

**Dubai Insurance Company**  
**and its subsidiary**  
(Public Shareholding Company)

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2015**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DUBAI INSURANCE COMPANY (P.S.C.)**

### **Report on the Consolidated Financial Statements**

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

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DUBAI INSURANCE COMPANY (P.S.C.) (continued)

### Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015 and UAE Federal Law No. (6) of 2007, we report that:

- i) we have obtained all the information we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015, and the Articles of Association of the Company;
- iii) the Group has maintained proper books of account;
- iv) the consolidated financial information included in the Directors' report is consistent with the books of account and records of the Group;
- v) investments in shares and stocks are included in note 12 to the consolidated financial statements and include purchases and investments made by the Group during the year ended 31 December 2015;
- vi) note 25 and 26 reflect the disclosures relating to related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or its Articles of Association which would materially affect its activities or its consolidated financial position as at 31 December 2015; and
- viii) note 7 to the consolidated financial statements discloses the social contributions made during the financial year ended 31 December 2015.

Signed by:  
Ashraf Abu Sharkh  
Partner  
Registration No. 690  
8 February 2016

Dubai, United Arab Emirates

Dubai Insurance Company (P.S.C.) and its subsidiary

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
<b>UNDERWRITING INCOME</b>			
Gross premium	3	362,963	324,796
Movement in provision for unearned premium	3	(7,622)	(6,030)
Insurance premium revenue	3	<u>355,341</u>	<u>318,766</u>
Reinsurance share of premium	3	(263,912)	(212,181)
Movement in provision for reinsurance share of unearned premium	3	<u>18,545</u>	<u>(2,503)</u>
	3	<u>(245,367)</u>	<u>(214,684)</u>
Net insurance premium revenue	3	109,974	104,082
Reinsurance commission income		31,275	20,098
Other income		320	1,740
<b>Total underwriting income</b>		<u>141,569</u>	<u>125,920</u>
<b>UNDERWRITING EXPENSES</b>			
Claims incurred	4	278,313	174,466
Reinsurers' share of claims incurred	4	(224,649)	(121,593)
Net claims incurred	4	53,664	52,873
Commission expenses		42,220	34,482
Excess of loss reinsurance premium		604	1,239
Other direct expenses		5,548	2,450
General and administration expenses relating to underwriting activities		16,125	15,206
<b>Total underwriting expenses</b>		<u>118,161</u>	<u>106,250</u>
<b>NET UNDERWRITING INCOME</b>		<u>23,408</u>	<u>19,670</u>
<b>INVESTMENT INCOME</b>			
Other investment income	6	18,634	16,603
Realised (loss)/gain on disposal of investments		(230)	160
Fair value loss on financial assets at fair value through profit or loss		(267)	(11)
Other investment costs		(641)	(215)
		<u>17,496</u>	<u>16,537</u>
<b>OTHER INCOME AND EXPENSES</b>			
General and administration expenses not allocated		(5,862)	(6,407)
Other income		50	251
		<u>(5,812)</u>	<u>(6,156)</u>
<b>PROFIT FOR THE YEAR</b>	7	<u>35,092</u>	<u>30,051</u>
Basic and diluted earnings per share (AED)	8	<u>0.33</u>	<u>0.28</u>

The attached explanatory notes 1 to 29 form part of these consolidated financial statements.

Dubai Insurance Company (P.S.C.) and its subsidiary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	<i>Note</i>	<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>
Profit for the year		35,092	30,051
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Other comprehensive income that could not be reclassified to profit or loss in subsequent periods</i>			
Net unrealised (loss)/gain on financial assets at fair value through other comprehensive income	12 (b)	(5,285)	69,297
<b>Other comprehensive income for the year</b>		<u>(5,285)</u>	<u>69,297</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><u>29,807</u></u>	<u><u>99,348</u></u>

The attached explanatory notes 1 to 29 form part of these consolidated financial statements.

Dubai Insurance Company (P.S.C.) and its subsidiary

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 AED'000	2014 AED'000
<b>ASSETS</b>			
Property and equipment	9	47,238	47,549
Investment property	10	1,670	1,670
Advance for investment property	11	3,888	-
Financial instruments	12	477,452	417,934
Reinsurance assets	23	210,146	130,971
Insurance receivables	14	140,395	113,139
Prepayments and other receivables	15	6,453	6,955
Statutory deposits	16	10,000	10,000
Cash and cash equivalents	17	40,805	69,416
<b>TOTAL ASSETS</b>		<b>938,047</b>	<b>797,634</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	18	100,000	100,000
Statutory reserve	19	50,000	50,000
General reserve	19	13,000	13,000
Retained earnings		120,963	112,629
Cumulative changes in fair value of investments	19	195,896	201,181
<b>Total equity</b>		<b>479,859</b>	<b>476,810</b>
<b>Liabilities</b>			
Bank loan	21	46,232	18,417
Employees' end of service benefits	22	2,700	2,349
Insurance contract liabilities	23	270,589	195,203
Amounts held under reinsurance treaties		29,448	10,664
Reinsurance balances payable		67,371	63,463
Insurance and other payables	24	41,848	30,728
<b>Total liabilities</b>		<b>458,188</b>	<b>320,824</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>938,047</b>	<b>797,634</b>

The consolidated financial statements were authorised for issue in accordance with a resolution of the directors on 8 February 2016.

Buti Obaid Almulla  
Chairman



Marwan Abdulla Al Rostamani  
Vice Chairman

The attached explanatory notes 1 to 29 form part of these consolidated financial statements.

Dubai Insurance Company (P.S.C.) and its subsidiary  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2015

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Retained earnings AED '000	Proposed dividends AED '000	Cumulative changes in fair value of investments AED '000	Total AED '000
Balance at 1 January 2015	100,000	50,000	13,000	112,629	-	201,181	476,810
Profit for the year	-	-	-	35,092	-	-	35,092
Other comprehensive income	-	-	-	-	-	(5,285)	(5,285)
Total comprehensive income for the year	-	-	-	35,092	-	(5,285)	29,807
Directors' fees (note 26)	-	-	-	(1,758)	-	-	(1,758)
Cash dividend paid (note 20)	-	-	-	(25,000)	-	-	(25,000)
<b>Balance at 31 December 2015</b>	<b>100,000</b>	<b>50,000</b>	<b>13,000</b>	<b>120,963</b>	<b>-</b>	<b>195,896</b>	<b>479,859</b>
Balance at 1 January 2014	100,000	50,000	10,000	87,344	25,000	131,884	404,228
Profit for the year	-	-	-	30,051	-	-	30,051
Other comprehensive income	-	-	-	-	-	69,297	69,297
Total comprehensive income for the year	-	-	-	30,051	-	69,297	99,348
Transfer (note 19)	-	-	3,000	(3,000)	-	-	-
Directors' fees (note 26)	-	-	-	(1,766)	-	-	(1,766)
Cash dividend paid (note 20)	-	-	-	-	(25,000)	-	(25,000)
Balance at 31 December 2014	100,000	50,000	13,000	112,629	-	201,181	476,810

The attached explanatory notes 1 to 29 form part of these consolidated financial statements.

Dubai Insurance Company (P.S.C.) and its subsidiary

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	<i>Notes</i>	<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit for the year		35,092	30,051
Adjustments for:			
Depreciation on property and equipment	9	1,634	1,355
Provision for employees' end of service benefits	22	433	255
Loss on sale of investments in debt instruments at amortised cost		230	160
		<u>37,389</u>	<u>31,821</u>
Changes in operating assets and liabilities:			
Reinsurance assets		(79,175)	15,462
Insurance receivables		(27,256)	5,371
Prepayments and other assets		502	(1,024)
Insurance contract liabilities		75,386	(5,183)
Amounts held under reinsurance treaties		18,784	(2,314)
Reinsurance balances payable		3,908	(9,824)
Insurance and other payables		11,120	4,557
		<u>40,658</u>	<u>38,866</u>
Cash generated from operations		40,658	38,866
Employees' end of service benefits paid	22	(82)	(53)
		<u>40,576</u>	<u>38,813</u>
<b>INVESTING ACTIVITIES</b>			
Investments held at amortised cost		(52,810)	160
At fair value through other comprehensive income		(7,202)	-
Financial instruments at fair value through profit or loss		(5,021)	23,413
Advance for investment property		(3,888)	-
Purchase of property and equipment		(1,323)	(1,341)
		<u>(70,244)</u>	<u>22,232</u>
Net cash (used in) /from investing activities		(70,244)	22,232
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(25,000)	(25,000)
Bank loan		27,815	5
Directors' fees		(1,758)	(1,766)
		<u>1,057</u>	<u>(26,761)</u>
Net cash from /(used in) financing activities		1,057	(26,761)
<b>(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(28,611)</b>	<b>34,284</b>
Cash and cash equivalents at 1 January		<u>69,416</u>	<u>35,132</u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	<b>17</b>	<b><u>40,805</u></b>	<b><u>69,416</u></b>

The attached explanatory notes 1 to 29 form part of these consolidated financial statements.



## 1 CORPORATE INFORMATION

Dubai Insurance Company (P.S.C.) (the "Company") is a public shareholding Company registered under the Federal Law No. 8 of 1984 (as amended) and the UAE Federal Law No. (2) of 2015 and the UAE Federal Law No. (6) of 2007 relating to commercial companies in the UAE. The Company mainly issues short term insurance contracts in connection with motor, marine, fire, engineering and general accident (collectively known as general insurance) and group life and medical risks (collectively referred to as medical and life assurance). The Company also invests its funds in investment securities and properties. The registered address of the Company is P.O. Box 3027, Dubai, United Arab Emirates. The Company operates in the United Arab Emirates and most of the insurance policies are issued in the United Arab Emirates. The shares of the Company are listed on the Dubai Financial Market.

During 2011, the Company established a new subsidiary for investment purposes. These consolidated financial statements incorporate the financial statements of the Company and its subsidiary (collectively referred to as the "Group").

## 2 SIGNIFICANT ACCOUNTING POLICIES

### 2.1 BASIS OF PREPARATION

#### Accounting convention

The consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets carried at fair value. The consolidated financial statements have been presented in UAE Dirhams and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

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

#### Statement of compliance

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

### 2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise those of Dubai Insurance Company (P.S.C.) ("parent company") and its subsidiary (collectively the "Group"). The consolidated financial statements incorporate the financial statements of the Company and its subsidiary for the year ended 31 December each year.

A subsidiary is an entity over which the Group has all of the following:

- (a) power over the investee - the Group has existing rights that give it the current ability to direct the activities that significantly affect the investee's returns;
- (b) exposure, or rights, to variable returns from its involvement with the subsidiary; and,
- (c) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

**2.2 BASIS OF CONSOLIDATION (continued)**

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- Derecognises the carrying amount of any non-controlling interest;
- Derecognises the cumulative translation differences, recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and

The extent of Group's shareholding in and the principal activities of the subsidiary is as follows:

<i>Subsidiary</i>	<i>Principal activity</i>	<i>Country of incorporation</i>	<i>Ownership</i>
Vattaun Limited	Investment	British Virgin Island	100%

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES****New standards and interpretations effective after 1 January 2015**

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

**Amendments to IAS 19 Defined Benefit Plans: Employee Contributions**

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

**Annual Improvements 2010-2012 Cycle****IFRS 2 Share-based Payment**

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions. These amendments did not impact the Group's consolidated financial statements or accounting policies as Group has no share based payment arrangements.

**IFRS 3 Business Combinations**

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

**IFRS 8 Operating Segments**

The amendments are applied retrospectively and clarify that:

An entity must disclose the judgements 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'.

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. The Group has not applied the aggregation criteria in IFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 5 in this year's consolidated financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of decision making. Thus, this amendment did not impact the accounting policy of the Group.

Dubai Insurance Company (P.S.C.) and its subsidiary  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015

**2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)**

**Annual Improvements 2010-2012 Cycle (continued)**

**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 IAS 39. The Group does not apply the portfolio exception in IFRS 13. Thus, this amendment did not impact the accounting policy of the Group.

**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. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Group.

**Standards issued but not yet effective**

The relevant standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

The nature and the impact of the new standards and amendments applicable to the Group are described below:

**IFRS 9 Financial Instruments**

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. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. 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 Group has early applied the new standard from 1 January 2010 and reclassified, with effect from 1 January 2010, all available for sale securities that were still held as at fair value through OCI. Application of the other phases of the standard had no impact on the consolidated financial statements or results for the year.

**IFRS 14 Regulatory Deferral Accounts**

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

**IFRS 15 Revenue from Contracts with Customers**

The standard replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.



## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### Standards issued but not yet effective (continued)

#### IFRS 16 Leases

IFRS 16 was issued in January 2016 replacing IAS 17 and applies to annual reporting periods beginning on or after 1 January 2019. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

#### Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.

For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

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

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

#### Annual Improvements 2012-2014 Cycle

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

#### IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

#### IFRS 7 Financial Instruments: Disclosures

##### (i) Servicing contracts

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

##### (ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

#### IAS 19 Employee Benefits

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

## 2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

### Annual Improvements 2012-2014 Cycle (continued)

#### **IAS 34 Interim Financial Reporting**

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively. These amendments are not expected to have any impact on the Group.

#### **IFRS 10 Consolidated Financial Statements and IAS 28 - Investments in Associates & Joint Ventures**

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### **Revenue recognition**

#### ***Gross premiums***

Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Gross premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written. Premiums on general insurance policies are accounted for on the date of writing of policies except premium income on marine cargo policies which is accounted for on the expected date of voyage. Premiums are adjusted for unearned premium.

#### ***Reinsurance premiums***

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy inception. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Gross reinsurance premiums on life are recognised as an expense on the earlier of the date when premiums are payable or when the policy becomes effective.

#### ***Commissions earned***

Commissions earned are recognised at the time policies are written.

#### ***Other investment income***

- (i) Interest income is recognised on a time proportion basis.
- (ii) Dividend income is accounted for when the right to receive payment is established.
- (iii) Rental income is recognised as income over the period to which it relates.

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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Claims and expenses recognition**

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to income as incurred. Provision for incurred but not reported claims is included within additional reserve.

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account for that year.

**Reinsurance claims**

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

**Finance cost**

Interest paid is recognised in the consolidated statement of income as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

**Policy acquisition costs**

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

**General and administration expenses**

Direct expenses of general insurance business are charged to respective departmental revenue accounts. Indirect expenses of the general insurance business are allocated to departmental revenue accounts on the basis of gross retained premiums of each department. Other administration expenses are charged to the consolidated statement of income.

**Leases**

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

**Liability adequacy test**

At each consolidated statement of financial position date the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision is created.

The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the consolidated statement of financial position date.

**Foreign currency translation**

The presentation currency is UAE Dirhams (AED). This is also the functional currency of the Group. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the consolidated statement of income, except when it relates to items when gains or losses are recognised directly in equity, the gain or loss is then recognised net of the exchange component in the consolidated statement of comprehensive income.



**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Segment reporting**

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

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

No operating segments have been aggregated to form the above reportable operating segments. Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the consolidated financial statements. Unallocated administrative expenses are managed on a group basis and are not allocated to individual operating segments.

No inter-segment transactions occurred in 2015 and 2014. If any transaction were to occur, transfer prices between operating segments would be set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation.

**Product classification**

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

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

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

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

**Property and equipment**

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of property and equipment as follows:

Furniture and equipment	4 years
Motor vehicles	4 years

No depreciation charged on freehold land.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property and equipment (continued)

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their value less costs to sell and their value in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is derecognised.

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

### Capital work in progress

Capital work in progress is stated at the lower of cost or net realisable value. The cost includes the cost of construction and other related expenditure which are capitalised as and when activities that are necessary to get the assets ready for use are in progress. Net realisable value represents the estimated recoverable value based on expected future usage.

Management reviews the carrying values of the capital work in progress on an annual basis.

Capital work in progress are considered to be completed when all related activities, for the entire assets have been completed. Upon completion, those are transferred to property and equipment.

### Investment properties

The Group has elected to adopt the cost model for investment properties. Accordingly, investment properties are carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Building	25 years
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No depreciation is charged on freehold land.

### Trade and settlement date accounting

All "regular way" purchases and sales of financial assets are recognised on the "trade date", i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

### Fair value measurement

The Group measures financial instruments, such as, equity instruments, and non-financial assets such as investment properties (for disclosure purposes), at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 12.

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 Group.

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.



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**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Fair value measurement (continued)**

The Group 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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 Group 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.

**Financial assets**

At initial recognition, all financial assets are measured at fair value.

*Equity investments*

For subsequent measurements, all financial assets that are equity investments are measured at fair value either through Other Comprehensive Income (OCI) or through profit or loss. This is an irrevocable choice that the Group has made on early adoption of IFRS 9 or will make on subsequent acquisition of equity investments unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss.

Gain or loss on disposal of equity investments at fair value through Other Comprehensive Income (OCI) are not recycled.

Dividend income for all equity investments at fair value through Other Comprehensive Income (OCI) are recorded through profit or loss.

*Debt instruments*

Debt instruments are also measured at fair value through profit or loss unless they are classified at amortised cost. They are classified at amortised cost only if:

- i. the asset is held within a business model whose objective is to hold the asset to collect the contractual cash flows; and
- ii. the contractual terms of the debt instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

**Derecognition of financial instruments**

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement
- The Group has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### **Impairment and uncollectibility of financial assets**

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

- (a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (b) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

### **Impairment of non-financial assets (excluding goodwill)**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

### **Reinsurance contracts held**

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the consolidated statement of income.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risk in the normal course of business for life insurance and general insurance contracts where applicable. Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the consolidated statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

### **Insurance receivables**

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

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Cash and cash equivalents

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

### Insurance contract liabilities

#### (i) Unearned premium reserve

At the end of each year a proportion of net retained premiums of the general insurance, medical and group life business is provided to cover portions of risks which have not expired at the reporting date. The reserves are calculated in accordance with the requirements of the Insurance Law relating to insurance companies at 40% of annual premiums earned net of reinsurance for all classes of insurance, except marine which is calculated at 25%. Unearned premium reserves for medical and group life business are calculated on a time proportion basis.

#### (ii) Additional reserve

A provision is made for the estimated excess of potential claims over unearned premiums and for claims incurred but not reported at the financial position date.

The reserves represent the management's best estimates on the basis of:

- a) claims reported during the year
- b) delay in reporting these claims
- c) claim handling provision

#### (iii) Outstanding claims

Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

### Provisions

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

### Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

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

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

### Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

## 2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

### **Judgments**

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

#### *Classification of properties*

Management decides whether a property under construction will be used upon completion as owner-occupied property or for renting out to third parties. If used as owner-occupied property, the value in use of the property is determined as part of the cash generating unit to which it belongs. Otherwise, the asset is classified as investment property and its fair value is determined on an individual asset basis.

#### *Classification of investments*

Management decides on acquisition of an investment whether it should be classified as of fair value through profit or loss, at fair value through OCI or at amortised cost.

#### *Operating lease commitments*

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

#### *Additional reserve*

A provision is made for the estimated excess of potential claims over unearned premiums and for claims incurred but not reported at the financial position date.

The reserves represent the management's best estimates on the basis of:

- a) claims reported during the year
- b) delay in reporting these claims
- c) claim handling provision

### **Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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:

#### *Valuation of unquoted equity investments*

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions;
- current fair value of another instrument that is substantially the same ;
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or other valuation models.

#### *Provision for outstanding claims, whether reported or not*

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.

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



**2.5 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

**Estimation uncertainty (continued)**

*Provision for outstanding claims, whether reported or not (continued)*

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

*Impairment losses on insurance receivables*

The Group reviews its insurance receivables on a regular basis to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant insurance receivables, the Group also makes a collective impairment provision against insurance receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for insurance receivables within each grade and is adjusted to reflect current economic changes.

*Reinsurance*

The Group is exposed to disputes with, and possibility of defaults by, its reinsurers. The Group monitors on a regular basis the evolution of disputes with and the strength of its reinsurers.

*Going concern*

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

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**3 INSURANCE PREMIUM REVENUE**

Year 2015	General Insurance			Medical and Life Assurance			Total
	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000	
Gross premium	169,621	(135,659)	33,962	193,342	(128,253)	65,089	362,963
Movement in provision for unearned premium	(8,957)	18,500	9,543	1,335	45	1,380	(7,622)
Insurance premium revenue	160,664	(117,159)	43,505	194,677	(128,208)	66,469	355,341
Unearned premium as of 31 December (Note 23)	66,708	(52,801)	13,907	56,331	(47,531)	8,800	123,039

Year 2014	General Insurance			Medical and Life Assurance			Total
	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000	
Gross premium	144,509	(89,121)	55,388	180,287	(123,060)	57,227	324,796
Movement in provision for unearned premium	(281)	(1,661)	(1,942)	(5,749)	(842)	(6,591)	(6,030)
Insurance premium revenue	144,228	(90,782)	53,446	174,538	(123,902)	50,636	318,766
Unearned premium as of 31 December (Note 23)	57,751	(34,301)	23,450	57,666	(47,486)	10,180	115,417

Insurance contracts premium includes AED 33,522 thousand (2014: AED 14,692 thousand) of reinsurance premium accepted.

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**4 CLAIMS INCURRED**

Year 2015	General Insurance			Medical and Life Assurance			Total		
	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000
Claims paid	121,632	(96,642)	24,990	88,917	(67,377)	21,540	210,549	(164,019)	46,530
Changes in provision for outstanding claim (note 23(b))	47,680	(47,217)	463	11,961	(8,915)	3,046	59,641	(56,132)	3,509
Movement in additional reserves (note 23(a))	3,656	(2,342)	1,314	4,467	(2,156)	2,311	8,123	(4,498)	3,625
	<b>172,968</b>	<b>(146,201)</b>	<b>26,767</b>	<b>105,345</b>	<b>(78,448)</b>	<b>26,897</b>	<b>278,313</b>	<b>(224,649)</b>	<b>53,664</b>
Year 2014	General Insurance			Medical and Life Assurance			Total		
	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000	Gross AED'000	Reinsurers' share AED'000	Net AED'000
Claims paid	121,700	(85,770)	35,930	65,225	(50,028)	15,197	186,925	(135,798)	51,127
Changes in provision for outstanding claim (note 23(b))	(10,055)	12,968	2,913	(158)	(9)	(167)	(10,213)	12,959	2,746
Movement in additional reserves (note 23(a))	(1,046)	1,046	-	(1,200)	200	(1,000)	(2,246)	1,246	(1,000)
	<b>110,599</b>	<b>(71,756)</b>	<b>38,843</b>	<b>63,867</b>	<b>(49,837)</b>	<b>14,030</b>	<b>174,466</b>	<b>(121,593)</b>	<b>52,873</b>

For details of the movement in the provision for outstanding claims and the related reinsurers' share, refer note 23(b).

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5 SEGMENTAL INFORMATION

Identification of reportable segments

**Primary segment information**

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

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

Transactions between operating segments are conducted at estimated market rates on an arm's length basis.

During the current year, medical insurance has been reclassified from the general insurance segment and grouped along with life insurance to form a new segment medical and life insurance. Accordingly the underwriting income AED 65,391 thousand (2014: AED 50,041 thousand), underwriting expenses AED 63,339 thousand (2014: AED 46,057 thousand) and net underwriting income AED 2,053 thousand (2014: AED 3,984 thousand) of medical segment during the current year have been transferred to new segment medical and life assurance with respective restatements in the comparative figures.

Operating segment information is presented below:

	<i>General Insurance</i>		<i>Medical and Life Assurance</i>		<i>Total</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
<b>UNDERWRITING INCOME</b>						
Insurance premium revenue	160,664	144,228	194,677	174,538	355,341	318,766
Reinsurers' share of premium	(117,159)	(90,782)	(128,208)	(123,902)	(245,367)	(214,684)
Net insurance premium revenue	43,505	53,446	66,469	50,636	109,974	104,082
Reinsurance commission income	29,719	17,944	1,556	2,154	31,275	20,098
Other income	59	25	261	1,715	320	1,740
	<b>73,283</b>	<b>71,415</b>	<b>68,286</b>	<b>54,505</b>	<b>141,569</b>	<b>125,920</b>
<b>UNDERWRITING EXPENSES</b>						
Claims incurred	172,968	110,599	105,345	63,867	278,313	174,466
Reinsurers' share of claims incurred	(146,201)	(71,756)	(78,448)	(49,837)	(224,649)	(121,593)
Net claims incurred	26,767	38,843	26,897	14,030	53,664	52,873
Commission expenses	17,579	11,050	24,641	23,432	42,220	34,482
Excess of loss reinsurance premium	604	1,239	-	-	604	1,239
Other direct expenses	-	-	5,548	2,450	5,548	2,450
General and administration expenses relating to underwriting activities	7,556	6,797	8,569	8,409	16,125	15,206
	<b>52,506</b>	<b>57,929</b>	<b>65,655</b>	<b>48,321</b>	<b>118,161</b>	<b>106,250</b>
<b>NET UNDERWRITING INCOME</b>	<b>20,777</b>	<b>13,486</b>	<b>2,631</b>	<b>6,184</b>	<b>23,408</b>	<b>19,670</b>
<b>TOTAL INVESTMENT INCOME</b>					<b>17,496</b>	<b>16,537</b>
Unallocated other expenses					<b>(5,812)</b>	<b>(6,156)</b>
<b>PROFIT FOR THE YEAR</b>					<b>35,092</b>	<b>30,051</b>

For operational and management reporting purposes, the Group is organised as one geographical segment.



Dubai Insurance Company (P.S.C.) and its subsidiary

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As at 31 December 2015

5 SEGMENTAL INFORMATION (continued)

OTHER INFORMATION

	<i>General insurance</i>		<i>Medical and Life Assurance</i>		<i>Investment</i>		<i>Total</i>	
	<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>	<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>
Segment assets	<u>337,534</u>	<u>286,442</u>	<u>117,503</u>	<u>91,588</u>	<u>483,010</u>	<u>419,604</u>	<u>938,047</u>	<u>797,634</u>
Segment liabilities	<u>265,313</u>	<u>184,619</u>	<u>146,643</u>	<u>117,788</u>	<u>46,232</u>	<u>18,417</u>	<u>458,188</u>	<u>320,824</u>
Capital expenditure	1,323	1,341	-	-	-	-	1,323	1,341
Depreciation	1,634	1,355	-	-	-	-	1,634	1,355

The Group's operations are primarily conducted in the United Arab Emirates. General Insurance figures reported above include certain assets and liabilities that are common for all three reportable segments. These amounts are not significant and are not reported separately to the chief decision maker.

6 OTHER INVESTMENT INCOME

	<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>
Rental income from investment properties	1,458	1,313
Investment property expenses	(720)	(877)
	<u>738</u>	<u>436</u>
Dividend income - Financial assets at fair value through profit or loss	-	111
Dividend income - Financial assets at fair value through other comprehensive income	12,645	12,084
Interest income from bonds	2,672	1,293
Cash and cash equivalents and statutory deposits interest income	2,579	2,679
	<u>18,634</u>	<u>16,603</u>

7 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>
Staff costs	<u>14,595</u>	<u>13,519</u>
Rental costs – operating leases	<u>275</u>	<u>224</u>
Social contributions**	<u>4</u>	<u>3</u>

\*\* During the year social contributions were paid to Emirates Business Oman Counsel and in the previous year social contributions were paid to Rashid Center for Disabled.

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**8 BASIC AND DILUTED EARNINGS PER SHARE**

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

	<i>2015</i>	<i>2014</i>
Profit for the year (AED'000)	35,092	30,051
Directors' fees (AED'000)	(1,758)	(1,766)
Net (AED'000)	<u>33,334</u>	<u>28,285</u>
Weighted average number of shares outstanding during the year ('000)	<u>100,000</u>	<u>100,000</u>
Earnings per share (AED)	<u>0.33</u>	<u>0.28</u>

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

**9 PROPERTY AND EQUIPMENT**

	<i>Land AED'000</i>	<i>Furniture and equipment AED'000</i>	<i>Motor vehicles AED'000</i>	<i>Capital Work in Progress AED'000</i>	<i>Total AED'000</i>
Cost:					
At 1 January 2015	44,173	8,745	1,084	247	54,249
Additions during the year	-	1,570	-	-	1,570
Capitalised during the year	-	-	-	(247)	(247)
At 31 December 2015	<u>44,173</u>	<u>10,315</u>	<u>1,084</u>	<u>-</u>	<u>55,572</u>
Depreciation:					
At 1 January 2015	-	5,883	817	-	6,700
Charge for the year	-	1,504	130	-	1,634
At 31 December 2015	<u>-</u>	<u>7,387</u>	<u>947</u>	<u>-</u>	<u>8,334</u>
Net carrying amount:					
At 31 December 2015	<u>44,173</u>	<u>2,928</u>	<u>137</u>	<u>-</u>	<u>47,238</u>

Dubai Insurance Company (P.S.C.) and its subsidiary

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9 PROPERTY AND EQUIPMENT (continued)

	<i>Land</i> <i>AED '000</i>	<i>Furniture and</i> <i>equipment</i> <i>AED '000</i>	<i>Motor</i> <i>vehicles</i> <i>AED '000</i>	<i>Capital</i> <i>Work in Progress</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
Cost:					
At 1 January 2014	44,173	5,739	1,106	1,967	52,985
Additions during the year	-	3,006	55	247	3,308
Capitalised during the year	-	-	-	(1,967)	(1,967)
Disposal during the year	-	-	(77)	-	(77)
At 31 December 2014	44,173	8,745	1,084	247	54,249
Depreciation:					
At 1 January 2014	-	4,659	763	-	5,422
Charge for the year	-	1,224	131	-	1,355
Disposal	-	-	(77)	-	(77)
At 31 December 2014	-	5,883	817	-	6,700
Net carrying amount:					
At 31 December 2014	44,173	2,862	267	247	47,549

The depreciation charge for the year of AED 1,634 thousand (2014: AED 1,355 thousand) has been allocated as follows:

	<i>2015</i> <i>AED '000</i>	<i>2014</i> <i>AED '000</i>
Underwriting expenses	1,226	1,016
Other expenses	408	339
	<b>1,634</b>	<b>1,355</b>

Included in property and equipment is land situated in the Emirate of Dubai, United Arab Emirates with a carrying value of AED 44,173 thousand. The Group's Board of Directors has resolved to construct the Group's head office on the land in the foreseeable future.

10 INVESTMENT PROPERTY

	<i>Freehold</i> <i>land</i> <i>AED '000</i>	<i>Building</i> <i>AED '000</i>	<i>Total</i> <i>AED '000</i>
Cost:			
At 1 January 2015	1,670	18,392	20,062
At 31 December 2015	<b>1,670</b>	<b>18,392</b>	<b>20,062</b>
Depreciation:			
At 1 January 2015	-	18,392	18,392
At 31 December 2015	-	<b>18,392</b>	<b>18,392</b>
Net carrying amount:			
At 31 December 2015	<b>1,670</b>	-	<b>1,670</b>

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10 INVESTMENT PROPERTY (continued)

	<i>Freehold land AED'000</i>	<i>Building AED'000</i>	<i>Total AED'000</i>
Cost:			
At 1 January 2014	1,670	18,392	20,062
At 31 December 2014	1,670	18,392	20,062
Depreciation:			
At 1 January 2014	-	18,392	18,392
At 31 December 2014	-	18,392	18,392
Net carrying amount:			
At 31 December 2014	1,670	-	1,670

*Land and Building at Deira, Dubai*

Investment property is carried at cost and the fair value of the investment property as of 31 December 2015, based on a valuation undertaken by an independent qualified valuer, amounted to AED 66,500 thousand (2014: AED 64,500 thousand).

The fair value of investment properties has been determined using level 2 fair value hierarchy.

11 ADVANCE FOR INVESTMENT PROPERTY

This represents advance given for an investment property within United Arab Emirates, which is 25% of the total cost of the property and the remaining 75% of the total cost is capital commitment as mentioned in Note 28.

12 FINANCIAL INSTRUMENTS

	<i>Carrying value</i>		<i>Fair value</i>	
	<i>2015 AED'000</i>	<i>2014 AED'000</i>	<i>2015 AED'000</i>	<i>2014 AED'000</i>
<i>Financial instruments</i>				
At fair value through profit or loss (Note 12(a))	58,051	53,030	58,051	53,030
At fair value through other comprehensive income (Note 12(b))	329,440	327,523	329,440	327,523
Investments held at amortised cost (Note 12 (c))	89,961	37,381	89,389	37,781
	<u>477,452</u>	<u>417,934</u>	<u>476,880</u>	<u>418,334</u>

12(a) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>2015 AED'000</i>	<i>2014 AED'000</i>
a) <i>Shares - quoted</i>	4,130	4,397
b) <i>Designated upon initial recognition</i>		
Bank deposits with maturity over three months - unquoted	53,921	48,633
	<u>58,051</u>	<u>53,030</u>

The entire shares and bank deposits are within the United Arab Emirates.

Dubai Insurance Company (P.S.C.) and its subsidiary  
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12 FINANCIAL INSTRUMENTS (continued)

12(b) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (OCI)

	2015 AED'000	2014 AED'000
Shares – quoted (within UAE)	319,240	317,323
Shares – unquoted (within UAE)	10,200	10,200
	<u>329,440</u>	<u>327,523</u>

The fair value loss amounting to AED 5,285 thousand (2014: gain of AED 69,297 thousand) has been recognised in the consolidated statement of comprehensive income.

12(c) DEBT INSTRUMENTS AT AMORTISED COST

	2015 AED'000	2014 AED'000
<i>Amortised cost</i>		
Debt securities (within UAE)	11,896	3,675
Debt securities (outside UAE)	78,065	33,706
	<u>89,961</u>	<u>37,381</u>

Debt securities amounting to AED 86,286 thousand (2014: AED 33,706 thousand) are pledged against bank loan (Note 21). The investments carry interest at an effective rate of 4.03% per annum (2014: 4.74% per annum). The maturity profile of these debt instruments is shown below:

	<i>31 December 2015</i>		
	<i>Less than 5 years AED'000</i>	<i>More than 5 years AED'000</i>	<i>Total AED'000</i>
Debt securities (within UAE)	7,762	4,134	11,896
Debt securities (outside UAE)	39,637	38,428	78,065
	<u>47,399</u>	<u>42,562</u>	<u>89,961</u>
	<i>31 December 2014</i>		
	<i>Less than 5 years AED'000</i>	<i>More than 5 years AED'000</i>	<i>Total AED'000</i>
Debt securities (within UAE)	3,675	-	3,675
Debt securities (outside UAE)	25,307	8,399	33,706
	<u>28,982</u>	<u>8,399</u>	<u>37,381</u>

# Dubai Insurance Company (P.S.C.) and its subsidiary

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### 13 FAIR VALUE OF FINANCIAL INSTRUMENTS

#### Determination of fair value and fair values hierarchy

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

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

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

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

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

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>Fair value</i> <i>AED'000</i>
At 31 December 2015				
Financial instruments				
<i>At fair value through profit or loss:</i>				
Bank deposits	-	53,921	-	53,921
Quoted equity securities	4,130	-	-	4,130
	<u>4,130</u>	<u>53,921</u>	<u>-</u>	<u>58,051</u>
<i>At fair value through other comprehensive income:</i>				
Quoted equity investments	319,240	-	-	319,240
Unquoted equity investments	-	-	10,200	10,200
	<u>319,240</u>	<u>-</u>	<u>10,200</u>	<u>329,440</u>
	<u><u>323,370</u></u>	<u><u>53,921</u></u>	<u><u>10,200</u></u>	<u><u>387,491</u></u>
At 31 December 2014				
Financial instruments				
<i>At fair value through profit or loss:</i>				
Bank deposits	-	48,633	-	48,633
Quoted equity securities	4,397	-	-	4,397
	<u>4,397</u>	<u>48,633</u>	<u>-</u>	<u>53,030</u>
<i>At fair value through other comprehensive income:</i>				
Quoted equity investments	317,323	-	-	317,323
Unquoted equity investments	-	-	10,200	10,200
	<u>317,323</u>	<u>-</u>	<u>10,200</u>	<u>327,523</u>
	<u><u>321,720</u></u>	<u><u>48,633</u></u>	<u><u>10,200</u></u>	<u><u>380,553</u></u>

## 13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

**Financial instruments recorded at fair value**

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

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

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

**Movements in level 3 financial instruments measured at fair value****31 December 2015**

	<i>At 1 January 2015 AED'000</i>	<i>Total gain or loss recorded in profit and loss AED'000</i>	<i>Purchases AED'000</i>	<i>Sales AED'000</i>	<i>Total gain or loss recorded in OCI AED'000</i>	<i>Transfers AED'000</i>	<i>At 31 December 2015 AED'000</i>
<b>Financial instruments</b>							
At fair value through other comprehensive income:							
Unquoted investments	10,200	-	-	-	-	-	10,200
<b>Total level 3 financial assets</b>	<b>10,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,200</b>

**31 December 2014**

	<i>At 1 January 2014 AED'000</i>	<i>Total gain or loss recorded in profit and loss AED'000</i>	<i>Purchases AED'000</i>	<i>Sales AED'000</i>	<i>Total gain or loss recorded in OCI AED'000</i>	<i>Transfers AED'000</i>	<i>At 31 December 2014 AED'000</i>
<b>Financial assets</b>							
At fair value through other comprehensive income:							
Unquoted investments	10,200	-	-	-	-	-	10,200
<b>Total level 3 financial assets</b>	<b>10,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,200</b>



**13 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****Gains or losses on level 3 financial instruments included in the profit or loss for the year:**

No gains or losses on level 3 financial instruments were included in the profit or loss for the year.

**Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions**

For equity securities, the Group does not have a material exposure as at 31 December 2015 and, accordingly no sensitivity analysis has been done.

**Fair value of financial assets and liabilities not carried at fair value**

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

**Asset for which fair value approximates carrying value**

For financial assets and financial liabilities that have short term maturities (less than three months) it is assumed that the carrying amounts approximate their fair values. This assumption is also applied to insurance receivables, reinsurance payables, demand deposits and savings accounts without specific maturity. Fair value of quoted bonds is based on price quotations at the reporting date. Long term bank loan is evaluated by Group based on parameters such as interest rates.

**14 INSURANCE RECEIVABLES**

	<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>
Due from policyholders	50,791	39,398
Due from insurance companies	26,095	16,880
Due from insurance brokers	13,591	23,380
Other insurance receivables	46,113	33,402
Due from re-insurance companies in respect of settled claims	8,215	3,989
Less : Provision for doubtful accounts	(4,410)	(3,910)
	<u>140,395</u>	<u>113,139</u>

All of the above amounts are due within twelve months of the reporting date. The amounts due from reinsurers are normally settled on a quarterly basis. As at 31 December 2015, premiums and insurance companies' balances receivable at nominal value of AED 4,410 thousand (2014: AED 3,910 thousand) were impaired. Movements in the allowance for impairment of receivables were as follows:

	<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>
At 1 January	3,910	3,410
Charge for the year	500	1,196
Written off during the year	-	(696)
At 31 December	<u>4,410</u>	<u>3,910</u>

**15 PREPAYMENTS AND OTHER RECEIVABLES**

	<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>
Accrued income	1,420	1,613
Prepayments	1,416	2,438
Staff debtors and advances	515	322
Other receivables	3,102	2,582
	<u>6,453</u>	<u>6,955</u>



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**16 STATUTORY DEPOSITS**

	<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>
<b>Bank deposits:</b>		
Amounts that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No. 6 of 2007	<u>10,000</u>	<u>10,000</u>

The bank deposit expires after one year and is renewable every year and earns an interest of 2.10% (2014: 2.25%) per annum.

**17 CASH AND CASH EQUIVALENTS**

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

	<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>
Bank balances and cash	40,805	49,416
Bank deposits maturing within three months	-	20,000
	<u>40,805</u>	<u>69,416</u>

The entire cash and cash equivalents are within United Arab Emirates.

**18 SHARE CAPITAL**

	<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>
Issued and fully paid 100,000,000 shares of AED 1 each (2014: 100,000,000 shares of AED1 each)	<u>100,000</u>	<u>100,000</u>

**19 RESERVES**

**NATURE AND PURPOSE OF RESERVES**

**Statutory reserve**

In accordance with UAE Commercial Companies Law No. 8 of 1984 (as amended) and the Group's Articles of Association, the Group has resolved to discontinue the annual transfer of 10% of the profit for the year since the statutory reserve reached 50% of the paid up share capital. The reserve is not available for distribution, except in the circumstances stipulated by the UAE Commercial Companies Law No. 8 of 1984 (as amended).

**General reserve**

Transfers to the general reserve are made on the recommendation of the Board of Directors. During the year, the Board of Directors has recommended to transfer Nil (2014: AED 3,000 thousand) to the general reserve. This reserve may be used for such purposes as deemed appropriate by the Board of Directors.

**Cumulative changes in fair value of investments**

This reserve records fair value changes on financial instrument held at fair value through other comprehensive income.

**20 DIVIDENDS**

For the year ended 31 December 2014, the Shareholders at the annual general meeting dated 1 March 2015 approved a cash dividend of 25% (AED 0.25 per share) totalling AED 25 million.

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21 BANK LOAN

	2015 AED'000	2014 AED'000
Loan I	18,421	18,417
Loan II	18,363	-
Loan III	9,448	-
	<u>46,232</u>	<u>18,417</u>

*Loan I*

In 2011, the Group entered into a credit facility agreement for the loan I with an international bank for USD 5 million (equivalent AED 18,421 thousand). The loan facility is secured against investments in debt instruments held at amortised cost amounting to AED 33,294 thousand (31 December 2014: AED 33,706 thousand) (Note 12.c)) used for the Group's investment operations. The loan carries interest at 3 months USD LIBOR plus 1% per annum and the tenure of the loan is directly linked to the maturity period of the debt instruments which are financed by the loan. The debt instruments have maturity periods of 2 to 10 years.

*Loan II*

During current year, the Group entered into credit facility agreements with an international bank for AED 18,363 thousand. The loan facilities are secured against investments in debt instruments held at amortised cost amounting to AED 27,208 thousand (Note 12.c) used for the Group's investment operations and carries interest at 1 month USD LIBOR plus 0.5% per annum. The tenure of the loans are directly linked to the maturity period of the debt instruments which are financed by the loan. The debt instruments have maturity periods of 1 to 34 years.

*Loan III*

During current year, the Group entered into credit facility agreements with a local bank for AED 9,449 thousand. The loan facilities are secured against investments in debt instruments held at amortised cost amounting to AED 25,784 thousand (Note 12.c) used for the Group's investment operations and carries interest at 3 months USD LIBOR plus 1.1% per annum. The tenure of the loans are directly linked to the maturity period of the debt instruments which are financed by the loan. The debt instruments have maturity periods of 4 to 15 years.

22 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the consolidated statement of financial position are as follows:

	2015 AED'000	2014 AED'000
Provision as at 1 January	2,349	2,147
Provided during the year	433	255
End of service benefits paid	(82)	(53)
Provision as at 31 December	<u>2,700</u>	<u>2,349</u>

23 INSURANCE CONTRACT ASSETS AND LIABILITIES

	<i>Gross</i>		<i>Reinsurers' share</i>		<i>Net</i>	
	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000	2015 AED'000	2014 AED'000
Unearned premium reserve (Note 3)	123,039	115,417	(100,332)	(81,787)	22,707	33,630
Additional reserve (Note 23(a))	26,801	18,678	(9,576)	(5,078)	17,225	13,600
Outstanding claims (Note 23(b))	120,749	61,108	(100,238)	(44,106)	20,511	17,002
	<u>270,589</u>	<u>195,203</u>	<u>(210,146)</u>	<u>(130,971)</u>	<u>60,443</u>	<u>64,232</u>

Dubai Insurance Company (P.S.C.) and its subsidiary

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23 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

23(a) Additional reserve

	<i>General Insurance AED'000</i>	<i>Medical Life Assurance AED'000</i>	<i>Total AED'000</i>
1 January 2014:			
Gross	11,156	9,768	20,924
Reinsurers' share	(3,656)	(2,668)	(6,324)
	<u>7,500</u>	<u>7,100</u>	<u>14,600</u>
Net decrease (Note 4)	-	(1,000)	(1,000)
31 December 2014:			
Gross	11,156	7,522	18,678
Reinsurers' share	(3,656)	(1,422)	(5,078)
	<u>7,500</u>	<u>6,100</u>	<u>13,600</u>
Net increase (Note 4)	<u>1,314</u>	<u>2,311</u>	<u>3,625</u>
<b>31 December 2015:</b>			
Gross	13,766	13,035	26,801
Reinsurers' share	(4,952)	(4,624)	(9,576)
	<u><b>8,814</b></u>	<u><b>8,411</b></u>	<u><b>17,225</b></u>

23 (b) Outstanding claims

	<i>General Insurance AED'000</i>	<i>Medical and life Assurance AED'000</i>	<i>Total AED'000</i>
At 1 January 2014:			
Outstanding claims	63,823	7,498	71,321
Due from reinsurers	(51,638)	(5,427)	(57,065)
	<u>12,185</u>	<u>2,071</u>	<u>14,256</u>
Net increase (Note 4)	<u>2,913</u>	<u>(167)</u>	<u>2,746</u>
At 31 December 2014:			
Outstanding claims	53,769	7,339	61,108
Due from reinsurers	(38,671)	(5,435)	(44,106)
	<u>15,098</u>	<u>1,904</u>	<u>17,002</u>
Net increase (Note 4)	<u>463</u>	<u>3,046</u>	<u>3,509</u>
At 31 December 2015:			
Outstanding claims	101,449	19,300	120,749
Due from reinsurers	(85,888)	(14,350)	(100,238)
	<u><b>15,561</b></u>	<u><b>4,950</b></u>	<u><b>20,511</b></u>

Dubai Insurance Company (P.S.C.) and its subsidiary  
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**23 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)**

**23 (b) Outstanding claims (continued)**

**Claims development table for gross general insurance claims (excluding Medical and life):**

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

Year 2014

<i>Accident year</i>	<i>2008 AED' 000</i>	<i>2009 AED' 000</i>	<i>2010 AED' 000</i>	<i>2011 AED' 000</i>	<i>2012 AED' 000</i>	<i>2013 AED' 000</i>	<i>2014 AED' 000</i>	<i>2015 AED' 000</i>	<i>Total AED' 000</i>
At the end									
of accident year	46,506	68,741	75,812	83,577	81,630	91,453	108,488	169,332	-
One year later	58,995	49,528	81,811	90,327	85,993	98,734	114,658	-	-
Two years later	61,290	46,912	80,321	86,141	82,538	98,973	-	-	-
Three years later	60,079	45,834	79,964	84,795	80,583	-	-	-	-
Four years later	60,022	45,668	79,330	84,551	-	-	-	-	-
Five years later	60,012	45,593	78,888	-	-	-	-	-	-
Six years later	59,899	43,727	-	-	-	-	-	-	-
Seven years later	59,331	-	-	-	-	-	-	-	-
<b>Current estimate of cumulative claims</b>	<b>59,331</b>	<b>43,727</b>	<b>78,888</b>	<b>84,551</b>	<b>80,583</b>	<b>98,973</b>	<b>114,658</b>	<b>169,332</b>	<b>730,043</b>
At the end									
of accident year	(19,229)	(25,088)	(50,011)	(55,967)	(50,270)	(62,991)	(84,771)	(94,966)	-
One year later	(40,882)	(40,017)	(73,533)	(78,766)	(68,666)	(91,287)	(108,004)	-	-
Two years later	(50,053)	(41,900)	(76,130)	(81,641)	(74,987)	(92,273)	-	-	-
Three years later	(51,927)	(43,507)	(76,730)	(82,839)	(75,941)	-	-	-	-
Four years later	(51,951)	(43,615)	(77,471)	82,977	-	-	-	-	-
Five years later	(51,957)	(43,624)	(78,818)	-	-	-	-	-	-
Six years later	(51,971)	(43,637)	-	-	-	-	-	-	-
Seven years later	(51,978)	-	-	-	-	-	-	-	-
<b>Cumulative claims paid</b>	<b>(51,978)</b>	<b>(43,637)</b>	<b>(78,818)</b>	<b>(82,977)</b>	<b>(75,941)</b>	<b>(92,273)</b>	<b>(108,004)</b>	<b>(94,966)</b>	<b>(628,594)</b>
<b>Total gross Outstanding claims</b>	<b>7,353</b>	<b>90</b>	<b>70</b>	<b>1,574</b>	<b>4,642</b>	<b>6,700</b>	<b>6,654</b>	<b>74,366</b>	<b>101,449</b>

Dubai Insurance Company (P.S.C.) and its subsidiary

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As at 31 December 2015

24 INSURANCE AND OTHER PAYABLES

	2015 AED'000	2014 AED'000
Provision for staff costs	1,800	1,250
Other creditors and accruals	40,048	29,478
	<u>41,848</u>	<u>30,728</u>

25 RELATED PARTY TRANSACTIONS

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

The significant balances outstanding at 31 December in respect of related parties included in the consolidated financial statements are as follows:

	2015 AED'000	2014 AED'000
<i>Affiliates of major shareholders:</i>		
Due from policyholders	7,842	20,663
Outstanding claims	17,583	20,370
	<u>17,583</u>	<u>20,370</u>

The income and expenses in respect of related parties included in the consolidated financial statements are as follows:

	2015 AED'000	2014 AED'000
<i>Affiliates of major shareholders:</i>		
Premiums	47,674	73,297
Claims	24,760	36,829
Commission expenses	7,814	6,322
Rent received	130	72
Rent paid	875	852
	<u>875</u>	<u>852</u>

Compensation of the key management personnel is as follows:

	2015 AED'000	2014 AED'000
Short term employee benefits	4,024	4,247
End of service benefits	144	140
	<u>4,168</u>	<u>4,387</u>

Outstanding balances at the year-end arise in the normal course of business. For the years ended 31 December 2015 and 31 December 2014, the Group has not recorded any impairment of amounts owed by related parties.

26 DIRECTORS' FEES

Directors' fees have been included as an appropriation of net profit for the year in accordance with the interpretation of the Commercial Companies Law of 1984 (as amended) by the Ministry of Economy.

## 27 RISK MANAGEMENT

### (a) Governance framework

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

The Group's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Chief Executive Officer and senior managers.

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

The Group's current enterprise risk management framework is formally documented and divided into three phases. The Group's enterprise risk management framework is established to identify and analyse the key risks faced by the Group to set appropriate controls and manage those risks. As part of the risks identification process, the Group uses risk based capital model to assess the capital requirement and uses stress analysis to apply changes to capital. The Group's risk appetite is derived from the changes to capital.

### (b) Capital management framework

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

### (c) Regulatory framework

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

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

### (d) Asset liability management (ALM) framework

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

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

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

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



**27 RISK MANAGEMENT (continued)**

**27A Insurance risk**

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

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

*Frequency and amounts of claims*

The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly property, motor, marine, medical, group life and personal accident risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

*Property*

Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties. For property insurance contracts the main risks are fire and business interruption. In recent years the Group has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Group has reinsurance cover for such damage to limit losses for any individual claim to AED 1,000 thousand (2014: AED 1,000 thousand).

*Motor*

Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Group has reinsurance cover for such claims to limit losses for any individual claim to AED 200 thousand (2014: AED 200 thousand).

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

*Marine*

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

For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Group has reinsurance to limit losses for any individual claim to AED 125 thousand (2014: AED 125 thousand).

*Medical, group life and personal accident*

Medical insurance is designed to compensate the contract holders for medical costs. Group life and personal accident insurance entitles the contract holders or their beneficiaries to specified amounts in case of death or permanent or partial disability.

For medical insurance, the main risks are illness and related healthcare costs. For group life and personal accident the main risks are claims from death and permanent or partial disability. The Group generally does not offer medical insurance to walk-in customers. Medical, group life and personal accident insurance are generally offered to corporate customers with large population to be covered under the policy.

**27 RISK MANAGEMENT (continued)****27A Insurance risk (continued)****Reinsurance risk**

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

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers. The Group deals with reinsurers approved by the Board of Directors.

The five largest reinsurers account for 97% of amounts due from reinsurance companies at 31 December 2015 (2014: 94%). The maximum theoretical credit risk exposure in this connection is mainly in Europe.

**27B Financial risk**

The Group's principal financial instruments include financial assets and financial liabilities which comprise financial investments (at fair value through profit or loss and / or other comprehensive income), receivables arising from insurance and reinsurance contracts, statutory deposits, cash and cash equivalents, trade and other payables, and re-insurance balance payables.

The Group does not enter into derivative transactions.

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

**Credit risk**

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

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

- The Group only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Group's exposure to bad debts.
- The Group seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Group's investments at fair value through profit or loss or OCI are managed by the Chief Executive Officer in accordance with the guidance of the Chairman and the supervision of the Board of Directors.
- The Group's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

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

	Notes	2015 AED'000	2014 AED'000
Financial instruments		143,882	86,014
Reinsurance assets	23	210,146	130,971
Insurance receivables	14	140,395	113,139
Other receivables (excluding prepayments)	15	5,037	4,517
Statutory deposits	16	10,000	10,000
Cash and cash equivalents		40,799	69,409
<b>Total credit risk exposure</b>		<b>550,259</b>	<b>414,050</b>



Dubai Insurance Company (P.S.C.) and its subsidiary

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27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

*Credit risk (continued)*

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

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been made to the specific notes.

Insurance receivables comprise a large number of customers and insurance companies mainly within the United Arab Emirates. Reinsurance assets are from reinsurance companies based mainly in Europe and the Middle East.

The Group's financial position can be analysed by the following geographical regions:

	2015			2014		
	<i>Assets</i> <i>AED'000</i>	<i>Liabilities and equity</i> <i>AED'000</i>	<i>Contingent liabilities and commitments</i> <i>AED'000</i>	<i>Assets</i> <i>AED'000</i>	<i>Liabilities and equity</i> <i>AED'000</i>	<i>Contingent liabilities and commitments</i> <i>AED'000</i>
United Arab Emirates	643,968	813,761	10,320	625,364	706,037	10,276
Europe	218,872	76,913	-	129,795	72,649	-
Rest of the world	75,207	47,373	-	42,475	18,948	-
<b>Total</b>	<b>938,047</b>	<b>938,047</b>	<b>10,320</b>	<b>797,634</b>	<b>797,634</b>	<b>10,276</b>

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit rating of counterparties.

31 December 2015

	<i>Neither past due nor impaired</i>				
	<i>High grade</i> <i>AED'000</i>	<i>Standard grade</i> <i>AED'000</i>	<i>Sub-standard grade</i> <i>AED'000</i>	<i>Past due and impaired</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Financial instruments	3,825	140,057	-	-	143,882
Reinsurance assets	-	210,146	-	-	210,146
Insurance receivables	-	140,395	-	4,410	144,805
Other receivables (excluding prepayments)	5,037	-	-	-	5,037
Statutory deposits	10,000	-	-	-	10,000
Cash and cash equivalents	40,799	-	-	-	40,799
	<b>59,661</b>	<b>490,598</b>	<b>-</b>	<b>4,410</b>	<b>554,669</b>
Less: Impairment provision					(4,410)
					<b>550,259</b>

Dubai Insurance Company (P.S.C.) and its subsidiary  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

*Credit risk (continued)*

31 December 2014

	<i>Neither past due nor impaired</i>				<i>Total AED '000</i>
	<i>High grade AED '000</i>	<i>Standard grade AED '000</i>	<i>Sub-standard grade AED '000</i>	<i>Past due and impaired AED '000</i>	
Financial instruments	3,803	82,211	-	-	86,014
Reinsurance assets	-	130,971	-	-	130,971
Insurance receivables	-	113,139	-	3,910	117,049
Other receivables (excluding prepayments)	4,517	-	-	-	4,517
Statutory deposits	10,000	-	-	-	10,000
Cash and cash equivalents	69,409	-	-	-	69,409
	<u>87,729</u>	<u>326,321</u>	<u>-</u>	<u>3,910</u>	<u>417,960</u>
Less: Impairment provision					(3,910)
					<u>414,050</u>

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

	<i>Past due but not impaired</i>					<i>Total AED '000</i>	<i>Past due and impaired AED '000</i>	<i>Total AED '000</i>
	<i>90 days AED '000</i>	<i>91 to 180 days AED '000</i>	<i>181 to 270 days AED '000</i>	<i>271 to 365 days AED '000</i>	<i>&gt; 365 days AED '000</i>			
2015	70,142	22,460	15,120	11,643	25,440	144,805	(4,410)	140,395
2014	64,857	18,274	9,613	9,353	14,952	117,049	(3,910)	113,139

For assets to be classified as 'past due and impaired' the contractual payments in arrears are more than 180 days and an impairment adjustment is recorded in the consolidated statement of income for this. When the credit exposure is adequately secured or when management is confident of settlement, arrears more than 180 days might still be classified as 'past due but not impaired', with no impairment adjustment recorded.

**Geographical risk**

The Group has geographical risk exposure. Such exposure arises from investments, cash and cash equivalents and insurance contracts concentrated within certain geographical areas. The investments and cash and cash equivalents are primarily with local companies and financial institutions. The risk arising from insurance contracts is concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to previous year.

In accordance with the requirement of the Securities and Commodities Authority (Circular dated 12-10-2011) following are the details of the geographical concentration of assets in the Group's consolidated financial statements as of 31 December 2015:

**(a) Investment property**

Investment property represents the Group's investment in a freehold land and building situated in the Emirate of Dubai, United Arab Emirates.

Dubai Insurance Company (P.S.C.) and its subsidiary  
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

*Geographical risk (continued)*

(b) Financial instruments – investments

Investments in financial assets represent investments in quoted and unquoted shares of companies incorporated in the United Arab Emirates and investments in bonds issued locally and outside United Arab Emirates.

(c) Cash and cash equivalents

Cash and cash equivalents of the Group are with banks registered and operating in the United Arab Emirates and in Europe.

*Currency risk*

The Group also has transactional currency exposures. Such exposure arises from investments in securities and reinsurance transactions in currencies other than the Group's functional currency.

At 31 December, the Group's exposure to foreign currency risk was as follows:

		<i>2015</i> <i>AED'000</i>	<i>2014</i> <i>AED'000</i>
Debt instruments at amortised cost	- US Dollars	89,961	37,381
Insurance receivables	- US Dollars	8,526	8,527
	- Euro	183	797
	- GBP	403	46
	- Others	477	575
Other receivables	- US Dollars	2,015	1,649
Cash and cash equivalents	- US Dollars	9,600	8,661
	- Euro	539	1,216
	- GBP	521	497
	- Others	4	-
Reinsurance balances payable	- US Dollars	8,258	9,094
	- Euro	933	1,530
	- GBP	(103)	2
	- Others	99	(284)
Other creditors and accruals	- US Dollars	5,991	5,114
	- Euro	1,136	1,615
	- GBP	767	273
	- Others	(167)	(129)

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

	<i>Increase</i> <i>in exchange</i> <i>rate</i>	<i>Effect</i> <i>on profit</i> <i>AED'000</i>
<i>31 December 2015</i>		
<i>Assets</i>		
US Dollars	+5%	5,505
Euro	+5%	36
GBP	+5%	46
Others	+5%	24
<i>Liabilities</i>		
US Dollars	+5%	712
Euro	+5%	103
GBP	+5%	33
Others	+5%	(3)

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 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

*Currency risk (continued)*

	<i>Increase in exchange rate</i>	<i>Effect on profit AED '000</i>
<i>31 December 2014</i>		
<i>Assets</i>		
US Dollars	+5%	2,811
Euro	+5%	101
GBP	+5%	27
Others	+5%	29
<i>Liabilities</i>		
US Dollars	+5%	(710)
Euro	+5%	(157)
GBP	+5%	(14)
Others	+5%	21

***Liquidity risk***

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

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

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

*Liquidity risk (continued)*

The table below summarises the maturity of the assets and liabilities of the Group based on remaining contractual settlement dates.

	31 December 2015				31 December 2014			
	Less than one year AED '000	More than one year AED '000	No Term AED '000	Total AED '000	Less than one year AED '000	More than one year AED '000	No Term AED '000	Total AED '000
<b>ASSETS</b>								
Property and equipment	-	-	47,238	47,238	-	-	47,549	47,549
Investment property	-	-	1,670	1,670	-	-	1,670	1,670
Advance for investment property	-	-	3,888	3,888	-	-	-	-
Financial instruments	58,051	89,961	329,440	477,452	48,633	37,381	331,920	417,934
Reinsurance assets	210,146	-	-	210,146	130,971	-	-	130,971
Insurance receivables	140,395	-	-	140,395	113,139	-	-	113,139
Prepayments and other assets	6,453	-	-	6,453	6,955	-	-	6,955
Statutory deposits	-	-	10,000	10,000	-	-	10,000	10,000
Cash and cash equivalents	40,805	-	-	40,805	69,416	-	-	69,416
<b>TOTAL ASSETS</b>	<b>455,850</b>	<b>89,961</b>	<b>392,236</b>	<b>938,047</b>	<b>369,114</b>	<b>37,381</b>	<b>391,139</b>	<b>797,634</b>



Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015

27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

Liquidity risk (continued)

	31 December 2015			31 December 2014				
	Less than one year AED '000	More than one year AED '000	No Term AED '000	Total AED '000	Less than one year AED '000	More than one year AED '000	No Term AED '000	Total AED '000
<b>EQUITY AND LIABILITIES</b>								
<b>Equity</b>								
Share capital	-	-	100,000	100,000	-	-	100,000	100,000
Statutory reserve	-	-	50,000	50,000	-	-	50,000	50,000
General reserve	-	-	13,000	13,000	-	-	13,000	13,000
Retained earnings	-	-	120,963	120,963	-	-	112,629	112,629
Cumulative change in fair value reserve	-	-	195,896	195,896	-	-	201,181	201,181
<b>Total equity</b>	-	-	479,859	479,859	-	-	476,810	476,810
<b>Liabilities</b>								
Bank loan (excluding future interest)	-	46,232	-	46,232	-	18,417	-	18,417
Employees' end of service benefits	-	2,700	-	2,700	-	2,349	-	2,349
Insurance contract liabilities	270,589	-	-	270,589	195,203	-	-	195,203
Amounts held under reinsurance treaties	29,448	-	-	29,448	10,664	-	-	10,664
Reinsurance balances payable	67,371	-	-	67,371	63,463	-	-	63,463
Trade and other payables	41,848	-	-	41,848	30,728	-	-	30,728
<b>Total liabilities</b>	409,256	48,932	-	458,188	300,058	20,766	-	320,824
<b>TOTAL EQUITY AND LIABILITIES</b>	409,256	48,932	479,859	938,047	300,058	20,766	476,810	797,634

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015

27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

*Interest rate risk*

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

The Group is exposed to interest rate risk on certain of its investment in financial instruments held at fair value through profit or loss, designated upon initial recognition, statutory deposits and bank loan. The Group limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest bearing investments and borrowings are denominated.

*Interest rate sensitivity*

The effective interest rates for all major classes of interest bearing financial instruments as at 31 December, are as follows:

*31 December 2015*

	<i>Total AED'000</i>	<i>Effective interest rate %</i>
Time deposits	53,921	2.1% to 13%
Bank loan	(46,232)	3 months USD Libor plus 1.1%
	<u>7,689</u>	

*31 December 2014*

	<i>Total AED'000</i>	<i>Effective interest rate %</i>
Time deposits	78,633	0.7% to 10%
Bank loan	(18,417)	3 months USD Libor plus 1%
	<u>60,216</u>	

There is no significant difference between contractual reprising or maturity dates.

The following table demonstrates the sensitivity of consolidated statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated statement of income is the effect of the assumed changes in interest rates on the Group's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December 2015.

	<i>Increase/ decrease in basis points</i>	<i>Effect on profit for the year AED'000</i>
2015	5	27
	-10	(54)
2014	5	39
	-10	(78)

Dubai Insurance Company (P.S.C.) and its subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2015

27 RISK MANAGEMENT (continued)

27B Financial risk (continued)

*Equity price risk*

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio.

The effect on equity (as a result of a change in the fair value of equity instruments held as financial assets at fair value through others comprehensive income at 31 December 2015) and on consolidated statement of income (as a result of changes in value of financial assets through profit or loss) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2015			2014		
	<i>Change in equity price %</i>	<i>Effect on equity AED'000</i>	<i>Effect on income statement AED'000</i>	<i>Change in equity price %</i>	<i>Effect on equity AED'000</i>	<i>Effect on income statement AED'000</i>
All investments – (Mainly Dubai Financial Market and Abu Dhabi Stock Market)	10	31,924	413	10	31,732	440

27C Operational risk

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

28 CONTINGENCIES

*Contingent liabilities*

At 31 December 2015 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 10,320 thousand (2014: AED 10,276 thousand).

*Legal claims*

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

*Capital commitments*

At 31 December, the Group's capital commitment on investment property is payable as follows:

	2015 AED'000	2014 AED'000
Less than 1 year	2,880	-
Between one and two years	8,642	-
	<u>11,522</u>	<u>-</u>

**29 COMPARATIVE INFORMATION**

Certain amounts as of 31 December 2014 have been reclassified to conform to the presentation of the current year. These changes have been made to comply with International Financial Reporting Standards and to improve the quality of information presented. Such reclassifications do not affect previously reported net profit, retained earnings and total equity.

The summary below presents the effect of the reclassification on the prior year amounts.

	<i>Reinsurance assets AED '000</i>	<i>Insurance contract liabilities AED '000</i>
<i>Statement of financial position</i>		
Balance reported at 31 December 2014	125,893	190,125
Reinsurance share of additional reserve reclassified to reinsurance assets	5,078	5,078
Reclassified balance at 31 December 2014	<u>130,971</u>	<u>195,203</u>