

Al Buhaira National Insurance Company P.S.C.

**Independent auditor's report
and consolidated financial statements
for the year ended 31 December 2015**

Al Buhaira National Insurance Company P.S.C.

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DIRECTOR'S REPORT

Directors' report for the year ended 31 December 2015

The directors submit their report on the activities of Al Buhaira National Insurance Company P.S.C. ("the Company") and its subsidiary (together, the "Group") for the year ended 31 December 2015 together with the audited consolidated financial statements.

The principal activity of the Company is the writing of insurance of all types - other than savings and accumulation of funds. The Group operates through its Head Office in Sharjah and has branches in Dubai, Abu Dhabi, Al Ain, Khorfakkan, Fujairah and Ajman.

Results

The financial position of Al Buhaira National Insurance Company P.S.C. as at 31 December 2015 together with its consolidated income statement, consolidated statement of comprehensive income, consolidated statements of changes in equity and consolidated statement of cash flows for the year then ended are set out in the accompanying consolidated financial statements.

Dividend

The directors proposed a dividend equivalent to 10% of the Company's share capital for the year ended 31 December 2015 (2014: Nil).

Directors

The following were the directors of the Company during the year ended 31 December 2015:

Sheikh Faisal Bin Khalid Sultan Al Qasimi (Chairman)
Sheikh Abdulla Mohd Ali Al Thani (Vice Chairman)
Sheikh Khaled Abdulla Sultan Al Qasimi (Managing Director)
Mr. Abdalla Juma Al Sari (Director)
Mr. Rashid Ali Rashid Dimas Al Suwaidi (Director)
Mr. Humaid Mohamed Humaid Mohamed Shattaf (Director)
Mr. Nader T. Qaddumi (General Manager)

Auditors

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

By order of the Board of Directors



Chairman


General Manager



Independent auditor's report on the consolidated financial statements to the shareholders of Al Buhaira National Insurance Company P.S.C.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Al Buhaira National Insurance Company P.S.C. (the "Company") and its subsidiary (together, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statements 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 their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 and UAE Federal Law No (6) of 2007 and the related Financial Regulations for insurance companies issued by the Insurance Authority, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

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

Al Buhaira National Insurance Company P.S.C.

Independent auditor's report on the consolidated financial statements to the shareholders of Al Buhaira National 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, we report that:

- i) we have obtained all the information we considered necessary for the purpose of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) the Group has maintained proper books of account;
- iv) the financial information included in the report of the Directors is consistent with the books of account of the Group;
- v) note 8 to the consolidated financial statements disclose the Group's investments during the year;
- vi) note 21 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group 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 financial position as at 31 December 2015; and
- viii) as disclosed in note 28 to the consolidated financial statements, the Group did not make any social contributions during the year ended 31 December 2015.

Further, as required by the UAE Federal Law No. (6) of 2007 and the related Financial Regulations for Insurance Companies issued by the Insurance Authority, we have obtained all the required information and explanations we considered necessary for the purpose of our audit. As discussed in note 1 to the financial statements, the Group is in the process of complying with certain sections of the Financial Regulations for insurance companies issued by the Insurance Authority.

PricewaterhouseCoopers
21 April 2016



Paul Suddaby
Registered Auditor Number 309
Sharjah, United Arab Emirates

Al Buhaira National Insurance Company P.S.C.

Consolidated statement of financial position

	Notes	As at 31 December		
		2015 AED	2014 AED Restated	2013 AED Restated
ASSETS				
Cash and bank balances	5	173,033,899	165,154,749	143,732,350
Insurance and other receivables	6	368,031,104	376,054,137	522,835,098
Reinsurance contract assets	7	216,007,849	239,628,865	292,926,374
Available-for-sale financial assets	8	56,146,140	57,129,716	53,342,395
Statutory deposit	5.1	6,000,000	6,000,000	6,000,000
Investment properties	9	924,540,601	948,940,601	946,765,054
Property and equipment	10	5,010,458	6,199,362	6,445,052
Total Assets		1,748,770,051	1,799,107,430	1,972,046,323
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Insurance and other payables	11	190,284,368	221,872,314	371,722,844
Insurance contract liabilities	7	472,777,068	460,627,071	500,005,498
Bank borrowings	12	440,350,671	505,180,696	516,970,689
Provision for employees' end of service indemnity	13	30,587,498	29,283,464	32,372,934
Total Liabilities		1,133,999,605	1,216,963,545	1,421,071,965
SHAREHOLDERS' EQUITY				
Share capital	14	250,000,000	250,000,000	250,000,000
Statutory reserve	15.1	101,971,785	98,557,807	94,736,762
General reserve	15.2	200,000,000	200,000,000	200,000,000
Cumulative changes in fair value of available for sale financial assets	15.3	(12,525,275)	(11,012,049)	(15,865,987)
Retained earnings		75,323,936	44,598,127	22,103,583
Total shareholders' equity		614,770,446	582,143,885	550,974,358
Total liabilities and shareholders' equity		1,748,770,051	1,799,107,430	1,972,046,323

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



Chairman



General Manager

Al Buhaira National Insurance Company P.S.C.

Consolidated income statement

	Notes	Year ended 31 December	
		2015 AED	2014 AED Restated
Earned premiums	16	618,399,405	548,422,667
Reinsurance premiums ceded	16	(331,830,351)	(322,432,952)
Net earned premiums		<u>286,569,054</u>	<u>225,989,715</u>
Gross claims incurred	7	(467,944,028)	(441,674,223)
Insurance claims recovered from reinsurers	7	152,784,035	186,563,607
Net claims incurred		<u>(315,159,993)</u>	<u>(255,110,616)</u>
Gross commission earned		110,256,642	102,488,478
Less: commission incurred		(19,533,037)	(17,619,831)
Net commission earned		<u>90,723,605</u>	<u>84,868,647</u>
Underwriting profit		62,132,666	55,747,746
General and administrative expenses and provision for doubtful debts relating to underwriting activities	17	(46,774,809)	(37,528,984)
Net underwriting profit		15,357,857	18,218,762
Net investment income	18	42,985,694	37,177,099
Finance costs		(17,787,889)	(22,690,916)
Non-operating general and administrative expenses	19	(6,415,875)	(6,389,356)
Profit for the year		<u>34,139,787</u>	<u>26,315,589</u>
Basic and diluted earnings per share	20	<u>0.14</u>	<u>0.11</u>

Al Buhaira National Insurance Company P.S.C.

Consolidated statement of comprehensive income

	Note	Year ended 31 December	
		2015 AED	2014 AED Restated
Profit for the year		<u>34,139,787</u>	<u>26,315,589</u>
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Unrealised loss on revaluation of available-for-sale financial assets recognised directly in equity	8	(5,513,226)	(146,062)
Transfer to consolidated income statement			
Reclassification adjustment relating to available-for-sale investment impaired during the year	18	<u>4,000,000</u>	<u>5,000,000</u>
Other comprehensive (loss) / income for the year		<u>(1,513,226)</u>	<u>4,853,938</u>
Total comprehensive income for the year		<u><u>32,626,561</u></u>	<u><u>31,169,527</u></u>

Al Buhaira National Insurance Company P.S.C.

Consolidated statement of changes in equity

	Share capital AED	Statutory reserve AED	General reserve AED	Cumulative changes in fair value of available for sale financial assets AED	Retained earnings AED	Total AED
Balance at 1 January 2014 (As previously reported)	250,000,000	94,736,762	200,000,000	(15,865,987)	79,484,639	608,355,414
Effect of changes in accounting policies (Note 29)	-	-	-	-	(57,381,056)	(57,381,056)
Balance at 1 January 2014 (Restated)	250,000,000	94,736,762	200,000,000	(15,865,987)	22,103,583	550,974,358
Profit for the year (Restated)	-	-	-	-	26,315,589	26,315,589
Other comprehensive income for the year	-	-	-	4,853,938	-	4,853,938
Total comprehensive income for the year	-	-	-	4,853,938	26,315,589	31,169,527
Transfer to statutory reserve (Note 15.1)	-	3,821,045	-	-	(3,821,045)	-
Balance at 31 December 2014 (Restated)	250,000,000	98,557,807	200,000,000	(11,012,049)	44,598,127	582,143,885
Balance at 1 January 2015 (As previously reported)	250,000,000	98,557,807	200,000,000	(11,012,049)	113,874,043	651,419,801
Effect of changes in accounting policies (Note 29)	-	-	-	-	(69,275,916)	(69,275,916)
Balance at 1 January 2015 (Restated)	250,000,000	98,557,807	200,000,000	(11,012,049)	44,598,127	582,143,885
Profit for the year	-	-	-	-	34,139,787	34,139,787
Other comprehensive income for the year	-	-	-	(1,513,226)	-	(1,513,226)
Total comprehensive income for the year	-	-	-	(1,513,226)	34,139,787	32,626,561
Transfer to statutory reserve (Note 15.1)	-	3,413,978	-	-	(3,413,978)	-
Balance at 31 December 2015	250,000,000	101,971,785	200,000,000	(12,525,275)	75,323,936	614,770,446

The notes on pages 9 to 67 form an integral part of these consolidated financial statements.

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Al Buhaira National Insurance Company P.S.C.

Consolidated statement of cash flows

	Notes	Year ended 31 December	
		2015 AED	2014 AED Restated
Cash flows from operating activities			
Profit for the year		34,139,787	26,315,589
Adjustments for:			
Depreciation of property and equipment	10	1,821,156	1,799,926
Write off of property and equipment	10	314,860	-
Allowance for doubtful debts	6	6,000,000	5,000,000
Interest income on deposits	18	(3,303,297)	(2,449,757)
Dividend from investments	18	(1,823,167)	(1,438,170)
Net rental income from investment properties	18	(50,482,185)	(47,097,306)
Impairment on available for sale financial assets	18	4,000,000	5,000,000
Impairment of investment properties	18	6,000,000	5,000,000
Loss on disposal of investment property	18	2,400,000	-
Loss on sale of available for sale financial assets	18	413,978	4,059,635
Provision/(reversal) for employees' end of service indemnity	13	3,173,441	(1,112,333)
Loss on disposal of property and equipment		3,567	-
Finance costs		17,787,889	22,690,916
Operating cash flows before changes in operating assets and liabilities and employees' end of service indemnity paid			
		20,446,029	17,768,500
Employees' end of service indemnity paid	13	(1,869,407)	(1,977,137)
Operating cash flows before changes in operating assets and liabilities and after employees' end of service indemnity paid			
		18,576,622	15,791,363
Changes in insurance and other receivables		2,023,033	141,780,961
Changes in reinsurance contract assets		23,621,016	53,297,509
Changes in insurance and other payables		(31,587,946)	(149,850,530)
Changes in insurance contract liabilities		12,149,997	(39,378,427)
Net cash generated from operating activities			
		24,782,722	21,640,876
Cash flows from investing activities			
Movement in fixed deposits under lien	5	3,755,583	14,630,479
Purchase of available for sale financial assets	8	(117,523,161)	(313,987,380)
Proceeds from sale of available for sale financial assets		112,579,533	305,994,362
Purchase of property and equipment	10	(950,679)	(1,554,236)
Proceeds from disposal of investment property		16,000,000	-
Purchase of investment property	9	-	(7,175,547)
Movement in fixed deposits of original maturity of more than 3 months	5	(25,000,030)	(29,999,970)
Finance income received		3,303,297	2,449,757
Dividends received		1,823,167	1,438,170
Net rental income from investment properties		50,482,185	47,097,306
Net cash generated from investing activities			
		44,469,895	18,892,941
Cash flows from financing activities			
Increase in bank borrowings		(46,179,495)	67,294,428
Finance costs paid		(17,787,889)	(22,690,916)
Net cash (used in)/generated from financing activities			
		(63,967,384)	44,603,512
Net increase in cash and cash equivalents			
		5,285,233	85,137,329
Cash and cash equivalents at the beginning of the year		(57,689,903)	(142,827,232)
Cash and cash equivalents at the end of the year			
	5	(52,404,670)	(57,689,903)

Al Buhaira National Insurance Company P.S.C.

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

1 General information

Al Buhaira National Insurance Company P.S.C. – Sharjah, (the “Company”) is incorporated as a public shareholding company by an Emiri Decree issued by His Highness, The Ruler of Sharjah on May 16, 1978. The Company is subject to the regulations of UAE Federal Law No. 6 of 2007, concerning the formation of Insurance Authority of U.A.E. The Company is registered in the Insurance Companies register of Insurance Authority of UAE under registration number 15. The address of the Company’s registered corporate office is P.O. Box 6000, Sharjah, United Arab Emirates.

The Group consists of Al Buhaira National Insurance Company P.S.C. and its subsidiary (the “Group”) as disclosed in note 3.1 to the consolidated financial statements.

The principal activity of the Company is the writing of insurance of all types - other than savings and accumulation of funds. The Group operates through its Head Office in Sharjah and has branches in Dubai, Abu Dhabi, Al Ain, Khorfakkan, Fujairah and Ajman.

The UAE Federal Law No. 2 of 2015 (“Companies Law”) which is applicable to the Group has come into effect on 1 July 2015. The Group is currently assessing and evaluating the relevant provisions of the Companies Law. The Group has twelve months from the effective date of the Companies Law to comply with its provisions (“the transitional provisions”) and the Group has availed these transitional provisions.

In December 2014, the UAE Insurance Authority issued the Board of Directors’ decision number (25) of 2014 pertinent to financial regulations for Insurance Companies. The insurance companies are given a period of one to three years to comply with the various sections of the financial regulations. The Group is in the process of complying with certain sections of the Financial Regulations issued by the Insurance Authority.

2 Basis of preparation and application of new and revised International Financial Reporting Standards (IFRSs)

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS and applicable requirements of UAE Commercial Companies Law No. 2 of 2015 and UAE Federal law No. (6) of 2007, and the articles of association of the Company.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets.

The preparation of financial statements in conformity with IFRS requires the use of critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Al Buhaira National Insurance Company P.S.C.

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

2 Basis of preparation and application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.1 Basis of preparation (continued)

2.1.1 Change in accounting policy

As per Federal Law No. 6 of 2007, relating to the Establishment of Insurance Authority and regulations of Insurance operations, a new financial regulation for insurance companies was issued on 28 January 2015 by Board of Director's Decision No. 25 of 2014. The financial regulation provided a period to the insurance companies of 1 to 3 years from the publication of financial regulations in the Public Gazette from 29 January 2015 to align the operations to the covenants of the regulations therein. The Group is in the process of aligning its operations with the requirements of the regulations and are expected to be fully aligned before the deadline for the alignment period.

On 1 October 2015, the Group adopted the above directives that relate to the basis of calculating the technical provisions. Consequently, the Group has changed the basis for recognition of unearned premium reserve ("UPR"), Incurred but Not Reported Claims ("IBNR"), Unallocated loss adjustment expense reserve ("ULAE"), Unexpired risk reserve ("URR") and Outstanding claims recoveries arising from its insurance contracts and their respective reinsurance shares.

Prior to the change, the Group's UPR was calculated using an internal statistical model. The change in the basis of recognition this year has resulted in recognising UPR using the 1/365 method i.e. calculated linearly (pro rata basis calendar year from the date of risk inception).

Prior to the change, the Group's IBNR was calculated using an internal statistical model based on historical data. The change in the basis of recognition this year has resulted in recognising IBNR using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required by the new regulation.

In 2015, in accordance with the new Insurance Authority ("IA") regulations, the Group is required to have a reserve against any unsettled claims of recoveries that are above three years and accordingly has changed its measurement basis and created a policy in that regard. The Group's external actuary has performed his independent assessment and refined the underlying assumptions used by management for third party outstanding claims recoveries which is part of outstanding claims.

Prior to the change, the Group did not account for ULAE which is a new technical reserve now calculated in accordance with the financial regulation requirements.

Prior to the change, the Group used to perform an internal assessment of the need for URR using a high level calculation based on the loss ratios by line of business to comply with the liability adequacy test requirement of IFRS 4. The IA regulations have emphasized the calculation of URR which is consistent with the requirements of IFRS 4. In 2015, the Group's actuary assessed the profitability of the unearned premiums and calculated URR only for the lines of business that represent higher than 100% of the combined ratios. The actuary calculated URR only for medical line of business where the combined ratio is above 100%.

Al Buhaira National Insurance Company P.S.C.

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

2 Basis of preparation and application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.1 Basis of preparation (continued)

2.1.1 Change in accounting policy (continued)

The change has been applied by the Group retrospectively based on the recommendation of the Group's actuary. Management believes that the change in basis provides more relevant and reliable information of the Group's financial performance and its financial position to the financial statement users. The effect of changes in accounting policy are disclosed in Note 29 to the consolidated financial statements.

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

(a) *New standards, amendments to existing standards and IFRIC interpretations effective for the Group's accounting period beginning on 1 January 2015*

The following applicable new standards, amendments to existing standards and IFRIC interpretation have been published and are effective for the Group's accounting period beginning on 1 January 2015:

- IAS 19, 'Employee benefits', regarding defined benefit plans (amendment) (effective annual periods on or after 1 July 2014 although endorsed for annual periods on or after 1 February 2015); and
- IFRIC 21, 'Levies' (effective annual periods on or after 1 January 2014 endorsed 17 June 2014).

There is no material impact of the above amendments to published standards and IFRIC interpretations on the financial statements of the Group.

(b) *New standards and amendments to existing standards not effective for the Group's accounting period beginning on 1 January 2016 and have not been early adopted by the Group*

The following applicable new standards and amendments to published standards have been issued but are not effective for financial periods beginning on 1 January 2016, and have not been early adopted by the Group in preparing these financial statements:

- IFRS 11 (amendment), 'Joint arrangements' (effective from 1 January 2016);
- IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' (amendment) (effective 1 January 2016);
- IFRS 10 'Consolidated financial statements' and IAS 28 'Investment in associates' (amendment) (effective from 1 January 2016);
- IAS 27 (amendment) 'Separate financial statements' (effective from 1 January 2016);
- IFRS 5 (amendment) 'Non-current assets held for sale and discontinued operations' regarding methods of disposal (effective from 1 January 2016);

Al Buhaira National Insurance Company P.S.C.

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

2 Basis of preparation and application of new and revised International Financial Reporting Standards (IFRSs) (continued)

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

(b) *New standards and amendments to existing standards not effective for the Group's accounting period beginning on 1 January 2016 and have not been early adopted by the Group* (continued)

- IFRS 7 (amendment) 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts (effective from 1 January 2016);
- IAS 19 (amendment) 'Employee benefits' regarding discount rates (effective from 1 January 2016);
- IAS 34 (amendment) 'Interim financial reporting' regarding disclosure (effective from 1 January 2016);
- IAS 1 (amendment) 'Presentation of financial statements' on the disclosure initiative (effective from 1 January 2016);
- IFRS 14, 'Regulatory deferral accounts' (effective from 1 January 2016);
- IFRS 15, 'Revenue from contracts with customers' (effective from 1 January 2018); and
- IFRS 16, 'Leases' (Effective from 1 January 2019).

The management of the Group is in the process of identifying the relevance and the impact of the above standards, amendments and interpretations on its financial statements. Management expects that most of the relevant standards, amendments and interpretations will not have a material impact on the consolidated financial statements.

3 Summary of significant accounting policies

3.1 Basis of consolidation

The consolidated financial statements of Al Buhaira National Insurance Company P.S.C. and its subsidiary (the "Group") incorporate the financial statements of the Company and the entity controlled by the Company (its subsidiary).

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Al Buhaira National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(a) Subsidiaries (continued)

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Group. They are shown separately in the consolidated statements of financial position, comprehensive income and changes in equity. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary.

The acquisition method of accounting is used to account for business combinations entered into by the Group. The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill.

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Details of the Company's subsidiary at 31 December 2015 and 2014 are as below:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held	Principal activity
Al Buhaira Economic Investments Establishment	Sharjah, U.A.E.	100%	Investing in economic projects

Al Buhaira National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

3.3 Foreign currency

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Arab Emirates Dirhams' ("AED"), which is the group's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated income statement within 'net investment income'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

3.4 Insurance contracts

3.4.1 Definition

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

3.4.2 Recognition and measurement

The Group issues short term insurance contracts. These contracts are motor, group medical, casualty, and property insurance contracts.

Al Buhaira National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.4 Insurance contracts (continued)

3.4.2 Recognition and measurement (continued)

Auto insurance contracts allow the Group's customers to mitigate the risk of costs related to getting into a car accident. Auto insurance provides the Group's customers financial protection against physical damage and/or bodily injury resulting from traffic collisions.

Group medical contracts allow the Group's customers to obtain healthcare coverage and protect them against medical expenditures and related costs in accordance with an agreed medical plan. The healthcare coverage pays for medical and surgical expenses that are incurred by the insured customers.

Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events.

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Short-duration life insurance contracts protect the Group's customers from the consequences of events that would have an effect on the ability of the customer or customer's dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policy holder. There are no maturity or surrender benefits.

For all these insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the reporting date is reported as the unearned premium liability.

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

The Group does not discount its liabilities for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the Claims Incurred But Not Reported ("IBNR") as determined by management's best estimate and after considering results of reserve review done by an independent actuary.

Al Buhaira National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.4 Insurance contracts (continued)

3.4.3 Reinsurance contracts

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer are included with insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance contract assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Group assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract asset is impaired, the Group reduces the carrying amount of the reinsurance contract asset to its recoverable amount and recognises the impairment loss in the consolidated income statement. The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

3.4.4 Insurance contract liabilities and reinsurance contract assets

Insurance contract liabilities include the outstanding claims provision, provision for claims incurred but not reported and the provision for unearned premium.

(a) Unearned premiums reserve

Unearned premiums are those proportions of premiums written in a year that relate to period of risk after the reporting date. Unearned premium is calculated on a daily prorate. The proportion attributable to a subsequent year is deferred as a provision for unearned premium.

(b) Claims reported unsettled

The claims reported unsettled are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date. 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 obligation is discharged or cancelled.

Al Buhaira National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.4 Insurance contracts (continued)

3.4.4 Insurance contract liabilities and reinsurance contract assets (continued)

(c) Claims incurred but not reported

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

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

- (i) claims reported during the year
- (ii) delay in reporting these claims

The reinsurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as reinsurance contract assets in the consolidated financial statements.

3.4.5 Policy acquisition costs

Commissions and other acquisition costs are accounted on an incurred basis.

3.4.6 Salvage and subrogation reimbursements

Estimates of salvage and subrogation reimbursements are considered as an allowance, in the measurement of the insurance liability for claims.

3.4.7 Liability adequacy test

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in the consolidated statement of income.

3.5 Finance income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, finance income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Finance income is included in 'net investment income' in the consolidated income statement.

Al Buhaira National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.6 Dividend income

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

3.7 Rental income

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the lease, as all of the Group leases are for a period that does not exceed 12 months.

3.8 Commission income

Commission income is recognised when the reinsurance premium is ceded based on the terms and percentages agreed with the reinsurers.

3.9 General and administrative expenses

Direct expenses are charged to the respective departmental revenue accounts. Indirect expenses are allocated to departmental revenue accounts on the basis of gross written premiums of each department. Other administration expenses are charged to profit or loss as non-operating general and administrative expenses.

3.10 Financial instruments

3.10.1 Recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3.11 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Al Buhaira National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.11 Financial assets (continued)

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise 'cash and bank balances', 'insurance and other receivables' and 'reinsurance receivables-claims reported unsettled' in the consolidated statement of financial position (Notes 5, 6 and 7 respectively).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available for sale financial assets held by the Group comprise equity investments that are quoted and traded in active markets and unquoted shares that are not traded in active markets but management considers that fair value can be reliably measured.

3.11.1 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are derecognised when the right to receive cash flows from the investment have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. After initial measurement, loan and other receivables are measured at amortised cost using the effective interest method, less any impairment.

The carrying value of the 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 income statement.

Available-for-sale financial assets are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the fair value reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in net investment income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the fair value reserve to the consolidated income statement.

Al Buhaira National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.11 Financial assets (continued)

3.11.1 Recognition and measurement (continued)

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of net investment income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of net investment income when the Group's right to receive payments is established.

3.11.2 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Al Buhaira National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.11 Financial assets (continued)

3.11.2 Impairment of financial assets (continued)

(b) Assets classified as available for sale (continued)

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

3.12 Financial liabilities

3.12.1 Recognition and measurement

Financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective profit method. Liabilities are recognised for amounts to be paid for services received, whether or not billed to the Group.

3.12.2 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated income statement.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

3.13 Fair values of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties on an arm's length transaction at the measurement date. Difference can therefore arise between the book values under the historical cost method and fair value estimates.

Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms.

Al Buhaira National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.13 Fair values of financial instruments (continued)

Fair values of marketable securities are determined by reference to their bid prices at the close of business at the reporting date. In respect of unquoted available for sale financial assets, the fair value is determined based on various valuation techniques, as deemed appropriate. The fair values of the Group's other financial assets and liabilities are not materially different from their carrying value.

3.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

3.15 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks with original maturities of three months or less and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings.

3.16 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including property under construction for such purposes. Investment property is initially recognised at cost, including transaction expense. Subsequent to initial recognition, investment property is carried at fair value.

Fair value of the investment property is determined on the basis of valuation undertaken by independent valuator who holds a recognised and relevant qualification and has recent experience in the location and category of investment property being valued.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are derecognised either when they have been disposed of (i.e the risks and rewards and title of ownership of the property are transferred outside the Group) or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Al Buhaira National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.16 Investment properties (continued)

Gains or losses arising from changes in the fair value of investment property are included in the consolidated income statement.

If an investment property becomes owner-occupied, it is reclassified as property and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

3.17 Property and equipment

Property and equipment, including owner-occupied properties, are carried at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are charged to the consolidated income statement during the financial period they are incurred.

The asset's residual values, useful lives and method of depreciation applied are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognised in the consolidated income statement as an expense.

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 de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the consolidated income statement in the year the asset is derecognised.

Land is stated at its cost and is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Furniture and equipment	5
Computer equipment	5
Office fixture and fittings	10
Manager's residential villa	15

3.18 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Al Buhaira National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.19 Employee benefits

3.19.1 Defined contribution plan

UAE national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group is required to contribute 12.5% of the “contribution calculation salary” of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the “contribution calculation salary” respectively, to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the consolidated income statement.

3.19.2 Annual leaves and leaves passage

A provision is made for the estimated liability for employees’ entitlement to annual leave and leave passage as a result of services rendered by the employees up to the statement of financial position date.

3.19.3 Provision for employees’ end of service benefits

A provision is made using actuarial techniques, for the end of service benefits due to employees in accordance with the UAE Labor Law, for their period of service up to the statement of financial position date. This amount is charged to the consolidated statement of comprehensive income.

3.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.21 Dividend distribution

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

Al Buhaira National Insurance Company P.S.C.

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

3 Summary of significant accounting policies (continued)

3.22 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of Group by the weighted number of ordinary shares outstanding during the year. Diluted EPS is calculated by adjusting the earnings and number of shares for the effects of all dilutive potential shares.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The significant judgements and estimates made by management, that have a significant risk of causing a material adjustment to the most significant effect on the amounts recognised in the consolidated financial statements as described below:

4.1.1 Impairment of available for sale financial assets

The Group determines that available-for sale equity investments are impaired when there has been a significant or prolonged decline in their fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement and to record whether impairment occurred, the Group evaluates among other factors, the normal volatility in share price and market, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss of AED 12,525,275 in its 2015 consolidated financial statements, being the transfer of the accumulated fair value adjustments recognised in equity on the impaired available-for-sale financial assets to the consolidated income statement.

4.1.2 Classification of properties

In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property and equipment, and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment, and property held for sale. In making its judgment, management has considered the detailed criteria and related guidance set out in, IAS 16 – Property, Plant and Equipment, IAS 40 – Investment Property and IFRS 5- Asset held for sale, with regards to the intended use of the property.

Al Buhaira National Insurance Company P.S.C.

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

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

4.1.3 The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the end of each reporting period and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting period. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on past claims settlement trends for the claims incurred but not reported after considering results of reserve review done by an independent actuary. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. As disclosed in note 2.1.1, the Group changed its measurement basis and method of accounting for IBNR during the current year. The change was applied retrospectively.

4.1.4 Impairment of insurance receivables

An estimate of the collectible amount of insurance receivables is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired, entails the Group evaluating, the credit and liquidity position of the policy holders and the insurance companies, historical recovery rates including detailed assessment carried out during 2015 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the consolidated income statement.

Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the consolidated income statement at the time of collection.

Had the impairment provision as a percentage of gross receivables been 1% higher at year end and all other variables were held constant, the Group's profit for the year ended 31 December 2015 and equity as at 31 December 2015 would decrease by approximately AED 3.75 million and vice versa.

4.1.5 Fair value of investment properties and investment properties under construction

The fair valuation of investment properties is based on estimated value as determined by independent valuation experts in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS"). The fair value of land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In the current year, management has used two external valuers for determining the fair value of buildings. Thus, the fair value of buildings was determined based on the average of the discounted cash flows approach and the income and capitalisation approach using investment method used by each of the valuers. In the prior year, the fair value for buildings was determined based on the income and capitalisation approach using investment method.

Al Buhaira National Insurance Company P.S.C.

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

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

4.1.6 Fair value of investment properties and investment properties under construction (continued)

Management believes that the use of two independent valuers and the average valuation based on two valuations for buildings provide more appropriate basis for assessing the carrying amount of buildings on fair value basis. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The capitalisation rate used under the income and capitalisation approach at year end ranged between 7% -10.25%. The discount factor used under the discounted cash flows approach was determined at 10%.

Had the capitalisation rates been 0.5% lower at year end and all other variables were held constant, the Group's profit for the year ended 31 December 2015 and equity as at 31 December 2015 would increase by approximately AED 18 million and vice versa.

In undertaking the valuation, the valuation experts have made a number of assumptions and relied upon various sources of information. Management reviews the assumptions based on their reasonable knowledge and other information available about the property.

5 Cash and bank balances

	2015 AED	2014 AED
Cash on hand	83,669	169,840
Bank balances:		
Current accounts	8,551,610	20,593,296
Call accounts	1,504,503	2,741,943
Margin deposits	573,000	573,000
Fixed deposits	<u>162,321,117</u>	<u>141,076,670</u>
Cash and bank balances	<u>173,033,899</u>	<u>165,154,749</u>
Cash and cash equivalents:		
Less: Deposits under lien (Note 12)	(107,321,117)	(111,076,700)
Less: Deposits with original maturity of more than three months	(55,000,000)	(29,999,970)
Less: Margin deposits	(573,000)	(573,000)
Less: Bank overdrafts (Note 12)	<u>(62,544,452)</u>	<u>(81,194,982)</u>
Cash and cash equivalents for the consolidated statement of cash flows	<u>(52,404,670)</u>	<u>(57,689,903)</u>

Fixed deposits amounting to AED 107 million (2014: AED 111 million) are under lien in respect of bank credit facilities granted to the Group (Note 12).

The interest rates on fixed deposits and call accounts with banks range between 1% and 3% (2014: 1% and 3%) per annum. All bank balances are held in local banks in the United Arab Emirates.

Al Buhaira National Insurance Company P.S.C.

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

5 Cash and bank balances (continued)

5.1 Statutory deposit

At 31 December 2015, the statutory deposit of AED 6 million (2014: AED 6 million) has been placed as a fixed deposit in accordance with Article 42 of the Federal Law No. 6 of 2007, for the purpose of carrying on insurance operations in the United Arab Emirates, and cannot be withdrawn without the approval of the Ministry of Economy.

6 Insurance and other receivables

	2015 AED	2014 AED
Receivables arising from insurance and reinsurance contracts:		
Due from policy holders	249,665,104	270,414,674
Due from reinsurance companies	43,186,199	49,271,293
Due from insurance companies	82,302,604	69,575,906
Less: Allowance for doubtful debts	<u>(21,797,042)</u>	<u>(25,000,000)</u>
	353,356,865	364,261,873
Other receivables		
Staff receivables	2,626,961	2,693,414
Rent receivable	6,013,990	4,323,291
Prepayments and others	<u>6,033,288</u>	<u>4,775,559</u>
	<u>368,031,104</u>	<u>376,054,137</u>

The average credit period is 120 days. Due from aged policyholders are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

The other classes within insurance and other receivables do not contain impaired assets. The Group does not hold any collateral as security. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above.

Before accepting any new customer, the Group assesses the potential customers' credit quality and defines credit limits by customer. Of the due from policyholders balance at the end of the year, AED 37 million (2014: AED 40 million) is due from the Group's largest customer. There are 4 (2014: 5) other customers who represent more than 23.3% (2014: 25.8%) of the total balance of due from policy holders.

The geographical allocation of receivables arising from insurance and reinsurance contracts is as follows:

	Inside UAE AED	Outside UAE AED	Total AED
31 December 2015			
Due from policy holders	249,665,104	-	249,665,104
Due from insurance companies	80,828,589	1,474,015	82,302,604
Due from reinsurance companies	10,059,686	33,126,513	43,186,199
Less: Allowance for doubtful debts	<u>(21,797,042)</u>	<u>-</u>	<u>(21,797,042)</u>
	<u>318,756,337</u>	<u>34,600,528</u>	<u>353,356,865</u>

Al Buhaira National Insurance Company P.S.C.

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

6 Insurance and other receivables (continued)

	Inside UAE AED	Outside UAE AED	Total AED
31 December 2014			
Due from policy holders	270,414,674	-	270,414,674
Due from insurance companies	65,291,963	4,283,943	69,575,906
Due from reinsurance companies	4,271,145	45,000,148	49,271,293
Less: Allowance for doubtful debts	<u>(17,648,278)</u>	<u>(7,351,722)</u>	<u>(25,000,000)</u>
	<u>322,329,504</u>	<u>41,932,369</u>	<u>364,261,873</u>

The aging analysis of receivables arising from insurance and reinsurance contracts by geographical location is as follows:

31 December 2015	Due from policy holders AED	Due from insurance companies AED	Due from reinsurance companies AED	Total AED
Inside UAE				
Less than 60 days	39,399,461	27,656,499	647,347	67,703,307
91 to 120 days	109,004,031	15,643,431	349,654	124,997,116
121 to 180 days	21,573,887	20,587,998	34,655	42,196,540
181 to 270 days	19,612,822	4,054,981	5,845,504	29,513,307
271 to 365 days	38,682,521	4,823,240	6,725	43,512,486
More than 365	<u>21,392,382</u>	<u>8,062,440</u>	<u>3,175,801</u>	<u>32,630,623</u>
	<u>249,665,104</u>	<u>80,828,589</u>	<u>10,059,686</u>	<u>340,553,379</u>
Less: Allowance for doubtful debts	<u>(21,797,042)</u>	<u>-</u>	<u>-</u>	<u>(21,797,042)</u>
	<u>227,868,062</u>	<u>80,828,589</u>	<u>10,059,686</u>	<u>318,756,337</u>

31 December 2015	Due from policy holders AED	Due from Insurance companies AED	Due from reinsurance companies AED	Total AED
Outside UAE				
Less than 60 days	-	16,561	11,372,536	11,389,097
91 to 120 days	-	10,645	1,153,705	1,164,350
121 to 180 days	-	135,913	590,919	726,832
181 to 270 days	-	4,423	647,778	652,201
271 to 365 days	-	5,751	172,414	178,165
More than 365	<u>-</u>	<u>1,300,722</u>	<u>19,189,161</u>	<u>20,489,883</u>
	<u>-</u>	<u>1,474,015</u>	<u>33,126,513</u>	<u>34,600,528</u>

Al Buhaira National Insurance Company P.S.C.

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

6 Insurance and other receivables (continued)

31 December 2014	Due from policy holders AED	Due from insurance companies AED	Due from reinsurance companies AED	Total AED
Inside UAE				
Less than 60 days	35,936,738	14,652,636	2,333,464	52,922,838
91 to 120 days	111,781,757	15,517,380	75,238	127,374,375
121 to 180 days	16,888,410	15,641,141	59,188	32,588,739
181 to 270 days	14,450,533	6,293,053	136,976	20,880,562
271 to 365 days	46,647,520	939,496	-	47,587,016
More than 365	44,709,716	12,248,257	1,666,279	58,624,252
	<u>270,414,674</u>	<u>65,291,963</u>	<u>4,271,145</u>	<u>339,977,782</u>
Less: Allowance for doubtful debts	<u>(17,648,278)</u>	<u>-</u>	<u>-</u>	<u>(17,648,278)</u>
	<u>252,766,396</u>	<u>65,291,963</u>	<u>4,271,145</u>	<u>322,329,504</u>

31 December 2014	Due from policy holders AED	Due from Insurance companies AED	Due from reinsurance companies AED	Total AED
Outside UAE				
Less than 60 days	-	237,749	11,850,536	12,088,285
91 to 120 days	-	135,810	1,750,268	1,886,078
121 to 180 days	-	2,768,413	3,478,041	6,246,454
181 to 270 days	-	154,377	7,404,860	7,559,237
271 to 365 days	-	-	5,565,314	5,565,314
More than 365	-	987,594	14,951,129	15,938,723
	<u>-</u>	<u>4,283,943</u>	<u>45,000,148</u>	<u>49,284,091</u>
Less: Allowance for doubtful debts	<u>-</u>	<u>-</u>	<u>(7,351,722)</u>	<u>(7,351,722)</u>
	<u>-</u>	<u>4,283,943</u>	<u>37,648,426</u>	<u>41,932,369</u>

Movement in the allowance for doubtful debts:

	2015 AED	2014 AED
Balance at beginning of the year	25,000,000	20,000,000
Allowance made during the year	6,000,000	5,000,000
Amounts written off during the year	<u>(9,202,958)</u>	<u>-</u>
Balance at end of the year	<u>21,797,042</u>	<u>25,000,000</u>

Al Buhaira National Insurance Company P.S.C.

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

6 Insurance and other receivables (continued)

In determining the recoverability of an insurance receivable, the Group considers any change in the credit quality of the insurance receivable from the date credit was initially granted up to the reporting date. Management believes no further allowance is required, as there was no significant change in credit quality of these insurance receivables and the amounts are considered recoverable.

7 Insurance contract liabilities and reinsurance contract assets

	2015 AED	2014 AED Restated
Insurance contract liabilities		
Claims reported unsettled	203,615,539	182,365,371
Claims incurred but not reported	57,548,264	73,465,068
Unallocated loss adjustment expense reserve	4,290,121	4,308,790
Unexpired risk reserve	5,212,481	-
Unearned premiums	<u>202,110,663</u>	<u>200,487,842</u>
	<u>472,777,068</u>	<u>460,627,071</u>
Recoverable from reinsurers		
Claims reported unsettled	88,870,275	92,177,162
Claims incurred but not reported	21,235,504	31,333,969
Unallocated loss adjustment expense reserve	2,413,339	2,879,462
Unexpired risk reserve	2,156,439	-
Unearned premiums	<u>101,332,292</u>	<u>113,238,272</u>
	<u>216,007,849</u>	<u>239,628,865</u>
Net		
Claims reported unsettled	114,745,264	90,188,209
Claims incurred but not reported	36,312,760	42,131,099
Unallocated loss adjustment expense reserve	1,876,782	1,429,328
Unexpired risk reserve	3,056,042	-
Unearned premiums	<u>100,778,371</u>	<u>87,249,570</u>
	<u>256,769,219</u>	<u>220,998,206</u>

The gross and net insurance liabilities calculated by the Group's external actuary are as follows:

	2015 AED
Gross	
Claims reported unsettled	203,615,539
Claims incurred but not reported	57,548,264
Unallocated loss adjustment expense reserve	4,290,121
Unexpired risk reserve	5,212,481
Unearned premiums	<u>202,110,663</u>
	<u>472,777,068</u>

Al Buhaira National Insurance Company P.S.C.

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

7 Insurance contract liabilities and reinsurance contract assets (continued)

	2015 AED
Net	
Claims reported unsettled	114,745,264
Claims incurred but not reported	36,312,760
Unallocated loss adjustment expense reserve	1,876,782
Unexpired risk reserve	3,056,042
Unearned premiums	<u>100,778,371</u>
	<u>256,769,219</u>

Al Buhaira National Insurance Company P.S.C.

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

7 Insurance contract liabilities and reinsurance contract assets (continued)

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

	2015			2014 Restated		
	Gross AED	Reinsurance AED	Net AED	Gross AED	Reinsurance AED	Net AED
Claims						
Notified claims	182,365,371	(92,177,162)	90,188,209	237,897,680	(142,251,346)	95,646,334
Incurred but not reported	73,465,068	(31,333,969)	42,131,099	68,639,691	(32,089,018)	36,550,673
Unallocated loss adjustment expense reserve	4,308,790	(2,879,462)	1,429,328	8,172,353	(5,901,123)	2,271,230
Total at the beginning of the year	260,139,229	(126,390,593)	133,748,636	314,709,724	(180,241,487)	134,468,237
Claims settled during the year	(457,416,852)	164,499,071	(292,917,781)	(496,244,718)	240,414,501	(255,830,217)
Claims incurred	467,944,028	(152,784,035)	315,159,993	441,674,223	(186,563,607)	255,110,616
Total at the end of the year	270,666,405	(114,675,557)	155,990,848	260,139,229	(126,390,593)	133,748,636
Notified claims	203,615,539	(88,870,275)	114,745,264	182,365,371	(92,177,162)	90,188,209
Incurred but not reported	57,548,264	(21,235,504)	36,312,760	73,465,068	(31,333,969)	42,131,099
Unallocated loss adjustment expense reserve	4,290,121	(2,413,339)	1,876,782	4,308,790	(2,879,462)	1,429,328
Unexpired risk reserve	5,212,481	(2,156,439)	3,056,042	-	-	-
Total at the end of the year	270,666,405	(114,675,557)	155,990,848	260,139,229	(126,390,593)	133,748,636
Unearned premiums						
Total at the beginning of the year	200,487,842	(113,238,272)	87,249,570	185,295,774	(112,684,887)	72,610,887
Increase during the year	202,110,663	(101,332,292)	100,778,371	200,487,842	(113,238,272)	87,249,570
Release during the year	(200,487,842)	113,238,272	(87,249,570)	(185,295,774)	112,684,887	(72,610,887)
Net change during the year (Note 16)	1,622,821	11,905,980	13,528,801	15,192,068	(553,385)	14,638,683
Total at the end of the year	202,110,663	(101,332,292)	100,778,371	200,487,842	(113,238,272)	87,249,570

Al Buhaira National Insurance Company P.S.C.

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

7 Insurance contract liabilities and reinsurance contract assets (continued)

Insurance contract liabilities and reinsurance contract assets by line of business as at 31 December 2015 are presented below:

	Marine AED	Fire AED	Accident and liabilities AED	General and others AED	Total insurance AED
Insurance contract liabilities					
Claims reported unsettled	16,756,626	10,168,363	120,775,772	55,914,778	203,615,539
Claims incurred but not reported	1,951,859	1,380,515	27,110,121	27,105,769	57,548,264
Unallocated loss adjustment expense reserve	305,888	240,907	2,518,381	1,224,945	4,290,121
Unexpired risk reserve	-	-	-	5,212,481	5,212,481
Unearned premiums	17,136,102	14,228,055	119,462,216	51,284,290	202,110,663
	<u>36,150,475</u>	<u>26,017,840</u>	<u>269,866,490</u>	<u>140,742,263</u>	<u>472,777,068</u>
Recoverable from reinsurers					
Claims reported unsettled	11,951,128	8,236,570	42,886,408	25,796,169	88,870,275
Claims incurred but not reported	1,815,798	41,650	9,740,699	9,637,357	21,235,504
Unallocated loss adjustment expense reserve	223,976	155,020	1,498,711	535,632	2,413,339
Unexpired risk reserve	-	-	-	2,156,439	2,156,439
Unearned premiums	12,900,358	14,015,734	50,997,688	23,418,512	101,332,292
	<u>26,891,260</u>	<u>22,448,974</u>	<u>105,123,506</u>	<u>61,544,109</u>	<u>216,007,849</u>
Net					
Claims reported unsettled	4,805,498	1,931,793	77,889,364	30,118,609	114,745,264
Claims incurred but not reported	136,061	1,338,865	17,369,422	17,468,412	36,312,760
Unallocated loss adjustment expense reserve	81,912	85,887	1,019,670	689,313	1,876,782
Unexpired risk reserve	-	-	-	3,056,042	3,056,042
Unearned premiums	4,235,744	212,321	68,464,528	27,865,778	100,778,371
	<u>9,259,215</u>	<u>3,568,866</u>	<u>164,742,984</u>	<u>79,198,154</u>	<u>256,769,219</u>

Al Buhaira National Insurance Company P.S.C.

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

7 Insurance contract liabilities and reinsurance contract assets (continued)

Insurance contract liabilities and reinsurance contract assets by line of business as at 31 December 2014 (restated) are presented below:

	Marine AED	Fire AED	Accident and liabilities AED	General and others AED	Total insurance AED
Insurance contract liabilities					
Claims reported unsettled	13,341,114	10,087,653	120,337,649	38,598,955	182,365,371
Claims incurred but not reported	1,660,599	1,377,899	34,414,471	36,012,099	73,465,068
Unallocated loss adjustment expense reserve	337,331	74,248	2,905,632	991,579	4,308,790
Unearned premiums	19,189,703	10,997,508	122,619,476	47,681,155	200,487,842
	<u>34,528,747</u>	<u>22,537,308</u>	<u>280,277,228</u>	<u>123,283,788</u>	<u>460,627,071</u>
Recoverable from reinsurers					
Claims reported unsettled	10,795,404	7,846,232	55,344,918	18,190,608	92,177,162
Claims incurred but not reported	1,557,297	1,233,909	12,805,856	15,736,907	31,333,969
Unallocated loss adjustment expense reserve	271,166	59,625	2,095,460	453,211	2,879,462
Unearned premiums	17,765,119	10,538,902	59,533,062	25,401,189	113,238,272
	<u>30,388,986</u>	<u>19,678,668</u>	<u>129,779,296</u>	<u>59,781,915</u>	<u>239,628,865</u>
Net					
Claims reported unsettled	2,545,710	2,241,421	64,992,731	20,408,347	90,188,209
Claims incurred but not reported	103,302	143,990	21,608,615	20,275,192	42,131,099
Unallocated loss adjustment expense reserve	66,165	14,623	810,172	538,368	1,429,328
Unearned premiums	1,424,584	458,606	63,086,414	22,279,966	87,249,570
	<u>4,139,761</u>	<u>2,858,640</u>	<u>150,497,932</u>	<u>63,501,873</u>	<u>220,998,206</u>

Al Buhaira National Insurance Company P.S.C.

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

7 Insurance contract liabilities and reinsurance contract assets (continued)

Insurance contract liabilities and reinsurance contract assets by line of business as at 31 December 2013 (restated) are presented below:

	Marine AED	Fire AED	Accident and liabilities AED	General and others AED	Total insurance AED
Insurance contract liabilities					
Claims reported unsettled	17,643,113	55,649,114	121,102,356	43,503,097	237,897,680
Claims incurred but not reported	3,088,649	1,407,501	29,185,628	34,957,913	68,639,691
Unallocated loss adjustment expense reserve	219,508	2,923,206	3,414,152	1,615,487	8,172,353
Unearned premiums	23,701,505	12,240,729	101,503,004	47,850,536	185,295,774
	<u>44,652,775</u>	<u>72,220,550</u>	<u>255,205,140</u>	<u>127,927,033</u>	<u>500,005,498</u>
Recoverable from reinsurers					
Claims reported unsettled	15,238,085	50,568,543	57,349,917	19,094,801	142,251,346
Claims incurred but not reported	2,887,976	1,101,314	12,756,284	15,343,444	32,089,018
Unallocated loss adjustment expense reserve	183,172	2,638,559	2,303,115	776,277	5,901,123
Unearned premiums	23,317,839	11,645,774	52,150,705	25,570,569	112,684,887
	<u>41,627,072</u>	<u>65,954,190</u>	<u>124,560,021</u>	<u>60,785,091</u>	<u>292,926,374</u>
Net					
Claims reported unsettled	2,405,028	5,080,571	63,752,439	24,408,296	95,646,334
Claims incurred but not reported	200,673	306,187	16,429,344	19,614,469	36,550,673
Unallocated loss adjustment expense reserve	36,336	284,647	1,111,037	839,210	2,271,230
Unearned premiums	383,666	594,955	49,352,299	22,279,967	72,610,887
	<u>3,025,703</u>	<u>6,266,360</u>	<u>130,645,119</u>	<u>67,141,942</u>	<u>207,079,124</u>

Al Buhaira National Insurance Company P.S.C.

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

7 Insurance contract liabilities and reinsurance contract assets (continued)

Claims development

The development of insurance liabilities provides a measure of the Group's ability to estimate the value of gross claims. The top half of the table below illustrates how the Group's estimate of total gross claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position.

	2013 AED	2014 AED	2015 AED	Total AED
Gross estimate of ultimate claims costs				
At end of reporting year	422,826,927	344,821,985	448,567,191	1,216,216,103
One year later	506,088,357	425,118,246	-	931,206,603
Two years later	504,713,549	-	-	504,713,549
Current estimate of cumulative claims	504,713,549	425,118,246	448,567,191	1,378,398,986
Cumulative payments to date	(490,176,550)	(402,808,998)	(320,409,692)	(1,213,395,240)
Liability recognised in the statement of financial position	<u>14,536,999</u>	<u>22,309,248</u>	<u>128,157,499</u>	<u>165,003,746</u>
Reserve in respect of years prior to 2013				<u>38,611,793</u>
Total reserve included in the statement of financial position				<u>203,615,539</u>

Al Buhaira National Insurance Company P.S.C.

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

8 Available for sale financial assets

Available for sale financial assets comprise the following:

	2015 AED	2014 AED
Within U.A.E.	48,503,896	48,205,576
Outside U.A.E.	7,642,244	8,924,140
	<u>56,146,140</u>	<u>57,129,716</u>

Movement during the year is as follows:

Fair value at the beginning of the year	57,129,716	53,342,395
Purchases during the year	117,523,161	313,987,380
Disposals during the year	(112,993,511)	(310,053,997)
Decrease in fair value	<u>(5,513,226)</u>	<u>(146,062)</u>
Fair value at the end of the year	<u>56,146,140</u>	<u>57,129,716</u>

	<u>Within U.A.E</u>		<u>Outside U.A.E</u>		<u>Total</u>	
	2015 AED	2014 AED	2015 AED	2014 AED	2015 AED	2014 AED
- Quoted	34,792,566	34,768,076	3,510,556	4,781,524	38,303,122	39,549,600
- Unquoted	<u>13,711,330</u>	<u>13,437,500</u>	<u>4,131,688</u>	<u>4,142,616</u>	<u>17,843,018</u>	<u>17,580,116</u>
	<u>48,503,896</u>	<u>48,205,576</u>	<u>7,642,244</u>	<u>8,924,140</u>	<u>56,146,140</u>	<u>57,129,716</u>

Available for sale financial assets with a Nil fair value (2014: AED 11.7 million), are under lien in respect of bank credit facilities granted to the Group (Note 12).

9 Investment properties

Investment properties comprises the following at fair value:

	2015 AED	2014 AED
Plots of land	107,888,000	126,288,000
Buildings	816,652,601	822,652,601
	<u>924,540,601</u>	<u>948,940,601</u>

Movement during the year is as follows:

Fair value at the beginning of the year	948,940,601	946,765,054
Additions during the year	-	7,175,547
Disposal during the year	(18,400,000)	-
Change in fair value during the year (Note 18)	<u>(6,000,000)</u>	<u>(5,000,000)</u>
Fair value at the end of the year	<u>924,540,601</u>	<u>948,940,601</u>

Al Buhaira National Insurance Company P.S.C.

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

9 Investment properties (continued)

The fair value of the Group's investment properties as at 31 December 2015 and 2014 has been arrived at on the basis of valuations carried on the respective dates by independent valuers who are not related to the Group, and have appropriate qualifications and recent market experience in the valuation of properties in the United Arab Emirates.

The fair value of land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. In the current year, management has used two external valuers for determining the fair value of buildings. The fair value of buildings was determined based on the average of the discounted cash flows approach and the income and capitalisation approach using investment method. In the prior year, the fair value for buildings was determined based on the income and capitalisation approach using investment method. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The capitalization rate used under the income approach valuation at year end ranged between 7% -10.25%. The discount factor used under the discounted cash flows approach was determined at 10%.

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

	Level 1 AED	Level 2 AED	Level 3 AED	Fair value AED
31 December 2015				
Plots of land	-	107,888,000	-	107,888,000
Buildings	-	816,652,601	-	816,652,601
	-	924,540,601	-	924,540,601
31 December 2014				
Plots of land	-	126,288,000	-	126,288,000
Buildings	-	822,652,601	-	822,652,601
	-	948,940,601	-	948,940,601

There were no transfers between the levels during the year.

Investment property with a cost of AED 812 million (2014: AED 818 million) is mortgaged to a bank towards credit facilities granted to the Group (Note 12).

Had the capitalization rates been 0.5% lower at year end and all other variables were held constant, the Group's profit for the year ended 31 December 2015 and equity as at 31 December 2015 would increase by approximately AED 18 million and vice versa.

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

	2015 AED	2014 AED
Rental income	65,406,303	61,412,218
Direct operating expenses	(14,924,118)	(14,314,912)
	50,482,185	47,097,306

Al Buhaira National Insurance Company P.S.C.

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

(continued)

10 Property and equipment

	Land AED	Furniture and equipment AED	Computer equipment AED	Office fixtures and fittings AED	Manager's residential villa AED	Total AED
Cost						
At 1 January 2014	649,000	4,314,273	10,271,791	5,354,440	1,057,827	21,647,331
Additions	-	1,359,619	194,617	-	-	1,554,236
Disposals	-	(9,000)	-	(2,200)	-	(11,200)
At 31 December 2014	649,000	5,664,892	10,466,408	5,352,240	1,057,827	23,190,367
Additions	-	806,504	118,175	26,000	-	950,679
Disposals	-	(89,403)	-	-	-	(89,403)
Write offs	-	(468,000)	-	-	-	(468,000)
At 31 December 2015	649,000	5,913,993	10,584,583	5,378,240	1,057,827	23,583,643
Accumulated depreciation						
At 1 January 2014	-	3,870,109	6,210,642	4,063,701	1,057,827	15,202,279
Charge for the year	-	349,424	1,164,511	285,991	-	1,799,926
Disposals	-	(9,000)	-	(2,200)	-	(11,200)
At 31 December 2014	-	4,210,533	7,375,153	4,347,492	1,057,827	16,991,005
Charge for the year	-	412,292	1,146,845	262,019	-	1,821,156
Disposals	-	(85,836)	-	-	-	(85,836)
Write offs	-	(153,140)	-	-	-	(153,140)
At 31 December 2015	-	4,383,849	8,521,998	4,609,511	1,057,827	18,573,185
Carrying amount						
At 31 December 2015	649,000	1,530,144	2,062,585	768,729	-	5,010,458
At 31 December 2014	649,000	1,454,359	3,091,255	1,004,748	-	6,199,362

At 31 December 2015, the cost of fully depreciated property and equipment that was still in use amounted to AED 11.4 million (2014: AED 11.1 million).

Al Buhaira National Insurance Company P.S.C.

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

11 Insurance and other payables

	2015 AED	2014 AED
Payables arising from insurance and reinsurance contracts		
Claims payables	45,287,142	85,624,864
Due to insurance companies	12,750,763	12,315,151
Due to reinsurance companies	82,219,855	62,016,929
Portfolio withdrawal	3,679,691	8,541,956
Premiums received in advance	11,355,297	12,580,300
Other payables		
Rental income received in advance	6,455,646	6,129,046
Accrued expenses and other payables	18,664,067	19,729,876
Due to employees	9,871,907	9,537,922
Retention payable	-	5,396,270
	<u>190,284,368</u>	<u>221,872,314</u>

Due to employees include AED 9.37 million (2014: AED 9.04 million) being the employees' contribution to the Provident Fund and interest thereon. The Group's contribution amounting to AED 9.37 million (2014: AED 9.07 million) is included under provision for employees' end of service indemnity and provident fund in these consolidated financial statements.

The geographical allocation of insurance and reinsurance payables is presented below:

31 December 2015	Inside UAE AED	Outside UAE AED	Total AED
Claims payables	45,287,142	-	45,287,142
Due to insurance companies	12,486,806	263,957	12,750,763
Due to reinsurance companies and portfolio withdrawal	9,233,531	76,666,015	85,899,546
	<u>67,007,479</u>	<u>76,929,972</u>	<u>143,937,451</u>
31 December 2014	Inside UAE AED	Outside UAE AED	Total AED
Claims payables	85,624,864	-	85,624,864
Due to insurance companies	12,043,471	271,680	12,315,151
Due to reinsurance companies and portfolio withdrawal	3,491,167	67,067,718	70,558,885
	<u>101,159,502</u>	<u>67,339,398</u>	<u>168,498,900</u>

Al Buhaira National Insurance Company P.S.C.

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

12 Bank borrowings

	2015 AED	2014 AED
Bank overdrafts	62,544,452	81,194,982
Term loans	<u>377,806,219</u>	<u>423,985,714</u>
	<u>440,350,671</u>	<u>505,180,696</u>

The bank borrowings are repayable as follows:

On demand or within one year	117,416,997	145,254,562
In the second year	50,705,880	59,059,582
In the third and subsequent years	<u>272,227,794</u>	<u>300,866,552</u>
	440,350,671	505,180,696
Less: Amount due for settlement within 12 months	<u>(117,416,997)</u>	<u>(145,254,562)</u>
Amount due for settlement after 12 months	<u>322,933,674</u>	<u>359,926,134</u>

Bank overdrafts are repayable on demand and carry interest at rates ranging from 1% to 2.5% plus 3 months EIBOR, (2014: 1% to 4% plus 3 months EIBOR, with a cap up to 4.5%) per annum.

Main features of bank borrowings:

- Bank loans were obtained to finance the construction of investment property.
- Bank overdraft is payable on demand.

The term loans description, maturity dates, and classification are set in the table below:

	Note	Maturity	2015 AED	2014 AED
Loan 1	(i)	31/5/2016	4,166,667	14,166,667
Loan 2	(ii)	31/12/2020	60,119,261	70,974,127
Loan 3a	(iii)	1/05/2018	-	26,830,796
Loan 3b	(iii)	30/09/2023	70,000,000	-
Loan 4	(iv)	30/06/2023	243,520,291	272,654,503
Loan 5	(v)	1/10/2021	-	39,359,621
			<u>377,806,219</u>	<u>423,985,714</u>

- (i) Bank loan for the amount of AED 30,000,000 from United Arab Bank was obtained in 2013 to be repaid on monthly instalments of AED 833,333 till May 2016 with interest rate of 2.5% plus 3 months EIBOR (2014: 3% plus 3 months EIBOR with a minimum of 4%).

Al Buhaira National Insurance Company P.S.C.

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

12 Bank borrowings (continued)

- (ii) Bank loan for the amount of AED 70,000,000 from United Arab Bank was obtained in December 2013 of a total facility limit of AED 80,000,000. The Group utilized the additional AED 10,000,000 during January 2014. The loan is to be repaid on monthly instalments of AED 833,333 till December 2020 with interest rate of 2.5% plus 3 months EIBOR (2014: 3% plus 3 months EIBOR with a minimum up to 4%).
- (iii) The Group had obtained a bank loan for the amount of AED 46,000,000 from Abu Dhabi Commercial Bank during 2011 to be repaid on quarterly instalments of AED 1,600,000 till May 2018 with interest rate of 2.35% plus EIBOR rate paid every three months. The loan was restructured during September 2015 to the amount of AED 70,000,000 to be repaid on quarterly instalments of AED 2,058,824 till September 2023 with interest rate of 2.35% plus EIBOR rate paid every 3 months.
- (iv) Bank loan for the amount of AED 276,000,000 from Abu Dhabi Commercial Bank was obtained in November 2014 to refinance original facility and expend additional borrowing to be repaid on quarterly instalment of AED 8,117,647 till June 2023 with interest rate of 2.35% plus EIBOR rate paid every 3 months (2014: 2.35% plus EIBOR rate paid every 3 months).
- (v) Bank loan for the amount of AED 45,000,000 from Sharjah Islamic Bank was obtained in October 2013 to be repaid on semi-annual instalment of AED 2,812,500 till October 2021 with profit rate of 3% plus 6 months EIBOR with a minimum of 4% (2014: 3% plus 6 months EIBOR with a minimum of 4%). This loan was fully settled during 2015.

At 31 December 2015, bank borrowings were secured by pledge of available for sale financial assets with a Nil fair value (2014: AED 11.7 million), lien on fixed deposits amounting to AED 107 million (2014: AED 111 million), and mortgage of investment properties with fair value of AED 812 million (2014: AED 818 million).

13 Provision for employees' end of service indemnity

	2015 AED	2014 AED
Balance at the beginning of the year	29,283,464	32,372,934
Reversal during the year for additional end of service benefits granted to general manager	(616,004)	(3,953,208)
Charged during the year	3,789,445	2,840,875
Amounts paid during the year	(1,869,407)	(1,977,137)
Balance at the end of the year	<u>30,587,498</u>	<u>29,283,464</u>

Al Buhaira National Insurance Company P.S.C.

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

13 Provision for employees' end of service indemnity (continued)

The employees' end of service indemnity contains additional end of service benefits granted to key management personnel who directly affect the business of the Group which is in accordance with the terms of employment contracts and agreements in place. The additional end of service is calculated based on monthly average of 5% of annual underwriting profit multiplied by years of service up to a cap of 24 months as stated by the U.A.E labour law.

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at 31 December 2015 and 2014, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 3.5% (2014: 3.5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 3.18% (2014: 4.27%).

14 Share capital

	2015	2014
	AED	AED
Authorised, issued and fully paid:		
250,000,000 ordinary shares of AED 1 each (2014: 250,000,000 ordinary shares of AED 1 each)	<u>250,000,000</u>	<u>250,000,000</u>

15 Reserves

15.1 Statutory reserve

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of net profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the Law. During the year, an amount of AED 3,413,978 (2014: AED 3,821,045) has been transferred to the statutory reserve.

15.2 General reserve

The general reserve is established through transfers from profit for the year as recommended by the Board of Directors and approved by the shareholders at the Annual General Meeting. The reserve is distributable based on a recommendation by the Board of Directors approved by a shareholders' resolution.

15.3 Cumulative changes in fair value of available for sale financial assets

This reserve represents accumulated gains and losses arising on the revaluation of the available for sale financial assets.

Al Buhaira National Insurance Company P.S.C.

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

16 Net insurance premiums

	2015 AED	2014 AED Restated
Earned premiums		
Gross premiums written	620,022,226	563,614,735
Change in unearned premiums (Note 7)	<u>(1,622,821)</u>	<u>(15,192,068)</u>
	618,399,405	548,422,667
Reinsurance premiums ceded		
Reinsurance premiums ceded	(319,924,371)	(322,986,337)
Change in unearned premium (Note 7)	<u>(11,905,980)</u>	<u>553,385</u>
	<u>(331,830,351)</u>	<u>(322,432,952)</u>
Net earned premiums	<u>286,569,054</u>	<u>225,989,715</u>

17 General and administrative expenses and provision for doubtful debts relating to underwriting activities

	2015 AED	2014 AED
Staff costs and related benefits	23,120,471	16,006,807
Rent	5,351,755	4,824,013
Provision for doubtful debts (Note 6)	6,000,000	5,000,000
Fees	2,350,964	2,345,336
Depreciation	1,821,156	1,799,926
Insurance	2,276,516	1,779,374
Telecommunication	1,222,843	1,285,285
Printing and stationary	1,033,561	1,113,931
Repair and maintenance	1,375,876	1,079,502
Other expenses	<u>2,221,667</u>	<u>2,294,810</u>
	<u>46,774,809</u>	<u>37,528,984</u>

18 Net investment income

Interest income on deposits	3,303,297	2,449,757
Dividend from investments	1,823,167	1,438,170
Loss on sale of available for sale financial assets	(413,978)	(4,059,635)
Loss on disposal of investment property	(2,400,000)	-
Impairment loss on available for sale financial assets	(4,000,000)	(5,000,000)
Impairment of investment properties (Note 9)	(6,000,000)	(5,000,000)
Rental income (Note 9)	50,482,185	47,097,306
Other income	<u>191,023</u>	<u>251,501</u>
	<u>42,985,694</u>	<u>37,177,099</u>

Al Buhaira National Insurance Company P.S.C.

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

19 Non-operating general and administrative expenses

	2015 AED	2014 AED
Staff costs and related benefits	2,741,340	2,953,314
Insurance authority fees	2,496,558	2,277,683
Other expenses	1,177,977	1,158,359
	<u>6,415,875</u>	<u>6,389,356</u>

20 Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the net profit for the year attributed to shareholders of the parent by the weighted average number of shares outstanding during the year.

	2015 AED	2014 AED Restated
Profit for the year (in AED)	<u>34,139,787</u>	<u>26,315,589</u>
Number of shares	<u>250,000,000</u>	<u>250,000,000</u>
Basic and diluted earnings per share (in AED)	<u>0.14</u>	<u>0.11</u>

There were no potentially dilutive shares outstanding at any time during the year. Therefore, the diluted earnings per share are equal to the basic earnings per share.

21 Related party transactions

Related parties include the Group's major shareholders, directors and businesses controlled by them and their families or over which they exercise significant management influence as well as key management personnel.

21.1 At the end reporting period, amounts due from/to related parties included under due from policyholders and gross outstanding claims were as follows:

	2015 AED	2014 AED
Due from policy holders	<u>16,818,924</u>	<u>4,300,748</u>
Gross outstanding claims	<u>1,765,036</u>	<u>1,266,256</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given and no expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by related parties.

Al Buhaira National Insurance Company P.S.C.

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

21 Related party transactions (continued)

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

	2015 AED	2014 AED
Gross premium	<u>14,482,015</u>	<u>4,850,969</u>
Claims paid	<u>2,040,089</u>	<u>25,468,111</u>

Premiums are charged to related parties at rates agreed with the management.

21.3 Compensation of key management personnel

	2015 AED	2014 AED
Short-term benefits	<u>3,287,700</u>	<u>3,067,700</u>
Long-term benefits	<u>216,566</u>	<u>216,566</u>
General manager additional end of service benefits	<u>(616,004)</u>	<u>(3,953,208)</u>

22 Contingent liabilities

	2015 AED	2014 AED
Letters of guarantee	<u>17,478,436</u>	<u>15,782,646</u>

22.1 Legal proceedings

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's consolidated financial statements if settled unfavourably.

23 Business segment information

For management purposes, the Group is organised into two business segments; underwriting and investments.

Underwriting:

- marine segment;
- fire segment;
- accident and liabilities segment which includes motor insurance; and
- general and other segment which includes group life insurance and group medical.

Al Buhaira National Insurance Company P.S.C.

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

23 Business segment information (continued)

Investments:

- investment in securities; and
- investment properties.

These segments are the basis on which the Group reports its primary segment information to the chief operating decision maker.

The segment reporting as of and for the year ended 31 December 2015 and 2014 are as follows:

Al Buhaira National Insurance P.S.C.

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

23 Segment information (continued)

(a) Segment consolidated statement of income for the year ended 31 December 2015

	Marine AED	Fire AED	Accident and liabilities AED	General and others AED	Total insurance AED	Total AED
Gross written premiums	49,314,238	42,238,309	276,148,529	252,321,150	620,022,226	620,022,226
Change in unearned premiums	<u>2,053,601</u>	<u>(3,230,547)</u>	<u>3,157,260</u>	<u>(3,603,135)</u>	<u>(1,622,821)</u>	<u>(1,622,821)</u>
	<u>51,367,839</u>	<u>39,007,762</u>	<u>279,305,789</u>	<u>248,718,015</u>	<u>618,399,405</u>	<u>618,399,405</u>
Premiums ceded to reinsurance	(40,502,300)	(41,993,621)	(127,603,540)	(109,824,910)	(319,924,371)	(319,924,371)
Change in unearned premiums	<u>(4,864,761)</u>	<u>3,476,832</u>	<u>(8,535,374)</u>	<u>(1,982,677)</u>	<u>(11,905,980)</u>	<u>(11,905,980)</u>
	<u>(45,367,061)</u>	<u>(38,516,789)</u>	<u>(136,138,914)</u>	<u>(111,807,587)</u>	<u>(331,830,351)</u>	<u>(331,830,351)</u>
Net earned premiums	<u>6,000,778</u>	<u>490,973</u>	<u>143,166,875</u>	<u>136,910,428</u>	<u>286,569,054</u>	<u>286,569,054</u>
Gross claims paid	(10,050,482)	(1,720,135)	(235,842,015)	(209,804,220)	(457,416,852)	(457,416,852)
Gross outstanding claims and IBNR - 1 January 2015	15,339,044	11,539,800	157,657,752	75,602,633	260,139,229	260,139,229
Gross outstanding claims and IBNR - 31 December 2015	<u>(19,014,373)</u>	<u>(11,789,785)</u>	<u>(150,404,274)</u>	<u>(89,457,973)</u>	<u>(270,666,405)</u>	<u>(270,666,405)</u>
	<u>(13,725,811)</u>	<u>(1,970,120)</u>	<u>(228,588,537)</u>	<u>(223,659,560)</u>	<u>(467,944,028)</u>	<u>(467,944,028)</u>

Al Buhaira National Insurance P.S.C.

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

23 Segment information (continued)

(a) Segment consolidated statement of income for the year ended 31 December 2015 (continued)

	Marine AED	Fire AED	Accident and liabilities AED	General and Others AED	Total insurance AED	Investment AED	Total AED
Reinsurance recoveries	7,968,949	51,896	86,158,670	70,319,556	164,499,071	-	164,499,071
Reinsurance outstanding claims - 1 January 2015	(12,623,867)	(9,139,766)	(70,246,235)	(34,380,725)	(126,390,593)	-	(126,390,593)
Reinsurance outstanding claims- 31 December 2015	13,990,902	8,433,240	54,125,819	38,125,596	114,675,557	-	114,675,557
	9,335,984	(654,630)	70,038,254	74,064,427	152,784,035	-	152,784,035
Net incurred claims	<u>(4,389,827)</u>	<u>(2,624,750)</u>	<u>(158,550,283)</u>	<u>(149,595,133)</u>	<u>(315,159,993)</u>	-	<u>(315,159,993)</u>
Net commissions	7,362,973	6,012,478	56,839,707	20,508,447	90,723,605	-	90,723,605
Net underwriting results	<u>8,973,924</u>	<u>3,878,701</u>	<u>41,456,299</u>	<u>7,823,742</u>	<u>62,132,666</u>	-	<u>62,132,666</u>
Investment properties income	-	-	-	-	-	44,482,185	44,482,185
Net loss on investment in securities and other investments	-	-	-	-	-	(1,496,491)	(1,496,491)
Net income before operating and administrative expenses	<u>8,973,924</u>	<u>3,878,701</u>	<u>41,456,299</u>	<u>7,823,742</u>	<u>62,132,666</u>	<u>42,985,694</u>	<u>105,118,360</u>
Operating and administrative expenses	(3,314,864)	(2,724,022)	(20,022,671)	(14,713,252)	(40,774,809)	(24,203,764)	(64,978,573)
Provision for doubtful debts	-	-	-	-	-	-	(6,000,000)
Net operating results	<u>5,659,060</u>	<u>1,154,679</u>	<u>21,433,628</u>	<u>(6,889,510)</u>	<u>21,357,857</u>	<u>18,781,930</u>	<u>34,139,787</u>

Al Buhaira National Insurance P.S.C.

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

23 Segment information (continued)

(b) Segment consolidated statement of income for the year ended 31 December 2014 - Restated

	Marine AED	Fire AED	Accident and liabilities AED	General and others AED	Total insurance AED	Total AED
Gross written premiums	36,943,008	39,657,127	275,167,395	211,847,205	563,614,735	563,614,735
Change in unearned premiums	<u>4,511,802</u>	<u>1,243,221</u>	<u>(21,116,472)</u>	<u>169,381</u>	<u>(15,192,068)</u>	<u>(15,192,068)</u>
	<u>41,454,810</u>	<u>40,900,348</u>	<u>254,050,923</u>	<u>212,016,586</u>	<u>548,422,667</u>	<u>548,422,667</u>
Premiums ceded to reinsurance	(33,877,903)	(38,003,388)	(141,816,332)	(109,288,714)	(322,986,337)	(322,986,337)
Change in unearned premiums	<u>(5,552,720)</u>	<u>(1,106,872)</u>	<u>7,382,357</u>	<u>(169,380)</u>	<u>553,385</u>	<u>553,385</u>
	<u>(39,430,623)</u>	<u>(39,110,260)</u>	<u>(134,433,975)</u>	<u>(109,458,094)</u>	<u>(322,432,952)</u>	<u>(322,432,952)</u>
Net earned premiums	<u>2,024,187</u>	<u>1,790,088</u>	<u>119,616,948</u>	<u>102,558,492</u>	<u>225,989,715</u>	<u>225,989,715</u>
Gross claims paid	(36,953,168)	(55,070,081)	(219,672,188)	(184,549,281)	(496,244,718)	(496,244,718)
Gross outstanding claims and IBNR - 1 January 2014	20,951,270	59,979,821	153,702,136	80,076,497	314,709,724	314,709,724
Gross outstanding claims and IBNR - 31 December 2014	<u>(15,339,044)</u>	<u>(11,539,800)</u>	<u>(157,657,752)</u>	<u>(75,602,633)</u>	<u>(260,139,229)</u>	<u>(260,139,229)</u>
	<u>(31,340,942)</u>	<u>(6,630,060)</u>	<u>(223,627,804)</u>	<u>(180,075,417)</u>	<u>(441,674,223)</u>	<u>(441,674,223)</u>

Al Buhaira National Insurance P.S.C.

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

23 Segment information (continued)

(b) Segment consolidated statement of income for the year ended 31 December 2014 - Restated (continued)

	Marine AED	Fire AED	Accident and liabilities AED	General and others AED	Total insurance AED	Investment AED	Total AED
Reinsurance recoveries	34,737,714	49,315,235	67,148,558	89,212,994	240,414,501	-	240,414,501
Reinsurance outstanding claims - 1 January 2014	(18,309,233)	(54,308,416)	(72,409,317)	(35,214,521)	(180,241,487)	-	(180,241,487)
Reinsurance outstanding claims- 31 December 2014	<u>12,623,867</u>	<u>9,139,766</u>	<u>70,246,235</u>	<u>34,380,725</u>	<u>126,390,593</u>	-	<u>126,390,593</u>
	<u>29,052,348</u>	<u>4,146,585</u>	<u>64,985,476</u>	<u>88,379,198</u>	<u>186,563,607</u>	-	<u>186,563,607</u>
Net incurred claims	<u>(2,288,594)</u>	<u>(2,483,475)</u>	<u>(158,642,328)</u>	<u>(91,696,219)</u>	<u>(255,110,616)</u>	-	<u>(255,110,616)</u>
Net commissions	9,584,018	5,726,240	54,402,268	15,156,121	84,868,647	-	84,868,647
Net underwriting results	<u>9,319,611</u>	<u>5,032,853</u>	<u>15,376,888</u>	<u>26,018,394</u>	<u>55,747,746</u>	-	<u>55,747,746</u>
Investment properties income	-	-	-	-	-	42,097,306	42,097,306
Net loss on investment in securities and others investments	-	-	-	-	-	(4,920,207)	(4,920,207)
Net income before operating and administrative expenses	<u>9,319,611</u>	<u>5,032,853</u>	<u>15,376,888</u>	<u>26,018,394</u>	<u>55,747,746</u>	<u>37,177,099</u>	<u>92,924,845</u>
Operating and administrative expenses	(2,024,126)	(2,122,393)	(17,494,168)	(10,888,297)	(32,528,984)	(29,080,272)	(61,609,256)
Provision for doubtful debts	-	-	-	-	-	-	(5,000,000)
Net operating results	<u>7,295,485</u>	<u>2,910,460</u>	<u>(2,117,280)</u>	<u>15,130,097</u>	<u>23,218,762</u>	<u>8,096,827</u>	<u>26,315,589</u>

Al Buhaira National Insurance P.S.C.

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

23 Segment information (continued)

(c) Segment consolidated statement of financial position is as follows:

	2015			2014 - Restated		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets	569,364,714	986,700,731	1,556,065,445	603,890,738	1,010,393,608	1,614,284,346
Unallocated assets	-	-	192,704,606	-	-	184,823,084
	<u>569,364,714</u>	<u>986,700,731</u>	<u>1,748,770,051</u>	<u>603,890,738</u>	<u>1,010,393,608</u>	<u>1,799,107,430</u>
Segment liabilities	628,069,816	384,261,865	1,012,331,681	641,706,271	435,511,030	1,077,217,301
Unallocated liabilities	-	-	121,667,924	-	-	139,746,244
	<u>628,069,816</u>	<u>384,261,865</u>	<u>1,133,999,605</u>	<u>641,706,271</u>	<u>435,511,030</u>	<u>1,216,963,545</u>

There are no transactions between the business segments.

Al Buhaira National Insurance P.S.C.

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

24 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

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

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

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

24.1 Frequency and severity of claims

The Group has the right not to renew individual policies, to re-price the risk, to impose deductibles and to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation). Furthermore, the Group's strategy limits the total exposure to any one territory and the exposure to any one industry.

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

Al Buhaira National Insurance P.S.C.

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

24 Insurance risk (continued)

24.2 Sources of uncertainty in the estimation of future claim payments

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

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

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

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

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

Al Buhaira National Insurance P.S.C.

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

24 Insurance risk (continued)

24.2 Sources of uncertainty in the estimation of future claim payments (continued)

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

Type of risk	2015	2014
Motor	99%	99%
Non-Motor	93%	87%

24.3 Process used to decide on assumptions

The risks associated with the insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Group's quarterly claims reports and screening of the actual insurance contracts carried out at the reporting date to derive data for the contracts held. The Group uses assumptions based on a mixture of internal and market data to measure its claims liabilities. The Group has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims.

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

24.4 Concentration of insurance risk

Substantially all of the Group's underwriting activities are carried out in the United Arab Emirates.

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

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

Al Buhaira National Insurance P.S.C.

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

24 Insurance risk (continued)

24.5 Sensitivity of underwriting profit and losses

The contribution by the insurance operations in the profit of the Group amounts to AED 21 million for the year ended 31 December 2015 (2014 restated: AED 23 million). The Group does not foresee any major impact from insurance operations due to the following reasons:

- The Group has an overall risk retention level of approximately 48% (2014: 42%) and the same is mainly contributed by motor and medical class of business. The Group tries to arrange appropriate excess of loss reinsurance cover to guard against major financial impact.
- The Group has gross commission earnings in 2015 of 33% (2014: 33%) of insurance premium. These commissions arise primarily from the reinsurance placements and are a consistent and recurring source of income.

25 Capital risk management

The Group's objectives when managing capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007 on the Establishment of Insurance Authority and Organization of its Operations. The Group manages its capital based on its minimum regulatory capital position presented in the table below.
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In the U.A.E., the local insurance regulator specifies the minimum amount and type of capital that must be held by the Group in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year. The Group is subject to local insurance solvency regulations and is currently assessing its compliance with these regulations. The Group has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations. The table below summarises the minimum regulatory capital of the Group and the total capital held.

	2015 AED	2014 AED
Total paid up capital (Note 14)	<u>250,000,000</u>	<u>250,000,000</u>
Minimum regulatory capital	<u>100,000,000</u>	<u>100,000,000</u>

Al Buhaira National Insurance P.S.C.

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

25 Capital risk management (continued)

The UAE Insurance Authority has issued resolution no. 42 for 2009 setting the minimum subscribed or paid up capital of AED 100 million for establishing insurance firms and AED 250 million for re-insurance firms. The resolution also stipulates that at least 75 percent of the capital of the insurance companies established in the UAE should be owned by UAE or GCC national individuals or corporate bodies. The Company is in compliance with the minimum capital requirements.

25.1 Gearing ratio

The Group reviews the capital structure on a semi-annual basis. As part of this review, the Group considers the cost of capital and the risks associated with capital.

The gearing ratio at the year-end was as follows:

	2015 AED	2014 AED Restated
Debt (i)	440,350,671	505,180,696
Bank balances and cash (see Note 5)	<u>(179,033,899)</u>	<u>(171,154,749)</u>
	<u>261,316,772</u>	<u>334,025,947</u>
Equity (ii)	<u>614,770,446</u>	<u>582,143,885</u>
Net debt to equity ratio	<u>0.43</u>	<u>0.57</u>

(i) Debt is defined as bank borrowings (Note 12).

(ii) Equity comprises of capital, reserves and retained earnings.

26 Financial instruments

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

26.1 Significant accounting policies

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

Al Buhaira National Insurance P.S.C.

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

26 Financial instruments (continued)

26.2 Categories of financial instruments

31 December 2015

	Loans and receivables AED	Available- for-sale AED	Total AED
Financial assets			
Available for sale financial assets	-	56,146,140	56,146,140
Insurance and other receivables (excluding prepayments)	361,997,816	-	361,997,816
Recoverable from reinsurers -Claims reported unsettled	88,870,275	-	88,870,275
Bank balances and cash	179,033,899	-	179,033,899
Total financial assets	<u>629,901,990</u>	<u>56,146,140</u>	<u>686,048,130</u>
			At amortised cost AED
Financial liabilities			
Bank borrowings			440,350,671
Insurance and other payables excluding rental income received in advance and premium received in advance			<u>172,473,425</u>
Total financial liabilities			<u>612,824,096</u>

31 December 2014 - Restated

	Loans and receivables AED	Available- for-sale AED	Total AED
Financial assets			
Available for sale financial assets	-	57,129,716	57,129,716
Insurance and other receivables (excluding prepayments)	371,278,578	-	371,278,578
Recoverable from reinsurers -Claims reported unsettled	92,177,162	-	92,177,162
Bank balances and cash	171,154,749	-	171,154,749
Total financial assets	<u>634,610,489</u>	<u>57,129,716</u>	<u>691,740,205</u>
			At amortised cost AED
Financial liabilities			
Bank borrowings			505,180,696
Insurance and other payables excluding rental income received in advance and premium received in advance			<u>203,162,968</u>
Total financial liabilities			<u>708,343,664</u>

Al Buhaira National Insurance P.S.C.

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

26 Financial instruments (continued)

26.3 Fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2015

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Available for sale financial assets				
Quoted equities	38,303,122	-	-	38,303,122
Unquoted equities	-	17,843,018	-	17,843,018
Investment properties	-	924,540,601	-	924,540,601
	<u>38,303,122</u>	<u>942,383,619</u>	<u>-</u>	<u>980,686,741</u>

31 December 2014

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Available for sale financial assets				
Quoted equities	39,549,600	-	-	39,549,600
Unquoted equities	-	17,580,116	-	17,580,116
Investment properties	-	948,940,601	-	948,940,601
	<u>39,549,600</u>	<u>966,520,717</u>	<u>-</u>	<u>1,006,070,317</u>

Al Buhaira National Insurance P.S.C.

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

26 Financial instruments (continued)

26.3 Fair value measurement (continued)

Fair value measurements recognised in the statement of financial position

There were no transfers between each of the levels during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

The management considers that the carrying amounts of financial assets and financial liabilities in the financial statements approximate their fair values.

There were no movements during the year in the level 3 financial assets measured at fair values.

26.4 Market risk management

Market risk is the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign currency risk, interest rate risk and price risk.

26.4.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Group. The Group is exposed to interest rate risk on its deposits and bank borrowings that carry both fixed and floating interest rates.

The Group generally manages to minimise the interest rate risk by closely monitoring the market interest rates and investing in those financial assets in which such risk is expected to be minimal.

26.4.1.1 Interest rate sensitivity analysis

The Group's exposure to interest rate risk relates to its bank deposits and bank borrowings. During the year, bank deposits carried an interest rate in the range of 1% to 3% per annum (2014: 1% to 3% per annum) and bank loans carried an interest rate in the range of 2.35% to 3% plus three months EIBOR per annum (2014: 2.35% to 3% plus three months EIBOR per annum).

If interest rates had been 50 basis points lower throughout the year and all other variables were held constant, the Group's profit for the year ended 31 December 2015 and equity as at 31 December 2015 would increase by approximately AED 2,201,753 (2014: increase by AED 2,523,914) and vice versa.

The Group's sensitivity to interest rates has not changed significantly from the prior year.

Al Buhaira National Insurance P.S.C.

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

26 Financial instruments (continued)

26.4 Market risk management (continued)

26.4.2 Foreign currency risk management

There are no significant exchange rate risks as substantially all monetary assets and monetary liabilities of the Group are denominated in the UAE Dirhams or US Dollars to which UAE Dirham is pegged.

Management believes that there is a minimal risk of significant losses due to exchange rate fluctuations and consequently the Group has not hedged their foreign currency exposure.

26.4.3 Market price risk

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

At the end of the reporting period, if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Group's other comprehensive income would have increased/decreased by AED 4 million (2014: AED 4 million) in the case of the available-for-sale financial assets.

(a) *Method and assumptions for sensitivity analysis;*

- The sensitivity analysis has been done based on the exposure to equity price risk as at the end of the reporting period.
- As at the end of the reporting period if equity prices are 10% higher/lower on the market value uniformly for all equity while all other variables are held constant, the impact on other comprehensive income has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

26.5 Credit risk

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

Al Buhaira National Insurance P.S.C.

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

26 Financial instruments (continued)

26.5 Credit risk (continued)

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

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

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

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

The Group maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the Group includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are mitigated by ongoing credit evaluation of their financial condition.

The credit risk on liquid funds is limited because the counterparties are reputable banks in UAE. Credit risk quality of insurance and other receivables is included in Note 6 of the financial statements.

The carrying amount of financial assets recorded in the consolidated financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk.

26.6 Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date. The Group manages the liquidity risk through a risk management framework for the Group's short, medium and long-term funding and liquidity management requirements by maintaining adequate reserves, sufficient cash and cash equivalent and bank facilities, to ensure that funds are available to meet their commitments for liabilities as they fall due.

Al Buhaira National Insurance Company P.S.C.

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

26 Financial instruments (continued)

26.6 Liquidity risk (continued)

The maturity profile is monitored by management to ensure adequate liquidity is maintained. The table below summarises the maturity profile of the Group's financial assets and liabilities based on remaining undiscounted contractual obligations including interest receivable and payable.

31 December 2015	Carrying amount AED	Up to 3 months AED	3 months to 1 year AED	1 year to 5 years AED	More than 5 years AED	Total AED
Financial assets						
Available for sale financial assets	56,146,140	-	-	-	-	56,146,140
Insurance and other receivables excluding prepayments	87,733,355	126,161,466	132,710,613	15,392,382	-	361,997,816
Bank balances and cash	88,607,582	-	84,426,317	-	-	173,033,899
Statutory deposit	-	-	-	-	6,000,000	6,000,000
	<u>232,487,077</u>	<u>126,161,466</u>	<u>217,136,930</u>	<u>15,392,382</u>	<u>6,000,000</u>	<u>597,177,855</u>
Financial liabilities						
Bank borrowing	1,666,666	13,509,803	102,240,528	202,823,520	120,110,154	440,350,671
Insurance and other payables excluding premium and rental received in advance	-	29,506,300	142,967,119	-	-	172,473,425
	<u>1,666,666</u>	<u>43,016,103</u>	<u>245,207,647</u>	<u>202,823,520</u>	<u>120,110,154</u>	<u>612,824,096</u>

Al Buhaira National Insurance Company P.S.C.

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

26 Financial instruments (continued)

26.6 Liquidity risk (continued)

31 December 2014	Carrying amount AED	Up to 3 months AED	3 months to 1 year AED	1 year to 5 years AED	More than 5 years AED	Total AED
Financial assets						
Available-for-sale financial assets	57,129,716	-	-	-	-	57,129,716
Insurance and other receivables excluding prepayments	74,464,914	125,863,904	139,942,700	31,007,060	-	371,278,578
Bank balances and cash	71,138,990	-	94,015,759	-	-	165,154,749
Statutory deposit	-	-	-	-	6,000,000	6,000,000
	<u>202,733,620</u>	<u>125,863,904</u>	<u>233,958,459</u>	<u>31,007,060</u>	<u>6,000,000</u>	<u>599,563,043</u>
Financial liabilities						
Bank borrowing	3,157,666	11,450,979	130,645,917	184,721,460	175,204,674	505,180,696
Insurance and other payables excluding premium and rental received in advance	-	27,071,489	176,091,479	-	-	203,162,968
	<u>3,157,666</u>	<u>38,522,468</u>	<u>306,737,396</u>	<u>184,721,460</u>	<u>175,204,674</u>	<u>708,343,664</u>

Al Buhaira National Insurance Company P.S.C.

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

26 Financial instruments (continued)

26.7 Operational risk

Operational risk is the risk of loss arising from system 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 can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the operational risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes.

27 Dividends

At the annual general meeting held on 27 April 2015, the shareholders did not declare any cash dividend for 2014 or Board of Directors' remuneration.

28 Social contributions

The Group did not make any social contributions during the financial year ended 31 December 2015.

29 Effects of changes in accounting policy

As disclosed in Note 2.1.1, the Group has changed its policy relating to the accounting for UPR, IBNR, URR, ULAE and outstanding claims recoveries.

- (a) Impact of change in accounting policies on the statement of financial position as at 1 January 2014

	As previously reported	Adjustment	Restated
	AED	AED	AED
Retained earnings	79,484,639	(57,381,056)	22,103,583
Reinsurance contract assets	256,365,645	36,560,729	292,926,374
Insurance contract liabilities	<u>406,063,713</u>	<u>93,941,785</u>	<u>500,005,498</u>

- (b) Impact of change in accounting policies on the statement of financial position as at 31 December 2014

	As previously reported	Adjustment	Restated
	AED	AED	AED
Retained earnings	113,874,043	(69,275,916)	44,598,127
Reinsurance contract assets	209,306,188	30,322,677	239,628,865
Insurance contract liabilities	<u>361,028,478</u>	<u>99,598,593</u>	<u>460,627,071</u>

Al Buhaira National Insurance Company P.S.C.

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

29 Effects of changes in accounting policy (continued)

- (c) Impact of change in accounting policies on the statement of profit or loss for the year ended 31 December 2014

	As previously reported	Adjustment	Restated
	AED	AED	AED
Earned premiums	540,706,798	7,715,869	548,422,667
Reinsurance premiums ceded	<u>(313,341,647)</u>	<u>(9,091,305)</u>	<u>(322,432,952)</u>
Net earned premiums	227,365,151	(1,375,436)	225,989,715
Gross claims incurred	(428,301,546)	(13,372,677)	(441,674,223)
Insurance claims recovered from reinsurers	<u>183,710,354</u>	<u>2,853,253</u>	<u>186,563,607</u>
Net claims incurred	<u>(244,591,192)</u>	<u>(10,519,425)</u>	<u>(255,110,617)</u>
Profit for the year	<u>38,210,449</u>	<u>(11,894,860)</u>	<u>26,315,589</u>
Basic and diluted earnings per share	<u>0.15</u>		<u>0.11</u>

The change in accounting policy has resulted in decrease in previously reported profit for the year ended 31 December 2014 by AED 11.9 million and consequently reduced basic earnings per share by AED 0.04.

30 Approval of financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 21 April 2016.