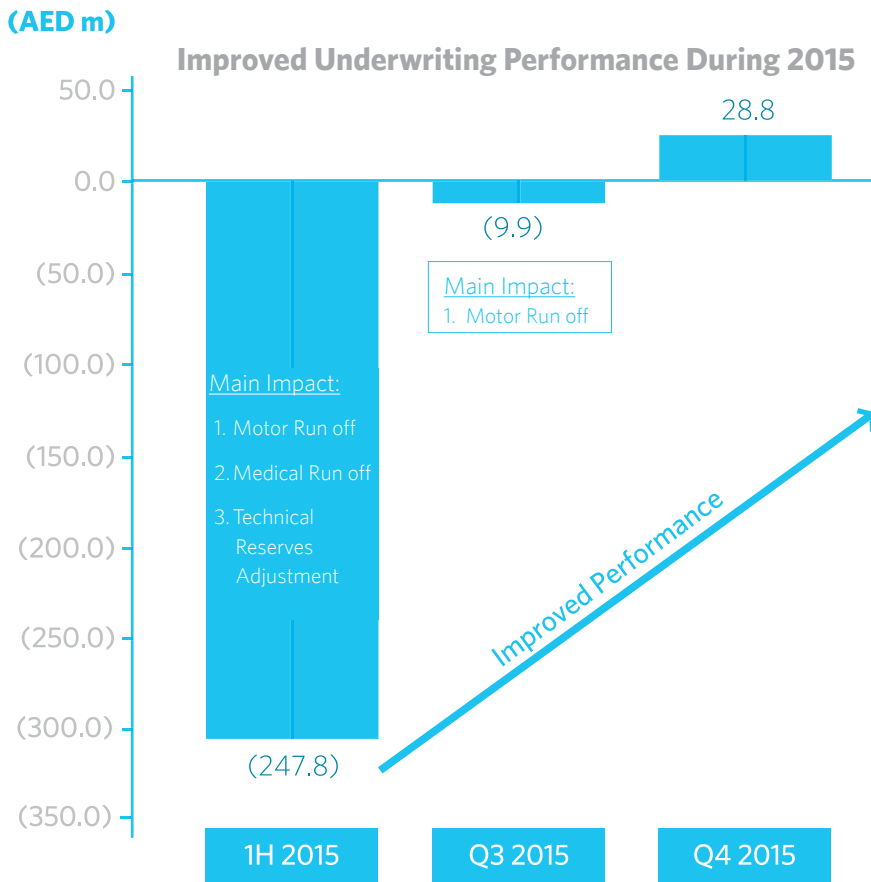
Gross Written Premium (AED Million)



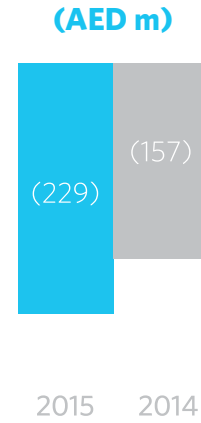
Premium Retention Ratio



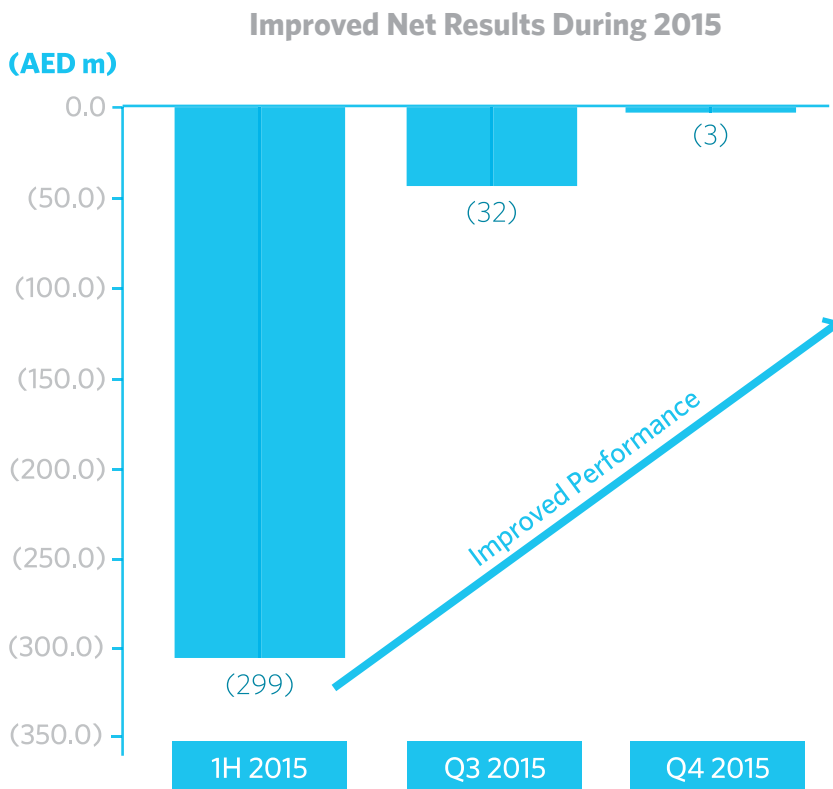
Net Underwriting Result



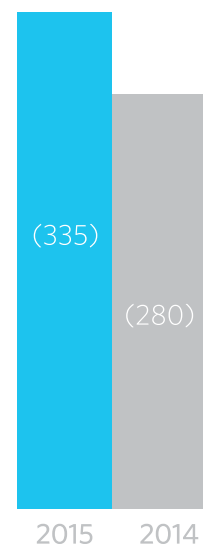
Comparison



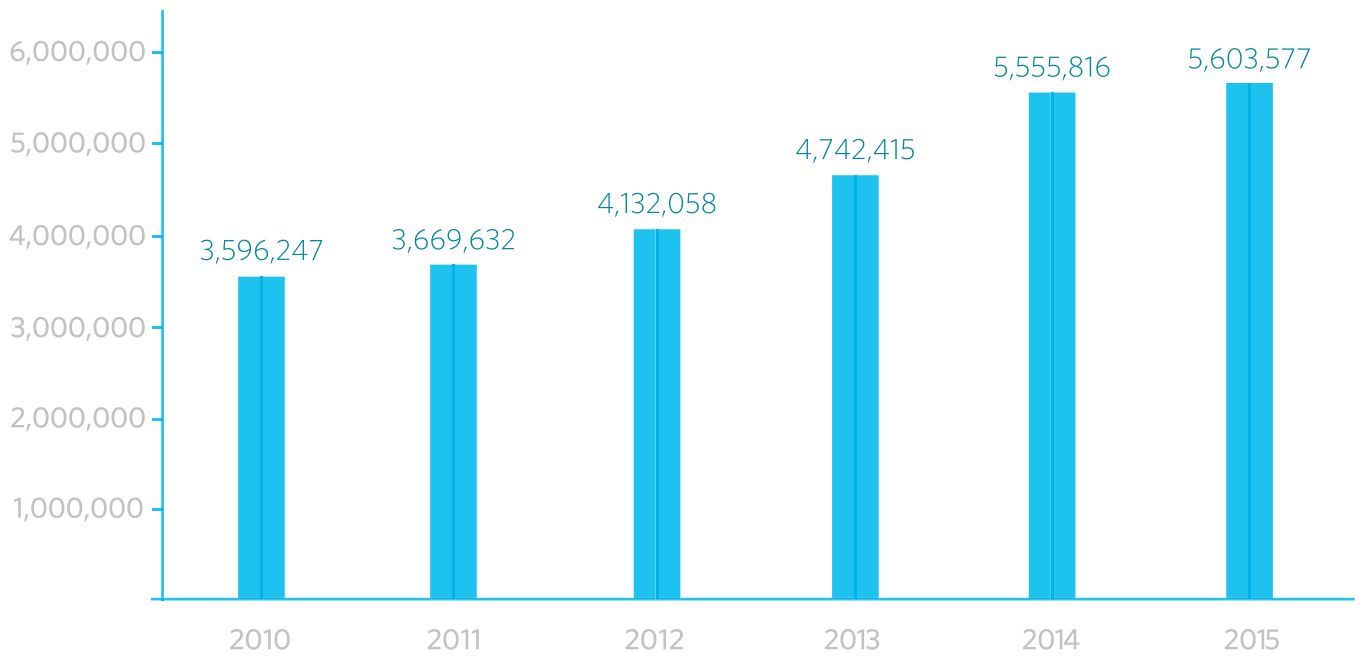
Net Results



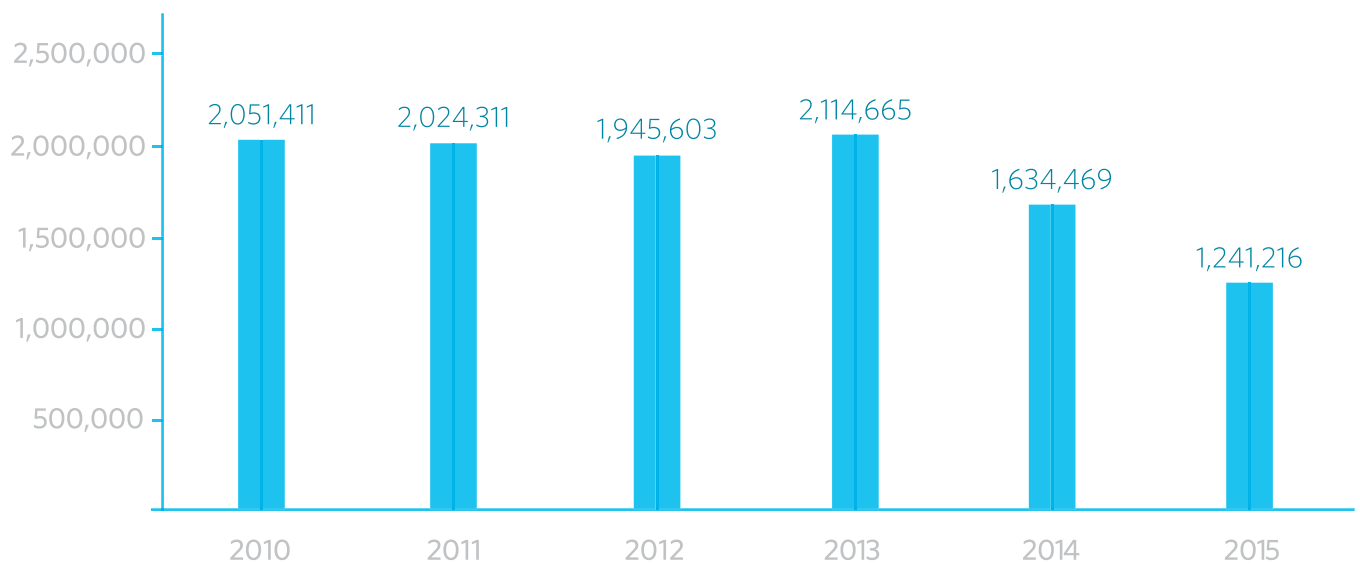
Comparison

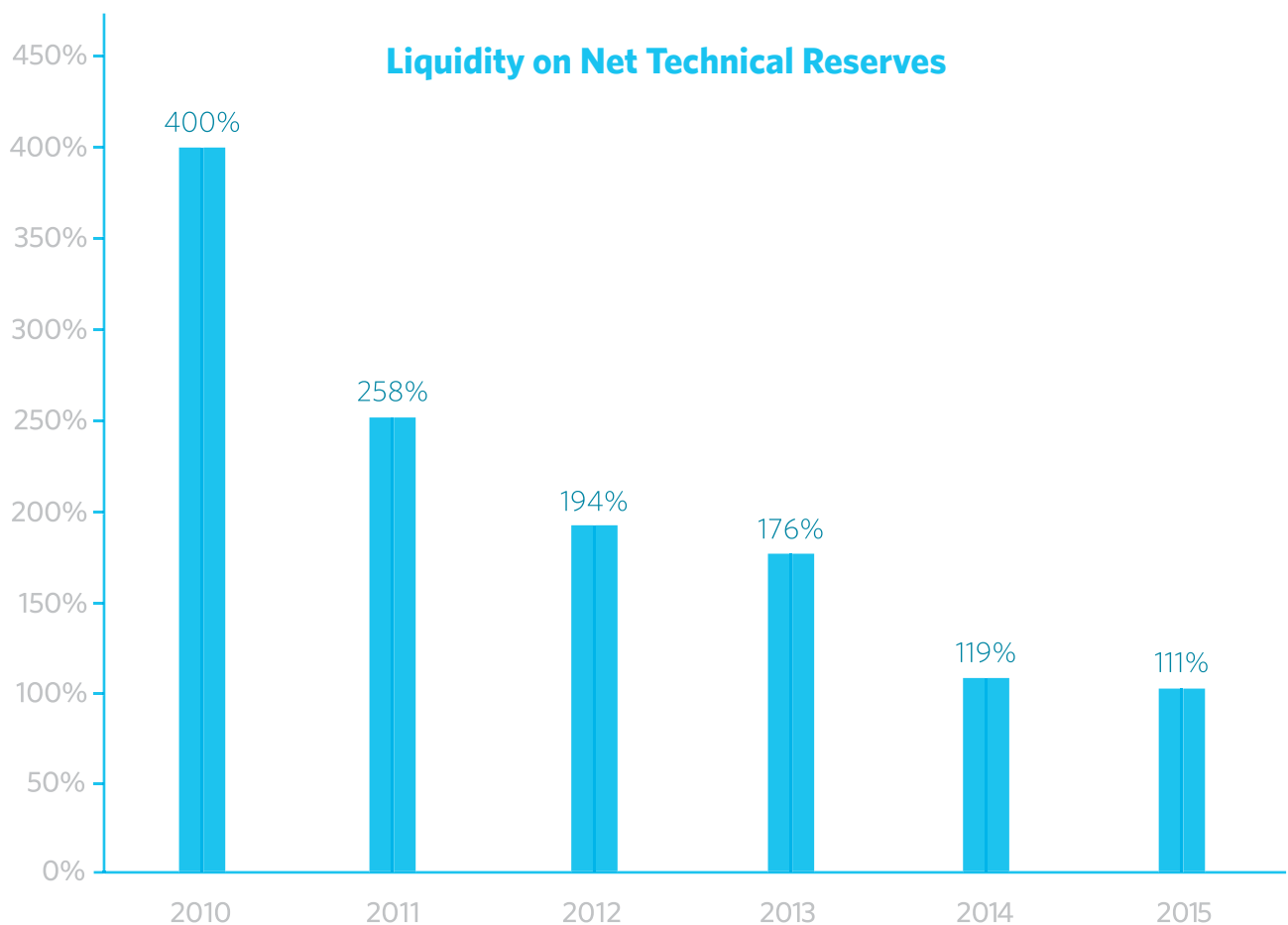
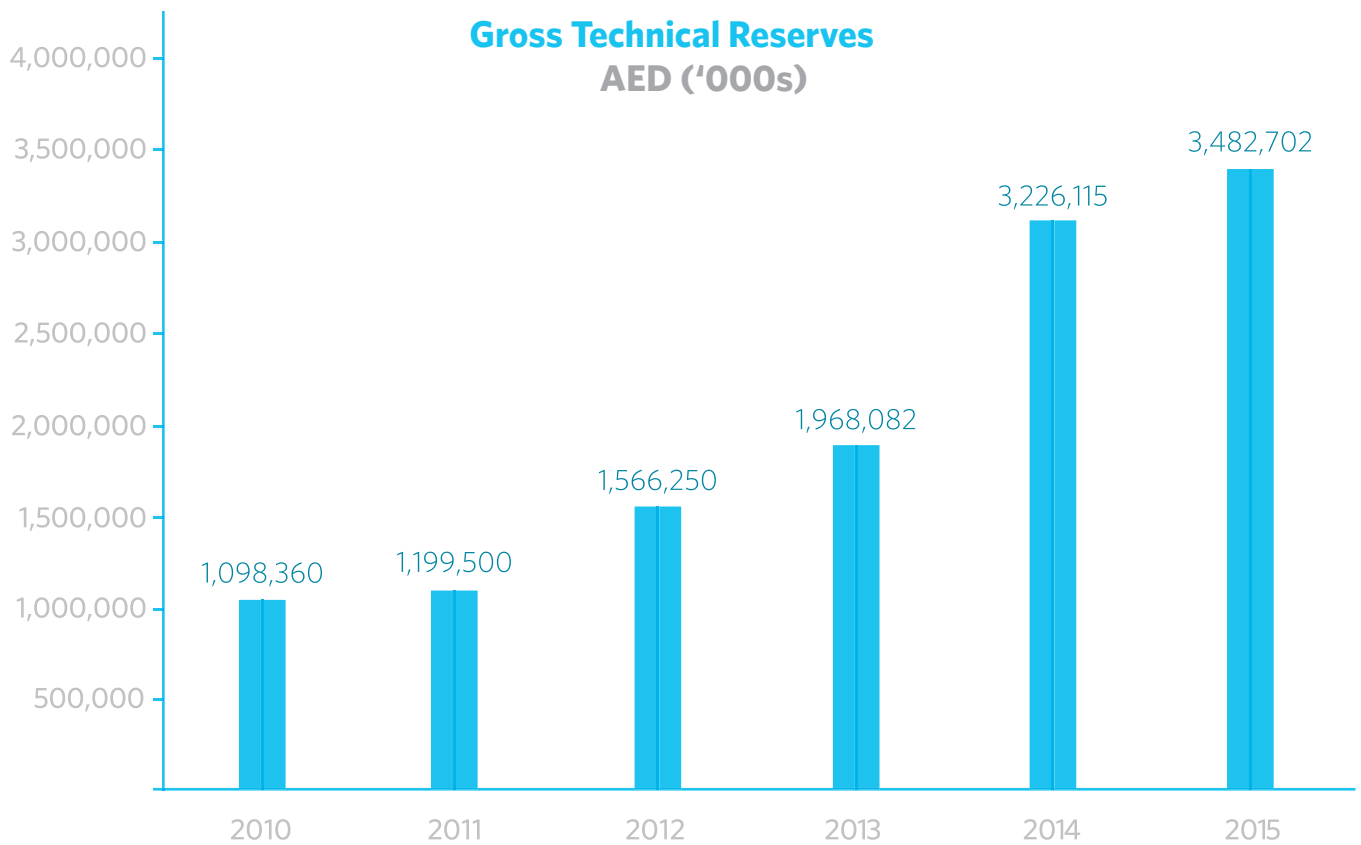


Total Assets AED ('000s)



Total Equity AED ('000s)





Proposals to shareholders

for the year ended 31 December 2015

General assembly - 15th February 2015.

The Board of Directors proposed the following to the shareholders for their approval:

- (1) To approve the issuance of Mandatory Convertible Bonds in a total amount of AED 390 million through a private issuance to the Company's Shareholders, and authorize the Board of Directors to take all necessary actions for the issuance of the Bonds and determine the terms, conditions and date of issuance, including the authorization of any party deemed appropriate by the Board to sign any documents and contracts in relation to the issuance and approve all actions taken by the Board of Directors in this regard.
- (2) To approve the Board of Directors recommendation in relation to the transfer of an amount of AED 350 million from General Reserve to Retained Earnings.

Note:

The above proposals to shareholders were approved during the general assembly meeting held on 15th February 2016.

Annual general assembly - 12th April 2016.

The Board of Directors, after the review of the company's operations during the year 2015, proposes the following to the shareholders for their approval:

- 1) To approve the Board of Director's reports about the Company's operation and its financial position for the year ended 31 December 2015.
- 2) To approve auditor's report for the year ended 31 December 2015.
- 3) To approve the financial statements for the year ended 31 December 2015.
- 4) To relieve the Directors and the External auditor from responsibilities for action in performing their duties during the financial year ended 31 December 2015.
- 5) To appoint the External Auditor for 2016 and to define the audit fees.

Note:

The above proposals to shareholders were approved during the annual general assembly meeting held on 12th April 2016.

INDEPENDENT AUDITORS' REPORT

To The Shareholders Of
Abu Dhabi National Insurance
Company PSC

Report on the Financial Statements

We have audited the accompanying financial statements of Abu Dhabi National Insurance Company PSC (the "Company"), which comprise the statement of financial position as at 31 December 2015, the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

We report that:

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the

applicable provisions of the UAE Federal Law No. (2) of 2015, UAE Federal Law No. (6) of 2007, 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 and records of the Company;
- v) investments in shares and stocks are included in note 10 to the financial statements and include purchases and investments made by the Company during the year ended 31 December 2015;
- vi) note 23 reflects the disclosures relating to related party transactions and the terms under which they were conducted; and
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened, during the financial year ended 31 December 2015, any of the applicable provisions of the UAE Federal Law No. (2) of 2015, UAE Federal Law No. (6) of 2007, or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015.



Signed by:
Mohammad Mobin Khan
Partner
Ernst & Young
Registration No. 532

9 March 2016
Abu Dhabi

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 AED'000	2014 AED'000
ASSETS			
Bank balances and cash	24	667,205	559,230
Trade and other receivables	7	768,829	897,199
Reinsurance contract assets	8	2,013,310	1,847,279
Investments	10	1,292,187	1,390,426
Investment properties	11	782,236	781,102
Property and equipment	12	80,010	80,580
TOTAL ASSETS		5,603,777	5,555,816
EQUITY AND LIABILITIES			
Equity			
Share capital	13	375,000	375,000
Legal reserve	14	187,500	187,500
General reserve	15	550,000	900,000
Investments revaluation reserve		41,616	126,201
Retained earnings	16	87,100	45,768
Total equity		1,241,216	1,634,469
LIABILITIES			
Provision for staff end of service benefits	17	27,050	25,646
Trade and other payables	18	852,809	648,809
Insurance contract liabilities	8	3,482,702	3,226,115
Loan from a financial institution	19	-	20,777
Total liabilities		4,362,561	3,921,347
TOTAL EQUITY AND LIABILITIES		5,603,777	5,555,816



Chairman of the Board of Directors



Chief Executive Officer

The attached notes 1 to 26 form an integral part of these financial statements.

STATEMENT OF INCOME

Year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
Underwriting revenue			
Gross written premium	25	2,290,734	2,631,145
Change in unearned premium provision		<u>226,951</u>	<u>(101,098)</u>
Premium income earned			
		<u>2,517,685</u>	<u>2,530,047</u>
Reinsurance premium ceded	25	(1,192,702)	(1,199,643)
Change in reinsurance share of unearned premium		<u>(40,018)</u>	<u>151,293</u>
Reinsurance premium ceded			
		<u>(1,232,720)</u>	<u>(1,048,350)</u>
Net premium earned			
	25	<u>1,284,965</u>	<u>1,481,697</u>
Underwriting expenses			
Gross claims paid	25	(1,879,725)	(1,549,624)
Changes in outstanding claims and IBNR provision		<u>(483,538)</u>	<u>(1,156,935)</u>
Gross claims incurred			
		<u>(2,363,263)</u>	<u>(2,706,559)</u>
Reinsurance share of claims paid	25	721,969	404,189
Change in reinsurance share of outstanding claims and IBNR provision		<u>206,049</u>	<u>739,631</u>
Reinsurance share of claims incurred			
		<u>928,018</u>	<u>1,143,820</u>
Net claims incurred			
	25	<u>(1,435,245)</u>	<u>(1,562,739)</u>
Commissions			
Commission income	25	98,307	98,449
Less: commission expenses	25	<u>(147,122)</u>	<u>(144,528)</u>
Net commission expenses			
		<u>(48,815)</u>	<u>(46,079)</u>
Other income related to underwriting activities	25	9,869	10,610
Other expenses related to underwriting activities	25	<u>(39,674)</u>	<u>(40,110)</u>
Net other underwriting expenses			
	25	<u>(29,805)</u>	<u>(29,500)</u>
Net underwriting results			
		<u>(228,900)</u>	<u>(156,621)</u>
Net investment and other income	20	101,952	106,436
General and administrative expenses	21	<u>(207,572)</u>	<u>(230,241)</u>
Loss for the year			
		<u>(334,520)</u>	<u>(280,426)</u>
Basic and diluted loss per share (AED)	22	<u>(0.89)</u>	<u>(0.75)</u>

STATEMENT OF OTHER COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
Loss for the year		(334,520)	(280,426)
Other comprehensive loss			
Items that will not be reclassified to the statement of income:			
Gain on sale of investments at fair value through other comprehensive income		25,852	17,175
Changes in fair value of investments at fair value through other comprehensive income	10	(84,585)	(23,645)
Directors' remuneration		<u>-</u>	<u>(5,800)</u>
Total other comprehensive loss		<u>(58,733)</u>	<u>(12,270)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(393,253)</u>	<u>(292,696)</u>

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Share capital AED'000	Legal reserve AED'000	General reserve AED'000	Investments revaluation reserve AED'000	Retained earnings AED'000	Total AED '000
Balance at 1 January 2014	375,000	187,500	1,200,000	149,846	202,319	2,114,665
Loss for the year	-	-	-	-	(280,426)	(280,426)
Other comprehensive loss	-	-	-	(23,645)	11,375	(12,270)
Total comprehensive loss for the year	-	-	-	(23,645)	(269,051)	(292,696)
Dividend declared, approved and paid	-	-	-	-	(187,500)	(187,500)
Transfer from general reserve to retained earnings (notes 15 & 16)	-	-	(300,000)	-	300,000	-
Balance at 31 December 2014	<u>375,000</u>	<u>187,500</u>	<u>900,000</u>	<u>126,201</u>	<u>45,768</u>	<u>1,634,469</u>
Balance at 1 January 2015	375,000	187,500	900,000	126,201	45,768	1,634,469
Loss for the year	-	-	-	-	(334,520)	(334,520)
Other comprehensive loss	-	-	-	(84,585)	25,852	(58,733)
Total comprehensive loss for the year	-	-	-	(84,585)	(308,668)	(393,253)
Transfer from general reserve to retained earnings (notes 15 & 16)	-	-	(350,000)	-	350,000	-
Balance at 31 December 2015	<u>375,000</u>	<u>187,500</u>	<u>550,000</u>	<u>41,616</u>	<u>87,100</u>	<u>1,241,216</u>

STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
OPERATING ACTIVITIES			
Loss for the year		(334,520)	(280,426)
Adjustments for:			
Depreciation expense	12	12,489	11,495
Net movement in unearned premium reserve		(186,933)	(50,195)
Change in outstanding claims and IBNR provision		483,538	1,156,935
Changes in reinsurance share of outstanding claims and IBNR provision		(206,049)	(739,631)
Net impairment loss on trade receivables	7	11,915	15,732
Revaluation of investment property	11	709	-
Loss (gain) on disposal of investments through profit or loss	20	49	(10,166)
Change in fair value of investments through profit or loss	10	(5,109)	(5,688)
Net amortization expense	10	2,114	2,705
End of service benefits charge	17	3,836	3,411
Loss on disposal of property and equipment		274	32
		(217,687)	104,204
Working capital changes:			
Trade and other receivables		116,455	92,283
Trade and other payables		204,000	29,854
Cash generated from operations		102,768	226,341
End of service benefits paid	17	(2,432)	(3,501)
Net cash generated from operating activities		100,336	222,840

STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
INVESTING ACTIVITIES			
Proceeds from sale of investments		502,680	651,367
Change in bank deposits		(339,096)	146,779
Proceeds from disposal of property and equipment		36	30
Purchase of investments	10	(460,228)	(895,872)
Purchase of property and equipment	12	(12,229)	(11,859)
Payment for investment property under development	11	(1,843)	(74,174)
Net cash used in investing activities		<u>(310,680)</u>	<u>(183,729)</u>
FINANCING ACTIVITIES			
Dividend paid		-	(187,500)
Repayment of loan from financial institution		(20,777)	-
Net cash used in financing activities		<u>(20,777)</u>	<u>(187,500)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		<u>392,258</u>	<u>540,647</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	24	<u><u>161,137</u></u>	<u><u>392,258</u></u>

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Abu Dhabi National Insurance Company PSC (the "Company") is a public joint stock company incorporated in Abu Dhabi, United Arab Emirates, by Law No. (4) of 1972 as amended, and is governed by the provisions of the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations and the Federal Law No. (2) of 2015 Concerning the Commercial Companies which has come into effect from 1 July 2015.

The Company's principal activity is the transaction of insurance and reinsurance business of all classes.

The registered office of the Company is Khalifa Street, ADNIC Building, P O Box 839, Abu Dhabi, UAE.

The Company's financial statements were approved for issuance by the Board of Directors on 9 March 2016.

2.1 BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention as modified for re-measurement of investment securities and investment properties at fair value.

The financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations and the Federal Law No. (2) of 2015 Concerning the Commercial Companies which has come into effect from 1 July 2015 and Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies.

The financial statements are presented in United Arab Emirates Dirhams (AED) being the functional currency of the Company.

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement of assets and liabilities within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in note 4.3.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective as of 1 January 2015:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions;
- Annual Improvements 2010-2012 Cycle; and
 - IFRS 2 Share-based Payment;
 - IFRS 3 Business Combinations;
 - IFRS 8 Operating Segments;
 - IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets; and
 - IAS 24 Related Party Disclosures.
- Annual Improvements 2011-2013 Cycle.
 - IFRS 3 Business Combinations;
 - IFRS 13 Fair Value Measurement; and
 - IAS 40 Investment Property.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

A brief description of the changes is provided below:

IAS 19 Defined Benefit Plans: Employee Contributions 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 Company.

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 Company has applied these improvements for the first time in these financial statements. They include:

IFRS 2 Share-based Payments

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. These amendments are not relevant to the Company.

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 IFRS 9 (or IAS 39, as applicable). These amendments have no impact on the Company, since the Company has no contingent consideration arrangement.

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.

This amendment is not relevant to the Company.

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 is not relevant to the Company.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Annual Improvements 2010-2012 Cycle (continued)

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 will not have any impact on the Company.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Company has applied these amendments for the first time in these financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3; and
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Company does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. This amendment did not impact the financial statements of the Company.

Changes in accounting policies driven by new regulations:

Management takes the view that the changes in accounting policies described below provide more relevant and reliable information of the Company's financial performance and financial position to the users of the financial statements. The change in the accounting policy did not lead to a restatement of prior year numbers, as it did not have a material impact on the financial position as at 31 December 2014 or the financial performance for the year ended 31 December 2014.

(i) Allocated Loss Adjustment Expense (ALAE) / Unallocated Loss Adjustment Expense Reserves (ULAE)

On 1 January 2015, the Company has early adopted the financial regulations required by the Insurance Authority Board Decision No. (25) of 2014 relating to recognition of ALAE & ULAE and accordingly, changed its accounting policy to record a provision representing future claim expenses and related handling costs, being ALAE and ULAE. The ALAE reserve is for expenses and costs that can be assigned to a specific claim and the ULAE reserve is for all other overhead expenses and costs that cannot be assigned to a specific claim. The change in accounting policy in the current period has resulted in a provision of AED 10,795 thousand included in the outstanding claims under insurance contract liabilities. Prior year financial statements are not restated as the impact was not considered material.

Changes in accounting estimate driven by new regulations:

Management takes the view that the change in estimate described below provide more relevant and reliable information of the Company's financial performance and financial position to the users of the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Annual Improvements 2011-2013 Cycle (continued)

(i) Unexpired Risk Reserve (URR)

On 1 January 2015, the Company has early adopted the financial regulations required by the Insurance Authority Board Decision No. (25) of 2014 relating to recognition of URR and accordingly, changed its accounting estimate to record a provision for lines of business where the risk is not linear across the policy term.

2.3 SIGNIFICANT ACCOUNTING POLICIES

Financial assets and liabilities

Recognition

The Company initially recognises deposits and debt securities issued on the date that they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Company commits to purchase or sell the asset. All other financial assets and liabilities (including assets designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognised in:

- (i) income statement, for securities held at amortised cost or FVTPL, or
- (ii) other comprehensive income, for investments at FVTOCI. At the time of derecognition of FVTOCI investment any revaluation reserve is transferred to retained earnings.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

Designation at amortised cost

Debt instruments are classified as investments at amortised cost only if:

- (i) the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If either of the two criteria is not met the financial instrument is classified at fair value through profit or loss. Further, even if the asset meets the amortised cost criteria, the Company may choose at initial recognition to designate the financial asset as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Designation at amortised cost (continued)

Investments in equity instruments are classified and measured at fair value through profit or loss except if the equity investment is not held for trading and is designated by the Company at fair value through other comprehensive income. If the equity investment is designated at fair value through other comprehensive income, all gains and losses, except for dividend income recognised in accordance with IAS 18 Revenue, are recognised in other comprehensive income and are not subsequently reclassified to the statement of income.

Other financial assets

Other non-derivative financial assets, such as cash and cash equivalents, statutory deposits, insurance and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to set off the amounts and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards. Gains and losses arising from a Group of similar transactions are reported on a net basis.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement

The Company measures financial instruments, such as investments carried at fair value through other comprehensive income and investments carried at fair value through profit or loss and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 6.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

The management, in conjunction with the Company's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment of financial assets

The Company assesses at each statement of financial position date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default or delinquency in interest or principal payments and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets 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.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest income'. Financial assets at amortised cost together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Other income'.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

Insurance contracts

Classification

The Company issues contracts that transfer either insurance risk or both insurance and financial risks. The Company does not issue contracts that transfer only financial risks.

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Company to pay significant additional benefits due to occurrence of the insured event as compared to the non - occurrence. Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

Premiums

Gross premiums written reflect amounts recognised during the year to policyholders or other insurers for insurance contracts, and exclude any fees and other amounts calculated based on premiums. These are recognised when the underwriting process is complete.

Premiums include any adjustments in respect of business written in prior accounting periods. The earned portion of premiums is recognised as income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

Unearned premium provision

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a reserve for unearned premiums.

Unexpired risk reserve

Unexpired risk reserve represent the portion of the premium subsequent to the financial statement date and where the premium is expected to be insufficient to cover anticipated claims, expenses and a reasonable profit margin.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contracts (continued)

Provision for premium deficiency / liability adequacy test

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

Claims

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

Reinsurance

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

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

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

Deferred commission expenses and other expenses and Unearned commission income and other income

At the end of each reporting period, portion of commission income and other income and portion of commission expenses and other expenses related to underwriting activities are deferred to cover for unexpired risks. The reserves are calculated on a time-proportion basis over the effective period of the policy.

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 statement of income.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contracts (continued)

Insurance contract liabilities

Insurance contract liabilities include claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER), premium deficiency reserve (PDR), outstanding claims (OSLR), provision for unearned premium (UPR), provision for unexpired risk reserve (URR) and the provision for allocated and unallocated loss adjustment expenses (ALAE/ULAE).

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the statement of financial position date, in addition for claims incurred but not reported.

The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date. Unearned premiums are calculated on a time proportion basis over the effective period of the policy. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The Company provides unearned premium reserve based on actual terms of the policy.

The liability relating to IBNR, IBNER, ALAE/ULAE and PDR reserve is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

The reinsurers' portion towards the above contract liabilities is classified as reinsurance contract assets in the financial statements.

Finance cost

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

Property and equipment

Recognition and measurement

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

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

Subsequent cost

The cost of replacing a part of property and equipment is recognised in the carrying amount of the item if it is probable that future economic benefits within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of day to day servicing of property and equipment is recognised in the income statement.

Gains and losses on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within other operating income in the income statement.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the remaining economic useful lives of all property and equipment. Freehold land and capital work in progress are not depreciated.

The economic useful lives of assets, from the date of use, for the current and comparative period are estimated to be as follows:

	<i>Useful life</i>
Building	10 - 20 years
Furniture, fixtures and leasehold improvements	4 - 10 years
Office equipment	2 - 8 years
Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

Impairment

The carrying amounts are reviewed at each reporting date for indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised in the income statement to the extent that carrying values do not exceed the recoverable amounts.

Impairment of non-financial assets

The Company 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 Company 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 and 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. When 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 a discount rate that reflects 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 available. 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 securities or other available fair value indicators.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill is allocated. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at fair value with any change therein recognised in operating income in the income statement.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

The Company holds investment properties which are disclosed in note 11.

Revenue - non insurance

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

Rental income

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

Interest income

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

Dividend income

Dividend income is recognised when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities.

Investment income

Interest income is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established.

Realised and unrealised gain

Net gains/losses on financial assets classified at fair value through profit or loss and fair value through other comprehensive income are described under the accounting policy for financial assets and liabilities.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency

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

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. All of the Company's operating lease contracts are renewable.

Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Lease payments are separated using the interest rate implicit in the lease to identify the finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

The Company enters into operating leases for their investment properties. Rental income from such operating leases is recognised on a straight-line basis over the term of the relevant lease.

Provisions

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

Staff end of service benefits

Defined benefit plan

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the 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.

Defined contribution plan

The Company pays its obligations for UAE citizens into a Social Security and UAE Pension Fund in accordance with the Federal Law No. (7) of 1999 for Pension and Social Security.

Dividend

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

3. FUTURE CHANGES IN ACCOUNTING POLICIES - NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

New standards and amendments to existing standards issued but not yet effective up to the date of the issuance of the Company's financial statements are listed below.

IFRS 9: Financial Instruments introduces new requirements for classification and measurement, impairment, and hedge accounting. In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015.

The Company is in the process of assessing the impact of IFRS 9 on its financial statements.

IFRS 14: Regulatory Deferral Accounts 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 comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Company is an existing IFRS preparer, this standard would not apply.

IFRS 11: Joint Arrangements (Amendment) 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 3 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 Company.

IFRS 16: Leases was issued in January 2016 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, It substantially carries forward the requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. An entity shall apply this Standard for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of this Standard." This is not expected to have any impact on the Company.

IAS 16 and IAS 38: (Amendment) 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 on the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

3. FUTURE CHANGES IN ACCOUNTING POLICIES - NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IAS 16 and IAS 41: (Amendment) changes 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 on the Company as the Company does not have any bearer plants.

IAS 27: Separate Financial Statements (Amendment) 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 their 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 are not expected to have any impact on the Company.

IFRS 10 and IAS 28 (Amendments) addresses 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 Company.

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 of 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; and
- That the share of OCI 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 statement of comprehensive income.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of 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 Company.

3. FUTURE CHANGES IN ACCOUNTING POLICIES - NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

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 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 . 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 Company.

4. RISK MANAGEMENT

This section summarises the risks faced by the Company and the way the Company manages them.

4.1 Introduction and overview

Overall framework

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

Capital management framework

The Company has an internal risk management framework for identifying risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on economic capital. The internal framework estimates indicate how much capital is needed to mitigate the risk of insolvency to a selected remote level of risk applied to a number of tests (both financial and non-financial) on the capital position of the business.

Regulatory framework

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

The operations of the Company are also subject to regulatory requirements within the UAE. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise. The chairman of the Insurance Authority vide Board of Directors' Decision No. (25) of 2014 dated 28th December 2014, issued Financial Regulation for Insurance Companies (FRIC) applicable to insurance companies incorporated in the UAE and the foreign insurance companies licensed to practice the activity in the UAE. The major highlights of the new regulation is summarized in the following table:

4. RISK MANAGEMENT (continued)

4.1 Introduction And Overview (continued)

Regulatory framework (continued)

Regulation
1. Basis of Investing the Rights of the Policy Holders
2. Solvency Margin and Minimum Guarantee Fund
3. Basis of calculating the technical provisions
4. Determining the Company's assets that meet the accrued insurance liabilities
5. Records which the Company shall be obligated to organise and maintain as well as the data and documents that shall be made available to the Authority
6. Principles of organising accounting books and records of the Company, agents and brokers and determining data to be maintained in these books and records
7. Accounting policies to be adopted and the necessary forms needed to be prepare and present reports and financial statements

Company is in the process of assessing the requirements to ensure compliance by the required due dates.

4.2 Insurance risk

The Company accepts insurance risk through its written insurance contracts. The Company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts.

The Company writes the following types of general insurance contracts:

- Marine hull insurance
- Marine cargo insurance
- Aviation insurance
- Engineering insurance
- Energy insurance
- Liability insurance
- Financial lines insurance
- Property insurance
- Accident insurance
- Group life insurance
- Motor insurance
- Health insurance

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

Underwriting strategy

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

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

4. RISK MANAGEMENT (continued)

4.2 Insurance risk (continued)

Underwriting strategy (continued)

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

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

The Company operates a number of oversight committees that monitor aggregate risk data and take overall risk management decisions.

Reinsurance Strategy

The reinsurance arrangements include excess and catastrophe coverage. The Company reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect capital resources.

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

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

The estimated loss ratios are analysed below by class of business for the current and previous year:

<i>Type of risk</i>	Year ended 31 December 2015		<i>Year ended 31 December 2014</i>	
	Gross loss ratio	Net loss ratio	<i>Gross loss ratio</i>	<i>Net loss ratio</i>
Commercial	81%	117%	107%	97%
Consumer	111%	109%	107%	109%

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31 December 2015

4. RISK MANAGEMENT (continued)

4.2 Insurance risk (continued)

Claim development

The following schedule reflects the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last five years on an accident year basis:

	2010 and earlier AED'000	2011 AED'000	2012 AED'000	2013 AED'000	2014 AED'000	2015 AED'000	Total AED'000
Commercial (gross)							
At the end of the reporting year		107,299	187,180	403,478	1,148,446	864,515	2,710,918
One year later		172,083	341,395	618,804	1,344,165		2,476,447
Two years later		199,258	389,420	717,837			1,306,515
Three years later		202,553	394,774				597,327
Four years later		218,291					218,291
Current estimate of cumulative claims		218,291	394,774	717,837	1,344,165	864,515	3,539,582
Cumulative payments to date		188,841	317,567	426,563	615,677	92,293	1,640,941
Liability recognised in the statement of financial position 2010 and earlier	7,284						7,284
Total liability recognised in the statement of financial position	7,284	29,450	77,207	291,274	728,488	772,222	1,905,925
Consumer (gross)							
At the end of the reporting year		754,009	863,730	930,511	1,134,084	975,619	4,657,953
One year later		828,090	903,379	1,003,752	1,307,344		4,042,565
Two years later		834,376	913,182	1,062,435			2,809,993
Three years later		835,782	917,710				1,753,492
Four years later		836,726					836,726
Current estimate of cumulative claims		836,726	917,710	1,062,435	1,307,344	975,619	5,099,834
Cumulative payments to date		839,431	915,025	1,052,666	1,264,009	565,951	4,637,082
Liability recognised in the statement of financial position	2,531						2,531
Total liability recognised in the statement of financial position	2,531	(2,705)	2,685	9,769	43,335	409,668	465,283

4. RISK MANAGEMENT (continued)

4.2 Insurance risk (continued)

Sensitivity of underwriting profit and losses

The underlying risk of any agreed insurance contract is the possibility that the insured event occurs and the level of certainty the Insurer can project on any resulting claim. By the nature of an insurance contract, this risk is often random and the amount of payable claim even more unpredictable. Therefore ADNIC applies the principle of probability across all pricing and provisioning. Despite this principle the risk that actual claims payments exceed the estimated amount of the insurance liabilities is still ever present due to the uncertainty of the frequency or severity of claims being greater than estimated. Whilst ADNIC applies the portfolio approach to understand its projected claims, events leading to actual claims vary and therefore profitability is impacted, either positively or negatively on an annual basis.

The Company has an overall risk retention level in the region of 48% (2014: 54%) and this is mainly due to overall low retention levels in commercial lines. Despite these low retention levels on commercial lines, due to the unpredictability in events and their extreme volatility, large events stress the performance of the Company despite transferring risks to other parties. For all lines of business, the Company is adequately covered by excess of loss reinsurance programs to guard against any major financial impact.

Concentration of insurance risk

In common with other insurance companies, in order to minimize financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. ADNIC manages its risks through its prudent underwriting strategy, reinsurance arrangements aligned with the Company's risk appetite and thorough claims handling.

Underwriting limits are in place to enforce appropriate risk selection criteria for the type of risk being underwritten based on our historical data and market analysis.

As part of our strategy to decrease volatility due to concentration of exposure, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

The concentration of insurance risk as at 31 December 2015 was as follows:

	Commercial		Consumer		Total exposure	
	Gross AED'000	Net AED'000	Gross AED'000	Net AED'000	Gross AED'000	Net AED'000
UAE	725,799,939	59,750,881	124,285,531	61,446,765	850,085,470	121,197,646
GCC countries	47,209,211	1,184,589	479,401	430,241	47,688,612	1,614,830
Others	38,979,402	460,656	9,022,908	8,845,526	48,002,310	9,306,182
	<u>811,988,552</u>	<u>61,396,126</u>	<u>133,787,840</u>	<u>70,722,532</u>	<u>945,776,392</u>	<u>132,118,658</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

4. RISK MANAGEMENT (continued)

4.2 Insurance risk (continued)

Concentration of insurance risk (continued)

The concentration of insurance risk as at 31 December 2014 was as follows:

	Commercial		Consumer		Total exposure	
	Gross AED'000	Net AED'000	Gross AED'000	Net AED'000	Gross AED'000	Net AED'000
UAE	818,490,881	61,863,723	63,213,867	25,451,790	881,704,748	87,315,513
GCC countries	61,483,642	2,550,992	52,953,236	42,300,964	114,436,878	44,851,956
Others	<u>56,567,762</u>	<u>1,243,691</u>	<u>3,883,332</u>	<u>1,482,153</u>	<u>60,451,094</u>	<u>2,725,844</u>
	<u>936,542,285</u>	<u>65,658,406</u>	<u>120,050,435</u>	<u>69,234,907</u>	<u>1,056,592,720</u>	<u>134,893,313</u>

4.3 Financial risk

The Company has exposure to the following risks from financial instruments:

- Credit risk
- Liquidity risk
- Market risks
- Operational risks

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company has been established and policies and procedures are in place to mitigate the Company's exposure to credit risk:

	2015 AED'000	2014 AED'000
<i>Maximum exposure</i>		
Investments at amortised cost	534,851	543,076
Reinsurance contract assets	993,320	886,671
Trade and other receivables	673,718	767,806
Bank balances	<u>667,136</u>	<u>559,143</u>
Total	<u>2,869,025</u>	<u>2,756,696</u>

4. RISK MANAGEMENT (continued)

4.3 Financial risk (continued)

Credit risk (continued)

Compliance with the policy is monitored and exposures and breaches are regularly reviewed for changes in the risk environment.

For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the statement of financial position date.

Reinsurance is placed with reinsurers approved by the management, which are generally international reputed companies.

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

Management of credit risk

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

The credit risk on liquid funds maintained with banks is limited because the counterparties are banks with high credit-rating assigned by international credit-rating agencies or reputable local banks closely monitored by the regulatory body.

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

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

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities.

Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet commitments as they arise.

Management of liquidity risk

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

Details of the Company's financial liabilities are summarised in the table below by the maturity profile of the Company's assets and liabilities based on the contractual repayment arrangements. The contractual maturities of liabilities have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

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4. RISK MANAGEMENT (continued)

4.3 Financial risk (continued)

Liquidity risk (continued)

Management of liquidity risk (continued)

	Carrying amount AED'000	Contractual cash outflows	
		Upto 180 days AED'000	181 to 365 days AED'000
Financial liabilities at 31 December 2015			
Insurance contract liabilities	2,371,208	-	(2,371,208)
Trade and other payables	680,911	(680,911)	-
Total	3,052,119	(680,911)	(2,371,208)
Financial liabilities at 31 December 2014			
Insurance contract liabilities	1,887,670	-	(1,887,670)
Loans from a financial institution	20,777	-	(20,777)
Trade and other payables	563,348	(563,348)	-
Total	2,471,795	(563,348)	(1,908,447)

The expected maturity profile of the assets at 31 December 2015 and 2014 is as follows:

	Current AED'000	Non-current AED'000	Total AED'000
31 December 2015			
Bank balances and cash	667,205	-	667,205
Trade and other receivables	768,829	-	768,829
Reinsurance contracts assets	2,013,310	-	2,013,310
Investments	967,918	324,269	1,292,187
Investment properties	-	782,236	782,236
Property and equipment	-	80,010	80,010
	4,417,262	1,186,515	5,603,777
31 December 2014			
Bank balances and cash	559,230	-	559,230
Trade and other receivables	897,199	-	897,199
Reinsurance contracts assets	1,847,279	-	1,847,279
Investments	1,090,980	299,446	1,390,426
Investment properties	-	781,102	781,102
Property and equipment	-	80,580	80,580
	4,394,688	1,161,128	5,555,816

Except for end of service benefits of AED 27,050 thousand (2014: AED 25,646 thousand), the Company expects its liabilities of AED 4,335,511 thousand (2014: AED 3,895,701 thousand) to mature in less than twelve months from the date of the statement of financial position.

4. RISK MANAGEMENT (continued)

4.3 Financial risk (continued)

Market risk

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

Management of market risk

The Company separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Company actively monitors the key factors that affect stock and market movements, including analysis of the operational and financial performance of investees and properties.

Interest rate risk

Interest rate risk arises from interest bearing financial instruments and reflects the possibility that changes in interest rates will adversely affect the value of the financial instruments and the related income. The Company manages this risk principally through monitoring interest rate gaps and by matching the re-pricing profile of assets and liabilities.

The substantial portion of the Company's assets and liabilities are re-priced within one year. Accordingly, interest rate risk is limited to that extent.

The effective interest rate of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is an original effective interest rate for a fixed rate instrument carried at amortised cost and a current market rate for a floating instrument or an instrument carried at fair value.

At the statement of financial position date if the interest rates are 1% (100 basis point) higher/lower and all the other variables were held constant the Company's net loss would have increased/decreased by AED 6,671 thousand (2014: AED 5,384 thousand).

Currency risk

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

The Company has considerable exposures denominated in US Dollar. As the AED Dirham is pegged to the US Dollar since November 1980 accordingly, the Company's exposure to currency risk is limited to that extent.

Equity price risk

Equity price risk arises from the change in fair value of equity investments. The Company manages this risk through diversification of investments in terms of geographical distribution and industry concentration.

4. RISK MANAGEMENT (continued)

4.3 Financial risk (continued)

Market risk (continued)

Equity price risk (continued)

At the statement of financial position date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant:

For investments held at fair value through profit or loss

Loss would have increased/decreased by AED 17,937 thousand (2014: AED 17,436 thousand).

For investments held at fair value through other comprehensive income

Changes in revaluation reserves of shares would increase/decrease by AED 57,796 thousand (2014: AED 67,300 thousand) as a result of the changes in fair value of quoted shares.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, human error, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The Board has oversight responsibilities for operational risk management in the Company. These responsibilities are exercised through the Risk Management Committee with an established framework of policies and procedures to identify, assess, monitor, control, manage and report risks. The Risk Management Committee employs clear internal policies and procedures to reduce the likelihood of any operational losses. Where appropriate, risk is mitigated by way of insurance. The framework also provides the interrelation with other risk categories.

Compliance with policies and procedures is supported by periodic reviews undertaken by the Audit and Compliance Division. The results of these reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

4.4 Capital risk management

The Company's objectives when managing capital is to comply with the insurance capital requirements required by the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations.

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

On 28 December 2014, the United Arab Emirates (UAE) Insurance Authority issued Financial Regulations for Insurance Companies and were then subsequently published in the UAE Official Gazette No. 575 on 28th January 2015 and came into force on 29 January 2015. The Company is subject to local insurance solvency regulations with which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations. Insurance Authority allows an alignment period of up to three years for the insurance companies to be in compliance with the regulations.

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31 December 2015

4. RISK MANAGEMENT (continued)

4.4 Capital risk management (continued)

As per the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the minimum capital requirement remains at AED 100 million for Insurance companies.

The table below summarises the minimum regulatory paid up capital of the Company and the total paid up capital held.

	2015 AED'000	2014 AED'000
Total capital held	<u>375,000</u>	<u>375,000</u>
Minimum regulatory capital	<u>100,000</u>	<u>100,000</u>

5. USE OF ESTIMATES AND JUDGEMENTS

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial statements.

Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Company. The Company's accounting policy for the classification of insurance is discussed in more detail in note 2.3. There are a number of contracts sold where the Company exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Company is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at fair value through other comprehensive income, fair value through profit or loss or amortised cost. In judging whether investments in securities are as at fair value through other comprehensive income, fair value through profit or loss or amortised cost, Management has considered the detailed criteria for determination of such classification as set out in IFRS 9 Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statements of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow 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. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

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 unearned premium reserve and unexpired risk reserve

Unearned premium reserves includes premium deficiency reserve (PDR) and unexpired risk reserve (URR) which are estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the statement of financial position date of UPR, PDR and URR reserve (net of related reinsurance asset) is AED 481.3 million (2014: AED 668.2 million).

Provision for incurred but not reported claims (IBNR)

Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR), using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the statement of financial position date of IBNR reserve (net of related reinsurance receivable) is AED 312 million (2014: AED 268 million).

Provision for outstanding claims

Provision for outstanding claims include provision for ALAE and ULAE reserves. Considerable judgement 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 possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company generally estimates its claims based on previous experience and / or loss adjustor reports. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters along with the Company's internal legal counsel normally estimate such claims. The ALAE and ULAE reserves are estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the statement of financial position date of provision for outstanding claims (net of related reinsurance assets) is AED 675.9 million (2014: AED 442 million).

Contingent liabilities

Due to the nature of its operations, the Company may be involved in litigations arising in the ordinary course of business. Provision for contingent liabilities arising from litigations is based on the probability of outflow of economic resources and reliability of estimating such outflow. Such matters are subject to many uncertainties and the outcome of individual matters is not predictable with any reasonable assurance. The Company has made a provision of AED 58 million (2014: AED 44.6 million) in respect of claims requiring court or arbitration decisions.

Reinsurance

The Company is exposed to disputes with, and possibility of defaults by its reinsurer. The Company monitors on a monthly basis the evolution of disputes with and the strength of its reinsurer.

Impairment of insurance receivables

An estimate of the collectible amount of insurance receivables is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired, entails the Company evaluating the credit and liquidity position of the policy holders and the insurance and reinsurance companies, historical recovery rates including detailed investigations carried out during 2015 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection. Provision for the doubtful debts on insurance receivables at 31 December 2015 was AED 124,608 thousand (2014: AED 112,693 thousand).

5. USE OF ESTIMATES AND JUDGEMENTS (continued)

Estimation uncertainty (continued)

Impairment of investments at amortised cost

The Company evaluates impairment on investments at amortised cost on an ongoing basis and a comprehensive review on a quarterly basis to assess whether an impairment charge should be recognised in the income statement. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of impairment charge required. In estimating these cash flows, management makes judgements about counterparty's financial situation and other means of settlement and the net realisable value of any underlying collateral. Such estimates are based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such impairment charges.

Estimation of fair value of investment properties

The fair value of investment properties is determined by independent real estate valuation consultants based on Comparative Method of Valuation method or using a valuation method. Under the Comparative Method of Valuation the fair value is determined by considering recent prices of similar properties in the same location and similar conditions, with adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices.

Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual values realised. The change in fair value recognised in the income statement for the year was a decrease of AED 709 thousand (2014: nil).

Valuation of private equities

The valuation of private equity investments is based on net asset value determined by external fund managers.

6. FAIR VALUES OF FINANCIAL INSTRUMENTS

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7.

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively. The change had no significant impact on the measurements of the Company's assets and liabilities.

The management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the management assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability might be categorised in the different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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6. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

Assets measured at fair value – fair value hierarchy

The table below analyses assets at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2015				
Investments at fair value through profit or loss	2,177	-	177,195	179,372
Investment at fair value through OCI	430,891	-	147,073	577,964
	<u>433,068</u>	<u>-</u>	<u>324,268</u>	<u>757,336</u>
31 December 2014				
Investments at fair value through profit or loss	18,294	-	156,061	174,355
Investment at fair value through OCI	529,610	-	143,385	672,995
	<u>547,904</u>	<u>-</u>	<u>299,446</u>	<u>847,350</u>

Fair value of financial instruments measured at amortised cost

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

	Carrying amount AED'000	Fair value AED'000
31 December 2015		
Investments at amortised cost	<u>534,851</u>	<u>541,643</u>
31 December 2014		
Investments at amortised cost	<u>543,076</u>	<u>562,596</u>

Movement in level 3 for investments at fair value through profit or loss and investments at fair value through OCI is as follows:

	2015 AED'000	2014 AED'000
Balance as at 1 January	299,446	195,858
(Loss) gains from change of fair value of investments	(28)	8,701
Additions	72,844	109,319
Disposals	<u>(47,994)</u>	<u>(14,432)</u>
Balance at 31 December	<u>324,268</u>	<u>299,446</u>

During the years ended 31 December 2015 and 2014, there were no transfers between level 1 and 2.

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7. TRADE AND OTHER RECEIVABLES

	2015 AED'000	2014 AED'000
Trade receivables	698,365	859,064
Less: impairment provision of receivables	(124,608)	<u>(112,693)</u>
Net trade receivables	573,757	746,371
Deferred commission expense	70,619	98,158
Interest receivable	11,754	7,481
Rental income receivable	83,183	7,947
Prepayments	23,777	30,540
Other receivables	5,739	<u>6,702</u>
	<u>768,829</u>	<u>897,199</u>

The average credit period on sale of services is 120 days. No interest is charged on trade and other receivables. Trade receivables are provided for, after considering claims payable to policyholders (debtors are provided for based on the net exposure to the Company).

Before accepting any new customer, the Company assesses the potential customer's credit quality and defines credit limits by customer. In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Impaired trade receivable of AED 326,124 thousand (2014: AED 332,883 thousand) have a provision of AED 124,608 thousand (2014: AED 112,693 thousand) recorded against them.

As at 31 December, the ageing analysis of unimpaired trade receivables and amounts due from related parties is as follows:

	<i>Total</i> AED'000	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>	
			<i>121-365 days</i> AED'000	<i>Above 365</i> AED'000
31 December 2015				
Trade receivables	372,241	332,896	36,931	2,414
31 December 2014				
Trade receivables	526,181	491,369	33,854	958

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7. TRADE AND OTHER RECEIVABLES (continued)

Unimpaired receivables are expected on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables and the vast majority are therefore, unsecured.

Movements in the provision for impairment of trade receivables were as follows:

	2015 AED'000	2014 AED'000
At 1 January	112,693	97,071
Charge for the year	11,915	16,214
Amounts written-off	<u>-</u>	<u>(592)</u>
At 31 December	<u>124,608</u>	<u>112,693</u>

8. INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS

	2015 AED'000	2014 AED'000
Insurance contract liabilities		
Outstanding claims (i)	1,669,208	1,328,687
Claims incurred but not reported	702,000	558,983
Unearned premium reserve (ii)	<u>1,111,494</u>	<u>1,338,445</u>
	<u>3,482,702</u>	<u>3,226,115</u>
Re-insurance contract assets		
Outstanding claims	993,320	886,671
Claims incurred but not reported	389,800	290,400
Unearned premium reserve	<u>630,190</u>	<u>670,208</u>
	<u>2,013,310</u>	<u>1,847,279</u>
Insurance liabilities - net		
Outstanding claims (i)	675,888	442,016
Claims incurred but not reported	312,200	268,583
Unearned premium reserve (ii)	<u>481,304</u>	<u>668,237</u>
	<u>1,469,392</u>	<u>1,378,836</u>

8. INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS (continued)

- (i) Outstanding claims includes allocated and unallocated loss adjustment expenses reserve of AED 10,795 thousand (2014: nil).
- (ii) Unearned premium reserve includes :
 - (a) Premium deficiency reserve of gross AED 41,050 thousand (2014: 153,519 thousand) and net AED 55,050 thousand (AED 43,053 thousand).
 - (b) Unexpired risk reserve of gross AED 103,481 thousand (2014: nil) and net AED 31,513 thousand (2014: AED : nil)

Actuarial valuation for Incurred But Not Reported Reserve (IBNR), Allocated and Unallocated Loss Adjustment Expenses Reserve (ALAE/ULAE), Premium Deficiency Reserve (PDR), Unexpired Risk Reserve (URR) and related assumptions

Incurred but not reported (IBNR) reserve along with reserves for incurred but not enough reported (IBNER) and Allocated and unallocated loss adjustment expenses reserves (ALAE/ULAE) are calculated by local and/or external actuaries using a selection of actuarial methods. The analysis is segmented by line of business to provide enough credible and homogeneous claims data and different (selection of) methods are used to take into account different claim development trends for each line of business. IBNR (and IBNER) and ALAE / ULAE are calculated both gross and net of reinsurance using actual reinsurance data to ensure the correct impact of reinsurance is reflected in the reserves.

Premium Deficiency Reserve (PDR) and Unexpired risk reserve (URR) is calculated by internal and/or external actuaries using a selection of actuarial methods on those lines of business where the unearned premiums is not adequate to meet the expected future liabilities from claims, commissions and expenses. Actuaries analyzed the expected losses on the in-force policies separately for each of these lines of business using a selection of actuarial method. Actual commission payouts and expected expenses on the in-force portfolio were used to calculate premium deficiency reserves. PDR also includes consideration of cost of capital or other profit loadings. Additional URR is held for lines of business where the risk is not linear across the policy term.

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8 INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS (continued)

Actuarial valuation for Incurred But Not Reported Reserve (IBNR), Allocated and Unallocated Loss Adjustment Expenses Reserve (ALAE/ULAE), Premium Deficiency Reserve (PDR), Unexpired Risk Reserve (URR) and related assumptions (continued)

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

	31 December 2015			31 December 2014		
	Gross AED'000	Re-insurance AED'000	Net AED'000	Gross AED'000	Re-insurance AED'000	Net AED'000
Claims						
Outstanding claims	1,328,687	886,671	442,016	614,387	394,406	219,981
Incurred but not reported	558,983	290,400	268,583	116,348	43,034	73,314
Total at 1 January	1,887,670	1,177,071	710,599	730,735	437,440	293,295
Claims settled	(1,879,725)	(721,969)	(1,157,756)	(1,549,624)	(404,189)	(1,145,435)
Increase in liabilities	2,363,263	928,018	1,435,245	2,706,559	1,143,820	1,562,739
Total at 31 December	2,371,208	1,383,120	988,088	1,887,670	1,177,071	710,599
Outstanding claims	1,669,208	993,320	675,888	1,328,687	886,671	442,016
Incurred but not reported	702,000	389,800	312,200	558,983	290,400	268,583
Total at 31 December	2,371,208	1,383,120	988,088	1,887,670	1,177,071	710,599
Unearned premium						
Total at 1 January	1,338,445	670,208	668,237	1,237,347	518,915	718,432
Increase during the year	1,111,494	630,190	481,304	1,338,445	670,208	668,237
Release during the year	(1,338,445)	(670,208)	(668,237)	(1,237,347)	(518,915)	(718,432)
Net increase during the year	(226,951)	(40,018)	(186,933)	101,098	151,293	(50,195)
Total at 31 December	1,111,494	630,190	481,304	1,338,445	670,208	668,237
Grand total	3,482,702	2,013,310	1,469,392	3,226,115	1,847,279	1,378,836

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9. STATUTORY DEPOSIT

In accordance with the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations the Company maintains a bank deposit of AED 10,000,000 (2014: AED 10,000,000) which cannot be utilised without the consent of the Chairman of the Insurance authority's Board of Directors.

10. INVESTMENTS

	2015 AED'000	2014 AED'000
Investments at fair value through other comprehensive income	577,964	672,995
Investments at amortised cost	534,851	543,076
Investment at fair value through profit or loss	179,372	174,355
	<u>1,292,187</u>	<u>1,390,426</u>
Investments at fair value through other comprehensive income		
Fair value at 1 January	672,995	637,318
Additions during the year	375,055	439,693
Disposals during the year	(385,501)	(380,371)
Net change in fair value	(84,585)	(23,645)
	<u>577,964</u>	<u>672,995</u>
Investment at amortised cost		
Opening balance at 1 January	543,076	352,678
Additions during the year	60,699	246,381
Disposals during the year	(66,810)	(53,278)
Amortisation expense	(2,114)	(2,705)
	<u>534,851</u>	<u>543,076</u>
Investments at fair value through profit or loss		
Fair value at 1 January	174,355	149,246
Additions during the year	24,474	209,798
Disposals during the year	(24,566)	(190,377)
Net change in fair value	5,109	5,688
	<u>179,372</u>	<u>174,355</u>
Geographical concentration of investments is as follows:		
Within UAE	577,398	641,914
Outside UAE	714,789	748,512
	<u>1,292,187</u>	<u>1,390,426</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

11. INVESTMENT PROPERTIES

	<i>Abu Dhabi Head Office Land and Building (i) AED'000</i>	<i>Al Ain Land and Building (ii) AED'000</i>	<i>Sharjah Land and Building (iii) AED'000</i>	<i>Al Raha Beach (Plot 406) and Building (iv) AED'000</i>	<i>Al Raha Beach (Plot 408) and Building (v) AED'000</i>	<i>Total AED'000</i>
At 1 January 2015	168,820	11,500	32,000	355,001	213,781	781,102
Additions	-	-	-	-	1,843	1,843
Decrease in fair value during the year (note 20)	(10,154)	400	15,000	(67,881)	61,926	(709)
At 31 December 2015	<u>158,666</u>	<u>11,900</u>	<u>47,000</u>	<u>287,120</u>	<u>277,550</u>	<u>782,236</u>
At 1 January 2014	167,260	11,500	32,000	355,800	140,368	706,928
Additions	1,560	-	-	(799)	73,413	74,174
Increase in fair value during the year	-	-	-	-	-	-
At 31 December 2014	<u>168,820</u>	<u>11,500</u>	<u>32,000</u>	<u>355,001</u>	<u>213,781</u>	<u>781,102</u>

- (i) The construction of this building which is comprised of 14 floors was completed in 1980.
- (ii) The construction of this six storey building was completed in 2003. The entire building is available for letting to third parties.
- (iii) This 16 storey building was purchased during 1993. The entire building is available for letting to third parties.
- (iv) In 2007, the Company purchased land at Al Raha Beach in Abu Dhabi City (Plot 406). The construction on plot no 406 was completed in 2013.
- (v) In 2007, the Company purchased land at Al Raha Beach in Abu Dhabi City (Plot 408). Additions during the year represent construction costs.

Measurement of fair value

The fair value of investment properties is determined using market based approach and discounted cash flow (DCF) model (2014: DCF). The fair values of the Company's investment properties are categorised into level 3 of the fair value hierarchy. The fair value of the investment properties were determined either (a) by an external, independent property valuer having appropriate recognised professional qualifications and recent experience in the locations and categories of the properties being valued (for DCF valuations) or (b) market based valuations.

Market based approach considers recent market transactions for similar assets or quotes / bid prices for same or similar assets.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

11. INVESTMENT PROPERTIES (continued)

Measurement of fair value (continued)

DCF considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.

The estimated fair value would increase / (decrease) if:

- expected market rental growth were higher / (lower);
- void periods were shorter / (longer);
- the occupancy rate were higher / (lower);
- rent-free periods were shorter (longer); or
- the risk-adjusted discount rate were lower (higher).

12. PROPERTY AND EQUIPMENT

Property and equipment consist of the Company's building, furniture and fixtures, office equipment, motor vehicles and capital work in progress. Cost and accumulated depreciation accounts are aggregated as follows:

	<i>Building AED'000</i>	<i>Furniture, fixtures and leasehold improvements AED'000</i>	<i>Office equipment AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Capital work in progress AED'000</i>	<i>Total AED'000</i>
2015:						
Cost:						
At 1 January 2015	24,547	41,373	34,461	161	28,596	129,138
Additions	-	1,200	2,160	73	8,796	12,229
Disposals	-	(2,415)	(328)	(26)	-	(2,769)
Transfers	-	-	5,121	-	(5,121)	-
At 31 December 2015	24,547	40,158	41,414	208	32,271	138,598
Depreciation:						
At 1 January 2015	4,329	25,887	18,217	125	-	48,558
Charge for the year	1,291	5,083	6,091	24	-	12,489
Disposal for the year	-	(2,146)	(287)	(26)	-	(2,459)
At 31 December 2015	5,620	28,824	24,021	123	-	58,588
Carrying amounts:						
At 31 December 2015	18,927	11,334	17,393	85	32,271	80,010

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

12. PROPERTY AND EQUIPMENT (continued)

	<i>Building AED'000</i>	<i>Furniture, fixtures and leasehold improvements AED'000</i>	<i>Office equipment AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Capital work in progress AED'000</i>	<i>Total AED'000</i>
2014:						
Cost:						
At 1 January 2014	24,547	41,006	31,656	216	20,680	118,105
Additions	-	970	2,938	35	7,916	11,859
Disposals	-	(603)	(133)	(90)	-	(826)
At 31 December 2014	<u>24,547</u>	<u>41,373</u>	<u>34,461</u>	<u>161</u>	<u>28,596</u>	<u>129,138</u>
Depreciation:						
At 1 January 2014	3,037	20,777	13,814	199	-	37,827
Charge for the year	1,292	5,711	4,476	16	-	11,495
Disposal for the year	-	(601)	(73)	(90)	-	(764)
At 31 December 2014	<u>4,329</u>	<u>25,887</u>	<u>18,217</u>	<u>125</u>	<u>-</u>	<u>48,558</u>
Carrying amounts:						
At 31 December 2014	<u>20,218</u>	<u>15,486</u>	<u>16,244</u>	<u>36</u>	<u>28,596</u>	<u>80,580</u>

13. SHARE CAPITAL

	2015 AED'000	2014 AED'000
Authorised		
375,000,000 ordinary shares of AED 1 each (2014: 375,000,000 ordinary shares of AED 1 each)	<u>375,000</u>	<u>375,000</u>
Issued and fully paid		
375,000,000 ordinary shares of AED 1 each (2014: 375,000,000 ordinary shares of AED 1 each)	<u>375,000</u>	<u>375,000</u>

14. LEGAL RESERVE

In accordance with the Federal Law No. (2) of 2015 Concerning the Commercial Companies and the Company's Articles of Association, 10% of net profit is to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution. Since the Company reached the 50% limit, no transfer has been made during this year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

15. GENERAL RESERVE

Transfers to and from the general reserve are made at the discretion of the Board of Directors and the approval of the General Assembly. This reserve may be used for such purposes as the Directors deem fit. The Board of Directors propose, subject to the approval of the Annual General Assembly, the transfer of AED 350 million from general reserve to retained earnings.

The General Assembly meeting held on 15 Feb 2016 approved the proposal of transfer of AED 350 million from General Reserve to Retained earnings.

16. RETAINED EARNINGS

The Board of Directors proposed, subject to the approval of the Annual General Assembly, transfer of AED 350 million (2014: AED 300 million) from general reserve to retained earnings. The General Assembly meeting held on 15 February 2016 approved the proposal of transfer of AED 350 million from "General reserve" to "Retained earnings".

17. PROVISION FOR STAFF END OF SERVICE BENEFITS

	2015 AED'000	2014 AED'000
Balance at the beginning of the year	25,646	25,736
Charge for the year	3,836	3,411
Paid during the year	<u>(2,432)</u>	<u>(3,501)</u>
Balance at the end of the year	<u>27,050</u>	<u>25,646</u>

18. TRADE AND OTHER PAYABLES

	2015 AED'000	2014 AED'000
Trade accounts payable	551,110	524,245
Accrued expenses	21,574	24,082
Deferred commission income	74,772	68,225
Deferred income	97,127	17,236
Other accounts payable	<u>108,226</u>	<u>15,021</u>
	<u>852,809</u>	<u>648,809</u>

19. LOAN FROM A FINANCIAL INSTITUTION

	2015 AED'000	2014 AED'000
Loan from a financial institution	<u>-</u>	<u>20,777</u>

The loan was settled in full during the year. (2014: carries interest rate of 1.47% to 1.60% per annum).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

20. NET INVESTMENT AND OTHER INCOME

	2015 AED'000	2014 AED'000
Decrease in fair value of investment properties (note 11)	(709)	-
Dividend income	39,377	39,457
Net rental income	29,844	21,124
Net interest income on bank deposits and bonds	33,555	35,709
Change in fair value of investments at fair value through profit or loss account (note 10)	5,109	5,688
(Loss) gain on disposal of investments at fair value through profit or loss account	(49)	10,166
Others	(5,175)	(5,708)
	<u>101,952</u>	<u>106,436</u>

21. GENERAL AND ADMINISTRATIVE EXPENSES

	2015 AED'000	2014 AED'000
Salaries and other benefits	143,701	161,141
Impairment of receivables	11,915	16,214
Depreciation charge	12,489	11,495
Advertisement	3,666	4,426
Rent	4,951	5,501
Communication and office supplies	5,296	5,638
Others	25,554	25,826
	<u>207,572</u>	<u>230,241</u>

22. BASIC AND DILUTED LOSS PER ORDINARY SHARE

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

	2015 AED'000	2014 AED'000
Loss for the year	<u>(334,520)</u>	<u>(280,426)</u>
Ordinary shares in issue throughout the year	<u>375,000</u>	<u>375,000</u>
Basic and diluted loss per share (AED)	<u>(0.89)</u>	<u>(0.75)</u>

The Company has not issued any instrument which would have a diluted impact on loss per share when exercised.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

23. RELATED PARTIES

Identity of related parties

Related parties comprise major shareholders, associated companies, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. Government of Abu Dhabi holds 24 percent shareholding in the Company through Abu Dhabi Investment Council.

Pricing policies and terms of these transactions are approved by the management. The Company maintains significant balances with these related parties which arise from commercial transactions as follows:

Balances

Balances with related parties at the reporting date are shown below:

	Directors and key management 31 December 2015 AED'000	Major shareholder 31 December 2015 AED'000	Others 31 December 2015 AED'000	Total 31 December 2015 AED'000
Trade and other receivables	<u>298</u>	<u>338</u>	<u>223,802</u>	<u>224,438</u>
Trade and other payables	<u>-</u>	<u>-</u>	<u>10,447</u>	<u>10,447</u>
Cash and bank balances	<u>-</u>	<u>-</u>	<u>591,472</u>	<u>591,472</u>
Investments	<u>-</u>	<u>-</u>	<u>218,147</u>	<u>218,147</u>
Statutory deposits	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Insurance contract liabilities	<u>443</u>	<u>1,703</u>	<u>357,701</u>	<u>359,847</u>

Others comprise of companies controlled by the directors and other key management personnel.

	<i>Directors and key management 31 December 2014 AED'000</i>	<i>Major shareholder 31 December 2014 AED'000</i>	<i>Others 31 December 2014 AED'000</i>	<i>Total 31 December 2014 AED'000</i>
Trade and other receivables	<u>177</u>	<u>7</u>	<u>387,106</u>	<u>387,290</u>
Trade and other payables	<u>7</u>	<u>-</u>	<u>6,527</u>	<u>6,534</u>
Cash and bank balances	<u>-</u>	<u>-</u>	<u>184,936</u>	<u>184,936</u>
Investments	<u>-</u>	<u>-</u>	<u>109,115</u>	<u>109,115</u>
Statutory deposits	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Insurance contract liabilities	<u>401</u>	<u>2,033</u>	<u>350,860</u>	<u>353,294</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

23. RELATED PARTIES (continued)

Transactions

Transactions carried out during the reporting period with related parties are shown below:

	Directors and key management 31 December 2015 AED'000	Major shareholder 31 December 2015 AED'000	Others 31 December 2015 AED'000	Total 31 December 2015 AED'000
Premium written	<u>692</u>	<u>4,209</u>	<u>419,665</u>	<u>424,566</u>
Claims incurred	<u>478</u>	<u>2,830</u>	<u>221,483</u>	<u>224,791</u>
Dividend income	<u>-</u>	<u>-</u>	<u>8,370</u>	<u>8,370</u>
Interest income	<u>-</u>	<u>-</u>	<u>10,064</u>	<u>10,064</u>
Directors remuneration	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Investment Income	<u>-</u>	<u>-</u>	<u>181</u>	<u>181</u>

	<i>Directors and key management 31 December 2014 AED'000</i>	<i>Major shareholder 31 December 2014 AED'000</i>	<i>Others 31 December 2014 AED'000</i>	<i>Total 31 December 2014 AED'000</i>
Premium written	<u>564</u>	<u>3,953</u>	<u>371,841</u>	<u>376,358</u>
Claims incurred	<u>83</u>	<u>2,580</u>	<u>248,077</u>	<u>250,740</u>
Dividend income	<u>-</u>	<u>-</u>	<u>2,235</u>	<u>2,235</u>
Interest income	<u>-</u>	<u>-</u>	<u>3,815</u>	<u>3,815</u>
Directors remuneration	<u>5,800</u>	<u>-</u>	<u>-</u>	<u>5,800</u>
Other Investment Income	<u>-</u>	<u>-</u>	<u>168</u>	<u>168</u>

An amount of AED 39,724 thousand have been recognized as allowances for impairment against trade and other receivables extended to related parties (year ended 31 December 2014: AED 39,810 thousand). Contingent liabilities were issued in favour of related parties during the year 2015 amounting to AED 45,206 thousand (2014: AED 21,771).

Transactions with key management personnel

Key management compensation is as shown below:

	2015 AED'000	2014 AED'000
Salaries and short term benefits	18,230	18,647
Staff end of service benefits	<u>4,479</u>	<u>1,170</u>
	<u>22,709</u>	<u>19,817</u>

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the year as shown in the cash flow statement can be reconciled to the related items in the statement of financial position as follows:

	2015 AED'000	2014 AED'000
Cash in hand	69	87
Statutory deposit	10,000	10,000
Deposits / call / current accounts at local UAE banks	657,136	549,143
	667,205	559,230
Less: deposits with original maturities of greater than three months	(506,068)	(166,972)
Cash and cash equivalents	161,137	392,258

Geographical concentration of cash and cash equivalents and deposits with original maturities of three months or more is as follows:

	2015 AED'000	2014 AED'000
Within UAE	621,524	486,094
Outside UAE	45,681	73,136
	667,205	559,230

Fixed deposits and call accounts with banks carry interest rates of 0.25% - 2.55% (2014: 0.15% - 1.25%) per annum.

25. SEGMENT INFORMATION

The Company is organised into two main business segments:

Underwriting of commercial lines of business - incorporating all classes of general insurance including marine cargo, marine hull, aviation, energy, property and engineering.

Underwriting of consumer line of business - incorporating all classes of insurance including accident, motor and medical.

Assets and liabilities of the Company are commonly used across the segments. There were no transactions between the segments.

	Commercial		Consumer		Total	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Gross written premium	1,276,048	1,609,980	1,014,686	1,021,165	2,290,734	2,631,145
Less: Reinsurance premium ceded	(894,536)	(1,108,546)	(298,166)	(91,097)	(1,192,702)	(1,199,643)

NOTES TO THE FINANCIAL STATEMENTS

31 December 2015

25. SEGMENT INFORMATION (continued)

	Commercial		Consumer		Total	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Net written premium	381,512	501,434	716,520	930,068	1,098,032	1,431,502
Net change in unearned premium reserves	16,496	(63,924)	170,437	114,119	186,933	50,195
Net premium earned	398,008	437,510	886,957	1,044,187	1,284,965	1,481,697
Gross claims paid	(836,912)	(449,139)	(1,042,813)	(1,100,485)	(1,879,725)	(1,549,624)
Less: Reinsurance share of claims paid	602,420	323,542	119,549	80,647	721,969	404,189
Net claims paid	(234,492)	(125,597)	(923,264)	(1,019,838)	(1,157,756)	(1,145,435)
Net change in outstanding claims and IBNR	(231,280)	(298,094)	(46,209)	(119,210)	(277,489)	(417,304)
Net claims incurred	(465,772)	(423,691)	(969,473)	(1,139,048)	(1,435,245)	(1,562,739)
Gross commission income	88,904	97,863	9,403	586	98,307	98,449
Less : Commission expenses incurred	(91,333)	(91,863)	(55,789)	(52,665)	(147,122)	(144,528)
Net commissions expenses	(2,429)	6,000	(46,386)	(52,079)	(48,815)	(46,079)
Other underwriting income	4,929	5,598	4,940	5,012	9,869	10,610
Less: Other underwriting expenses	(20,549)	(18,049)	(19,125)	(22,061)	(39,674)	(40,110)
Net other underwriting expenses	(15,620)	(12,451)	(14,185)	(17,049)	(29,805)	(29,500)
Net underwriting results	(85,813)	7,368	(143,087)	(163,989)	(228,900)	(156,621)
Net investment and other income					101,952	106,436
General and administrative expenses					(207,572)	(230,241)
Loss for the year					(334,520)	(280,426)

26. CONTINGENT LIABILITIES AND COMMITMENTS

	2015 AED'000	2014 AED'000
Commitments in respect of uncalled subscription of equities held as Investments.	62,020	67,427
Bank guarantees	89,425	100,907
Letters of credit	425	41

The above bank guarantees and letters of credit were issued in the normal course of business.

OUR LOCATIONS

Head Office and Main Branches

Head Office

ADNIC Corporate Headquarters
P.O. Box: 839 – Abu Dhabi
Tel: 02 4080100
Fax: 02 4080604
Email: adnic@adnic.ae

Mussafah Branch

The Village Mall
Workers Village
Mussafah M24
Shops (GF-A11 and A07)
P.O. Box: 92572 – Abu Dhabi
Tel: 02 4080696
Fax: 02 4080690

Al Ain Branch

H.E. Khalaf Bin Ahmad Al-Otaibah
Building
Main Street (Sheikh Zayed Road)
P.O. Box: 1407 – Al Ain
Tel: 03 7641834
Fax: 03 7663147

Dubai Branch

Al Muraikhi Tower, Al Maktoum
Street
P.O. Box: 11236 – Deira
Tel: 04 5154850/1/2/3/4
Fax: 04 5154910

Sharjah Branch

Al Hosn Tower,
Showroom No. 2, Building No. 617/A
Al Ittihad Street
P.O. Box: 3674 – Sharjah
Tel: 06 5683743
Fax: 06 5682713

Sales and Services Centers

Motor Claims Department and Salam Street Sales Center

Al Zubara Tower, Ground Floor, Al
Salam Street
P.O. Box: 3275 – Abu Dhabi
Tel: 02 4080400
Fax: 02 4080699

Abu Dhabi Office

Abu Dhabi Traffic Police – Vehicle
Test Section
Tel: 02 4448611
Fax: 02 4447872

Mussafah Office

No. M42, Mussafah Industrial Area
Heavy Vehicle Registration Office,
Abu Dhabi, Traffic Department
Tel: 02 5511382
Fax: 02 5511382

Samha Traffic Office

Samha ADNOC Station
Tel: 02 5620162
Fax: 02 5620162

Madinat Zayed Office

Abu Dhabi Traffic Police – Heavy
Vehicle
Tel: 02 8841577
Fax: 02 8841577

Ruwais Office

Ruwais City – Main ADNOC
Station
Tel: 02 8772123
Fax: 02 8772123

Al Ain Office

Al Ain Traffic Police Dept. –
Zakher
Tel: 03 7828666
Fax: 03 7663147

Mizyad Office

Abu Dhabi Traffic Police Dept.
Tel: 03 7824250
Fax: 03 7663147

Ghuwaifat Border Office

Tel: 02 8723080
Fax: 02 8723080

Khalifa City Office

C9, Ground Floor, Etihad Plaza
Complex
Tel: 02 4080547/02 5568048
Fax: 02 5567697