

**Al-Sagr National Insurance Company
(Public Shareholding Company)
and its subsidiary**

Consolidated financial statements
for the year ended 31 December 2015

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Consolidated financial statements *for the year ended 31 December 2015*

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Al-Sagr National Insurance Company (Public Shareholding Company)
and its subsidiary
Directors' Report

The Directors have pleasure in presenting their report together with the audited consolidated financial statements of Al-Sagr National Insurance Company (Public Shareholding Company); and its subsidiary ("the Group") for the year ended 31 December 2015.

Financial Highlights

The Group has reported a premium of AED 384.7 million for year ended 31 December 2015 compared to AED 389.9 million for the corresponding prior year, The Group has reported an underwriting profit of AED 65.6 million for the year ended 31 December 2015 compared to AED 51.1 million for the corresponding prior year, The result of Investments operation was a loss of AED 121.3 million for 2015. the group reported for the year ended 2015 a net loss of AED 105 million compared to a net profit of AED 38.8 million in 2014

Directors:-

Mr. Majid Abdulla Al Sari
Mr. Khalid Abdulla Omran Tariam
Mr. Amjad Mohd Yusri Al Dweik
Mr. Mohamed Abdulla Al Sari
Mr. Sami Shakhshir
Mr. Simon Philip

Chairman
Vice Chairman
Director
Director
Director & CEO
Director

Auditors:-

KPMG were appointed as auditors of the Al Sagr National Insurance Company for the year 2015 at the Annual General Meeting held on 27 April 2015.

KPMG expressed their willingness for their re-appointment for the year ending 31 December 2016.

For and on behalf of the board



Sami Shakhshir
Director & CEO
29 March 2016



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Independent Auditors' Report

The Shareholders

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising 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 for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our judgment, 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, we consider 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 consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 and explanations we considered necessary for the purposes of our audit;
- ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;
- iii) the Group has maintained proper books of account;
- iv) the financial information included in the Directors' report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;
- v) as disclosed in note 10 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2015;
- vi) note 25 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 in respect of the Company its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2015; and
- viii) note 21 to the consolidated financial statements discloses the social contributions made during the year.

KPMG Lower Gulf Limited
Munther Dajani
Registered Auditor Number 268
Dubai, United Arab Emirates

29 MAR 2016

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Consolidated statement of financial position

as at 31 December 2015

		31 December 2015 AED	31 December 2014 AED (Restated)	1 January 2014 AED (Restated)
	Note			
ASSETS				
Property and equipment	8	9,133,879	10,514,500	5,701,454
Investment properties	9	172,856,118	172,809,138	170,000,000
Investments	10	214,546,128	240,131,419	204,649,491
Reinsurance contract assets	11	238,228,389	198,546,607	159,160,700
Insurance and other receivables	12	232,036,207	245,446,830	222,310,719
Due from related parties	25	98,411,277	183,385,991	166,488,762
Cash and bank balances	13	297,824,545	357,418,551	335,968,453
TOTAL ASSETS		1,263,036,543	1,408,253,036	1,264,279,579
EQUITY AND LIABILITIES				
Equity				
Share capital	14	230,000,000	230,000,000	230,000,000
Statutory reserve	15	63,115,259	63,115,259	57,505,110
General reserve	16	200,000,000	200,000,000	200,000,000
Investments revaluation reserve		(1,361,523)	(1,361,523)	(1,298,925)
(Accumulated loss) / retained earnings		(65,301,132)	62,875,154	47,293,156
Equity attributable to shareholders of the Company		426,452,604	554,628,890	533,499,341
Non-controlling interests		650,230	1,107,110	1,282,199
Total equity		427,102,834	555,736,000	534,781,540
Liabilities				
Due to related parties	25	519,307	520,824	419,174
Provision for employees' end of service indemnity	17	13,367,614	13,401,749	11,060,017
Insurance contract liabilities	11	491,212,881	473,408,045	385,120,420
Bank borrowings	18	164,370,379	258,262,057	235,458,953
Insurance and other payables	19	166,463,528	106,924,361	97,439,475
Total liabilities		835,933,709	852,517,036	729,498,039
Total equity and liabilities		1,263,036,543	1,408,253,036	1,264,279,579

The notes from 1 to 32 form an integral part of these consolidated financial statements.

These consolidated financial statements were approved and authorised for issue by the Board of 29-03-2016 and signed on their behalf by:



Director and CEO

The independent auditors' report is set out on pages 2 -3.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2015

	Note	2015 AED	2014 AED <i>Restated</i>
UNDERWRITING RESULTS			
Underwriting income			
Gross insurance premium		384,750,436	389,928,797
Less: insurance premium ceded to reinsurers		(131,817,635)	(151,231,087)
Net retained premium		252,932,801	238,697,710
Net change in unearned premium reserve		15,746,055	(15,672,436)
Net insurance premium		268,678,856	223,025,274
Gross claims paid		(345,755,415)	(265,023,564)
Insurance claims recovered from reinsurers		83,488,788	74,871,366
Net claims paid		(262,266,627)	(190,152,198)
Net change in outstanding claims		6,130,891	(33,229,282)
Net claims incurred		(256,135,736)	(223,381,480)
Net commission income	20	53,101,418	51,501,066
Underwriting profit		65,644,538	51,144,860
Net investments (loss) / income	21	(121,353,802)	28,292,156
General and administrative expenses		(49,323,902)	(40,632,556)
(Loss) / profit for the year		(105,033,166)	38,804,460
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss :</i>			
Net change in investment in financial assets at fair value through other comprehensive income		-	-
Other comprehensive income for the year		-	-
Total comprehensive (loss) / income for the year		(105,033,166)	38,804,460
Attributable to:			
Shareholders of the Company		(104,576,286)	38,378,216
Non-controlling interest		(456,880)	426,244
		(105,033,166)	38,804,460
(Loss) / earning per share (AED)	23	(0.45)	0.17

The notes from 1 to 32 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on page 2 - 3.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Attributable to the equity holders of the Company					Total AED	Non- controlling interest AED	Total equity AED
	Share capital AED	Statutory reserve AED	General reserve AED	Investments revaluation reserve AED	Retained earnings AED			
Balance at 1 January 2014 (As previously reported)	230,000,000	57,505,110	200,000,000	(1,298,925)	136,915,271	623,121,456	1,282,199	624,403,655
Effect of changes in accounting policies (note 31)	-	-	-	-	(89,622,115)	(89,622,115)	-	(89,622,115)
Balance at 1 January 2014 (restated)	230,000,000	57,505,110	200,000,000	(1,298,925)	47,293,156	533,499,341	1,282,199	534,781,540
Total comprehensive income for the year								
Profit for the year (restated)	-	-	-	-	38,378,216	38,378,216	426,244	38,804,460
Other comprehensive income								
Movement in net change in investment in financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	38,378,216	38,378,216	426,244	38,804,460
Transactions with owners directly recorded in equity								
Transfer to statutory reserve	-	5,610,149	-	-	(5,610,149)	-	-	-
Dividend paid	-	-	-	-	(17,250,000)	(17,250,000)	-	(17,250,000)
Directors' fee paid during the year	-	-	-	-	(600,000)	(600,000)	-	(600,000)
Change in controlling interest	-	-	-	(62,598)	663,931	601,333	(601,333)	-
Balance at 31 December 2014 (restated)	230,000,000	63,115,259	200,000,000	(1,361,523)	62,875,154	554,628,890	1,107,110	555,736,000

The notes from 1 to 32 form an integral part of these consolidated financial statements.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Consolidated statement of changes in equity

for the year ended 31 December 2015

	Attributable to the equity holders of the Company					Total	Non-controlling interest	Total equity
	Share capital	Statutory reserve	General reserve	Investments revaluation reserve	Accumulated loss/ retained earnings			
	AED	AED	AED	AED	AED	AED	AED	AED
Balance at 1 January 2015 (As previously reported)	230,000,000	63,115,259	200,000,000	(1,361,523)	169,794,298	661,548,034	1,107,110	662,655,144
Effect of changes in accounting policies (note 31)	-	-	-	-	(106,919,144)	(106,919,144)	-	(106,919,144)
Balance at 1 January 2015 (restated)	230,000,000	63,115,259	200,000,000	(1,361,523)	62,875,154	554,628,890	1,107,110	555,736,000
Total comprehensive income for the year								
Loss for the year	-	-	-	-	(104,576,286)	(104,576,286)	(456,880)	(105,033,166)
Other comprehensive income								
Movement in net change in investment in financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(104,576,286)	(104,576,286)	(456,880)	(105,033,166)
Transactions with owners directly recorded in equity								
Dividend paid	-	-	-	-	(23,000,000)	(23,000,000)	-	(23,000,000)
Directors' fee paid during the year	-	-	-	-	(600,000)	(600,000)	-	(600,000)
Balance at 31 December 2015	<u>230,000,000</u>	<u>63,115,259</u>	<u>200,000,000</u>	<u>(1,361,523)</u>	<u>(65,301,132)</u>	<u>426,452,604</u>	<u>650,230</u>	<u>427,102,834</u>

The notes from 1 to 32 form an integral part of these consolidated financial statements.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Consolidated statement of cash flows

for the year ended 31 December 2015

		2015 AED	2014 AED
Cash flows from operating activities			
(Loss) / profit (restated) for the year		(105,033,166)	38,804,460
<i>Adjustment for:</i>			
Depreciation	8	2,062,706	1,550,301
Unrealised gain on fair value of investments	21	21,290,867	(29,059,662)
Interest income	21	(10,191,150)	(10,544,201)
Dividend income	21	(4,382,629)	(5,439,532)
Gain on disposal of property and equipment	21	-	(705)
Share on loss of associate	21	87,328	287,341
Provision for employees' end of service indemnity	17	929,214	2,640,300
Allowance for doubtful recovery from a related party	21	93,489,375	-
Finance costs	21	8,833,739	9,469,098
Operating cash flows before movements in working capital		7,086,284	7,707,400
Increase in reinsurance contract assets		(39,681,782)	(39,385,907)
Decrease / (increase) in insurance and other receivables		12,935,115	(23,119,823)
Increase in due from related parties		(8,514,661)	(16,897,229)
Decrease in fixed deposits with bank		59,521,647	16,729,784
Increase in insurance contract liabilities		17,804,836	88,287,625
Increase in insurance and other payables		59,539,167	9,484,886
(Decrease) / increase in due to related parties		(1,517)	101,650
Net cash generated from operations		108,689,089	42,908,386
Interest paid	21	(8,833,739)	(9,469,098)
Employees' end of service indemnity paid	17	(963,349)	(298,568)
Payment of directors' fees		(600,000)	(600,000)
Net cash generated from operating activities		98,292,001	32,540,720
Cash flows from investing activities			
Net proceeds from sale of / (used in acquiring investment) securities		4,207,096	(6,709,607)
Acquisition of investment properties; net	9	(46,980)	(2,809,138)
Purchase of property and equipment	8	(682,085)	(6,364,991)
Disposal of property and equipment		-	2,349
Dividends received	21	4,382,629	5,439,532
Interest received	21	10,666,658	10,527,913
Net cash generated from investing activities		18,527,318	86,058
Cash flows from financing activities			
(Decrease) / increase in bank borrowings		(93,891,678)	22,803,104
Dividend paid		(23,000,000)	(17,250,000)
Net cash (used in) / generated from financing activities		(116,891,678)	5,553,104
Net (decrease) / increase in cash and cash equivalents		(72,359)	38,179,882
Cash and cash equivalents at 1 January		63,325,594	25,145,712
Cash and cash equivalents at 31 December (note 13)		63,253,235	63,325,594

The notes from 1 to 32 form an integral part of these consolidated financial statements.

The independent auditors' report is set out on pages 2 -3.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes

(forming part of the consolidated financial statements)

1 Legal status and activities

Al-Sagr National Insurance Company (Public Share holding Company), Dubai (the "Company") was incorporated on 25 December 1979 as a public shareholding company by an Emiri Decree from His Highness, The Ruler of Dubai, and is registered with the Ministry of Economy of the United Arab Emirates under registration No. (16). The Company's address in Dubai is P.O. Box 14614, Dubai, U.A.E. The Company is a subsidiary of Gulf General Investments Company (the "Parent Company"), a public company incorporated in U.A. E.

The principal activity of the Company is the writing of insurance of all types, except for life insurance. The Company operates through its Head Office in Dubai and its branches in Dubai, Sharjah, Abu Dhabi, Al Ain, Ras Al Khaima and Ajman in the U.A.E.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary (collectively referred to as "the Group"). Details of subsidiary are as follows:

Name of subsidiary	Activity	Group's Ownership		Country of incorporation
		31 December 2015	31 December 2014	
Jordan Emirates Insurance Company PSC	Underwriting of insurance of all types	92.83%	92.83%	Jordan

2 Basis of preparation

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as issued by International Accounting Standards Board ("IASB") and applicable requirements of UAE Law.

On 1 April 2015, a new UAE Federal Law No 2 of 2015 for the Commercial Companies ("UAE Companies Law of 2015") was issued with effective date on 1 July 2015. Companies are allowed to ensure compliance with the new UAE Companies Law of 2015 by 30 June 2016 as per the transitional provisions contained therein. The Company is in the process of adopting the new Federal Law and will be fully compliant before the transitional provisions deadline.

b) Changes in accounting policy

As per Federal Law No 6 of 2007, relating to Establishment of Insurance Authority and regulation of Insurance operations, a new financial regulation for insurance companies was issued on 28 January 2015. The financial regulation provided an alignment period to the insurance companies between one to three years from the publication of financial regulation in Public Gazette from 29 January 2015 to align the operations to the covenants of the regulations contained therein. The Group is in the process of aligning the operations with the requirement of the regulations and is expected to be fully aligned before the deadline for alignment period.

On 1 October 2015, the Group has early adopted the above directives that relates to basis of recognising technical reserves. Consequently, the Group has changed its basis for recognising unexpired premium risk ("UPR"), Incurred But Not Reported claims ("IBNR"), and Unearned Commission Income from insurance contracts, relating to general insurance business.

Prior to the change, the Group's unexpired premium risk was computed using an internal statistical model. The change in basis in the current year has resulted in recognising UPR using the 1/365 method except for marine cargo and general accident. The UPR for marine cargo is recognised as fixed proportion of the written premiums as required in the financial regulation and UPR for general accident assumes a linear increase in risk with the duration of the project such that the risk faced is 100% at the expiry of the contract. The rate at which the premium is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

2 Basis of preparation (continued)

b) Changes in accounting policy (continued)

IBNR, prior to change, was computed using the internal statistical model based on historical data. The change in basis has resulted in liability relating to IBNR calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required by the new regulation.

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 consolidated financial performance and its consolidated financial position to the economic decision makers and users. The effects of changes are described in note 31 to the consolidated financial statements.

c) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis except for the following which are measured at fair value.

- i) financial instruments at fair value through profit and loss ("FVTPL");
- ii) derivative financial instruments;
- iii) financial instruments at fair value through other comprehensive income ("FVTOCI"); and
- iv) investment properties.

d) Functional and presentation currency

These consolidated financial statements are presented in UAE Dirham (AED), which is the functional currency. Except as otherwise indicated, financial information is presented in AED.

e) Use of estimates and judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in the future periods effected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 5.

3 Summary of significant accounting policies

The accounting policy set out below have been applied consistently to all periods presented in these consolidated financial statements, except as explained in note 2(b).

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The consolidated financial statements of the subsidiary are included in the Group's consolidated financial statements from the date that control commences until the date that control ceases.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

3 Summary of significant accounting policies (continued)

a) Basis of consolidation (continued)

Subsidiaries (continued)

Non controlling interest in the equity and results of the entities that are controlled by the Group are shown separately as a part of consolidated statements of changes in equity in the Group's consolidated financial statements.

Any contribution or discounts on subsequent acquisition, after control is obtained, of equity instruments from (or sale of equity instruments to) non controlling interest is recognised directly in consolidated statement of changes in equity.

Investment in associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounting basis, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of investment is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the Group's consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated, wherever practicable, to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Acquisition from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or in accordance with the Group's accounting policy for financial instruments depending on the level of influence retained.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (*continued*)

3 Summary of significant accounting policies (continued)

b) Insurance contracts

i) Classification

The Group issues contracts that transfer either insurance risk or both insurance and financial risks.

Contracts under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Group to pay significant additional benefits due to happening of the insured event compared to its non happening.

Insurance contracts may also transfer some financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Contracts where insurance risk is not significant are classified as investment contracts.

Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

ii) Recognition and measurement

Premiums

Gross premiums written reflect business incepted during the year, and exclude any fees and other amounts collected with and calculated based on premiums. These are recognised when underwriting process is complete and policies are issued.

The earned proportion of premiums is recognised as income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

Unearned premium provision

The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date. UPR are calculated using the 1/365 method except for marine cargo and general accident. The UPR for marine cargo is recognised as fixed proportion of the written premiums as required in the financial regulation and UPR for general accident assumes a linear increase in risk with the duration of the project such that the risk faced is 100% at the expiry of the contract. The rate at which the premium is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy.

iii) Claims

Claims incurred comprise the settlement and the internal and external handling costs paid and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expense reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the consolidated financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provision is also made for any claims incurred but not reported ("IBNR") at the date of statement of financial position 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 regulations. The basis of estimating outstanding claims and IBNR are detailed in note 5.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

3 Summary of significant accounting policies (continued)

b) Insurance contracts (continued)

iv) Provision for premium deficiency / liability adequacy test

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

v) Reinsurance

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

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

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

Profit commission in respect of reinsurance contracts is recognised on an accrual basis.

vi) Deferred acquisition cost

For general insurance contracts, the deferred acquisition cost asset represents the portion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the reporting date. Commission income related to underwriting activities are recognised on a time proportion basis over the effective period of policy using the same basis as described for unexpired risk premium.

vii) Insurance receivables and payables

Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

viii) Insurance contract provision and reinsurance assets

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Group and still unpaid at the consolidated statement of financial position date, in addition for claims incurred but not reported. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the consolidated statement of financial position date.

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.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

3 Summary of significant accounting policies (continued)

c) Revenue (other than insurance revenue)

Revenue (other than insurance revenue) comprises the following:

i) Fee and commission income

Fee and commissions received or receivable which do not require the Group to render further service are recognised as revenue by the Group on the effective commencement or renewal dates of the related policies.

ii) Investment income

Investment income comprises income from financial assets, rental income from investment properties, realised and unrealised fair value gains/losses on investment property and financial assets at FVTPL.

Income from financial assets comprises interest and dividend income, net gains/losses on financial assets classified at fair value through profit or loss (FVTPL), and realised gains/losses on other financial assets.

Interest income is recognised on a time proportion basis using effective interest rate method. Dividend income is recognised when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities. Basis of recognition of net gains/losses on financial assets classified at fair value through profit or loss and realised gains on other financial assets is described in note 3 (g).

Fair value gains/losses on investment property are included in the consolidated statement of profit or loss in the period these gains/losses are determined. Details of valuations during the year are included in note 9.

d) Property and equipment

i) Recognition and measurement

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

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

Where parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment, and is recognised net within other income/other expenses in consolidated profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in consolidated statement of profit or loss as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

3 Summary of significant accounting policies (continued)

d) Property and equipment (continued)

iii) Depreciation

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate. No depreciation is charged on freehold land and capital-work-in-progress. Land is not depreciated and is stated at cost.

The estimated useful lives for various categories of property and equipment is as follows :

Office premises (Jordan)	50 years
Office fixture	4 years
Furniture and equipment	4 to 11 years
Motor vehicles	4 to 6 years

e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in consolidated statement of profit or loss.

The Group determines fair value on the basis of valuation provided by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

f) Capital work in progress

Capital work-in-progress consists of property being developed for sale on completion and is measured at lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of the business, less cost of completion and selling expenses.

g) Financial assets and liabilities

The Group had adopted IFRS 9, Financial instruments in 2014 in advance of its effective date. The Group had chosen 1 January 2014 as its date of initial application.

i) Non-derivative financial assets

Recognition

The Group initially recognises loans and advances and deposits on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes party to the contractual provision of the instrument.

A financial assets or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (*continued*)

3 Summary of significant accounting policies (*continued*)

g) Financial assets and liabilities (*continued*)

i) Non-derivative financial assets (*continued*)

Classification

At inception a financial asset is classified as measured at amortised cost or fair value.

Financial assets measured at amortised cost

A financial asset qualifies for amortised cost measurement only if it meets both of the following two conditions :

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

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Group makes an assessment of a business model at portfolio level as this reflect the best way the business is managed and information is provided to the management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Group considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual interest revenue;
- the degree of frequency of any expected asset sales;
- the reason of any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets measured at FVTPL

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

The Group has designated certain financial assets at fair value through profit or loss because designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Financial assets measured at FVTOCI

At initial recognition the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in certain equity instruments as at FVTOCI (fair value through other comprehensive income). Designation to FVTOCI is not permitted if the equity instrument is held for trading.

Dividend in these investments in equity instruments are recognised in the consolidated profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represents a recovery of part of the cost of the investment.

Gains and losses on such equity instruments are never reclassified to income statement and no impairment is recognised in consolidated profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, except when the Group changes its business model for managing financial assets.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

Loans and receivables comprise mainly trade and other receivables, deposits and other receivables.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

3 Summary of significant accounting policies (continued)

g) Financial assets and liabilities (continued)

i) Non-derivative financial assets (continued)

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with the Banks and fixed deposits with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

ii) Derivative financial assets

The Group holds derivative financial instruments to hedge its FVTPL investment. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

iii) Equity securities

Ordinary shares of the Group are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

iv) Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through consolidated statement of other comprehensive income) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

v) De-recognition of financial assets and financial liabilities

The Group derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risk and rewards of the ownership are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control over the transferred asset. Any interest in transferred financial assets that qualify for derecognition that is carried or retained by the Group is recognised as separate asset or liability in the consolidated statement of financial position. On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in consolidated statement of profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all or substantially all of the risks and rewards of the financial assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfer of assets with retention of all or substantially all risks and rewards include, securities lending and repurchase transactions.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the services.

The Group derecognises a financial liability when its contractual obligation are discharged or cancelled or expire.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

3 Summary of significant accounting policies (continued)

h) Impairment

Impairment of financial assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets carried at amortised cost are impaired. A financial asset or group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows relating to the asset that can be estimated reliably. The Group considers evidence of impairment at both a specific and collective level.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Group on terms that the Group would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Group of assets such as adverse change in the payment status of borrowers or issuers, or economic conditions that correlate with defaults in the Group.

Impairment of loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by comparing together loans and receivables with similar risk characteristics.

At each reporting date, the Group assesses on a case-by-case basis whether there is any objective evidence that a asset is impaired. Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off and/or any event resulting in a reduction in impairment loss, decreases the amount of the provision for loan impairment in the consolidated profit or loss.

Impairment losses are recognised in the consolidated profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated profit or loss.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

3 Summary of significant accounting policies (continued)

h) Impairment (continued)

Impairment of non-financial assets (continued)

Impairment losses are recognised in consolidated profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i) Fair value measurement principle

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in the consolidated profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

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

j) Foreign currency transactions

Transactions denominated in foreign currencies are translated to AED at the spot exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the spot exchange rates ruling at the date of consolidated statement of financial position. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to AED at the foreign exchange rates ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the consolidated statement of profit or loss. The assets and liabilities of foreign subsidiary and the equity of associates are translated at the rate of exchange ruling at the reporting date.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (*continued*)

3 Summary of significant accounting policies (continued)

j) Foreign currency transactions (continued)

The consolidated statements of profit or loss of foreign subsidiary and the results of associates are translated at the average exchange rates for the year. The exchange differences on the retranslation are taken directly to the consolidated other comprehensive income.

k) Provision

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

l) Employee terminal benefits

Defined benefit plan

The Group provides for staff terminal benefits based on an estimation of the amount of future benefits that employees have earned in return for their service until their retirement. This calculation is performed on a projected unit credit method.

Defined contribution plan

The Group contributes to the pension scheme for nationals under the pension and social security law. This is a defined contribution pension plan and the Group's contribution are charged to the statement of profit or loss in the period in which they relate. In respect of this scheme, the Group has a legal and constructive obligation to pay the fund contribution as they fall due and no obligations exists to pay the future benefits.

m) Earnings per share

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

n) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters), head office expenses, and income tax assets and liabilities.

o) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when, and only when, the Group has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or of gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

3 Summary of significant accounting policies (continued)

p) Directors' remuneration

In accordance with the Ministry of Economy and Commerce Interpretation of Article 118 of Federal Law No. 8 of 1984 (as amended), directors' remuneration of the Group has been treated as an appropriation from equity and presented under consolidated statement of changes in equity.

q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015 and have not been applied in preparing these financial statements. Those which may be relevant to the Company are set out below. The Group does not have plans to adopt these standards early.

Accounting Standard	Description	Effective Date
IFRS 15	Revenue from Contracts with Customers	(effective 1 January 2018)
IFRS 9	Financial Instruments (2014)	(effective 1 January 2018)
IFRS 16	Leases	(effective 1 January 2019)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 9 Financial Instruments

The Company has adopted IFRS 9 (2009) which sets out guidelines for the classification and measurement of financial assets.

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 16 Leases

The standard replaces accounting requirements as per IAS 17 Leases, introduced more than 30 years ago that are no longer considered fit for purpose and is a major revision of the way in which companies account for leases.

The objective of this Standard is to prescribe the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment.

The Group has commenced the process of evaluating the potential effect of the above standards. Given the nature of the Group's operations, these standards are expected to have a limited pervasive impact on the Group's consolidated financial statements.

4. Risk management

The Group issues contracts that transfer either insurance risk or both insurance and financial risks. The Group does not issue contracts that transfer only financial risks. This section summarises these risk and the way the Group manages them:

i) Governance framework

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

ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Audit Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

4. Risk management (continued)

ii) Risk management framework (continued)

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

iii) Capital management framework

The Group has an internal risk management framework for identifying risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on economic capital (refer note 28).

iv) Regulatory framework

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

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

v) Asset liability management ("ALM")

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Group faces due to the nature of its investments and liabilities is interest rate risk and equity price risk. The Group manages these positions within an ALM framework that has been developed by management to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

The Group's ALM is also integrated with the management of the financial risks associated with the Group's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Group's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance.

a) Insurance risks

The Group accepts insurance risk through its written insurance contracts. The Group is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Group writes the following types of general insurance and life insurance contracts:

General insurance contracts

- Liability insurance
- Property insurance
- Motor insurance
- Fire insurance
- Medical insurance
- Marine insurance
- Engineering insurance

Life insurance contracts

- Group life insurance
- Credit life insurance

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

4. Risk management (continued)

v) Asset liability management (“ALM”) (continued)

a) Insurance risks (continued)

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

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Group only issue short term insurance contracts in connection with property, motor, marine and casualty risks.

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

Underwriting strategy

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

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

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

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

Frequency and amounts of claims

The Group has developed their underwriting strategy to diversify the type of insurance risks accepted and within each of the categories to achieve sufficiently large populations of risk to reduce the variability of the expected outcome. The frequency and amounts of claims can be affected by several factors. The Group underwrite mainly property, motor, casualty, medical and marine risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (*continued*)

4. Risk management (*continued*)

v) Asset liability management (“ALM”) (*continued*)

a) Insurance risks (*continued*)

Frequency and amounts of claims (*continued*)

Property

Property insurance covers a diverse collection of risks and therefore property insurance contracts are subdivided into four risks groups, fire, business interruption, weather damage and theft.

These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured. The cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruptions are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm, flood damage or other weather related incidents.

Motor

Motor insurance contracts are designed to compensate policies holders for damage suffered to vehicles, disability to third parties arising through accidents and fire or theft of their vehicles.

Underwriting limits and guidelines are in place to enforce appropriate risk selection criteria.

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

Marine

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

For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

Casualty

For casualty class of business, such as workmen's compensation, personal accident, general third party liability and loss of money, the extent of loss or damage and the potential court awards are the main factors that influence the level of claims.

The Group manage these risks through their 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. Underwriting limits are in place to enforce appropriate risk selections.

The Group proactively manage and pursue early settlement of claims to reduce their exposure to unpredictable developments.

The Group have adequate reinsurance arrangements to protect their financial viability against such claims for all classes of business.

The Group have obtained adequate non-proportionate reinsurance cover for all classes of business to limit losses to an amount considered appropriate by the management.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (*continued*)

4. Risk management (continued)

v) Asset liability management (“ALM”) (continued)

a) Insurance risks (continued)

Frequency and amounts of claims (continued)

Medical

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

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

Concentration of risk

The Group's underwriting activities are carried out in the United Arab Emirates and other Middle East countries.

Reinsurance strategy

The Group reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect capital resources.

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

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

b) Financial risk

The Group has exposure to the following primary risks from its use of financial instruments and operations:

- i) Credit risk;
- ii) Liquidity risk;
- iii) Market risk; and
- iv) Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

i) Credit risk

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

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

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

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

4. Risk management (continued)

v) Asset liability management (“ALM”) (continued)

b) Financial risk (continued)

i) Credit risk (continued)

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

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

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

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	2015 AED	2014 AED
Financial assets		
Reinsurance contract assets	194,318,473	150,491,917
Insurance and other receivable	231,304,296	244,610,297
Due from related parties	98,411,277	183,385,991
Bank balances	295,367,262	357,124,628
	819,401,308	935,612,833

The age analysis of insurance and other receivables (excluding accrued interest, prepayments, refundable deposits and other receivables) are as follows:

	Gross 2015 AED	Impairment provision 2015 AED	Gross 2014 AED	Impairment provision 2014 AED
Less than 90 days	87,643,337	-	92,843,301	-
From 91-180 days	35,066,356	-	46,452,655	-
From 181-270 days	19,753,680	-	20,033,046	-
From 271-365 days	12,219,600	-	10,434,092	-
More than 365 days	93,229,521	(30,427,923)	75,591,876	(21,383,923)
	247,912,494	(30,427,923)	245,354,970	(21,383,923)

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

4. Risk management (continued)

v) Asset liability management (“ALM”) (continued)

b) Financial risk (continued)

ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 December 2015	Carrying amount AED	Contractual cash flows AED	Less than 180 days AED	180 days to 1 year AED	Total AED
Liabilities					
Due to related parties	519,307	(519,307)	(519,307)	-	(519,307)
Outstanding claims reserve	255,322,763	(255,322,763)	-	(255,322,763)	(255,322,763)
Bank borrowings	164,370,379	(164,370,379)	(164,370,379)	-	(164,370,379)
Insurance and other payables	166,463,528	(166,463,528)	(166,463,528)	-	(166,463,528)
Total liabilities	586,675,977	(586,675,977)	(331,353,214)	(255,322,763)	(586,675,977)
31 December 2014	Carrying amount AED	Contractual cash flows AED	Less than 180 days AED	180 days to 1 year AED	Total AED
Liabilities					
Due to related parties	520,824	(520,824)	(520,824)	-	(520,824)
Outstanding claims reserve	200,119,494	(200,119,494)	-	(200,119,494)	(200,119,494)
Bank borrowings	258,262,057	(258,262,057)	(258,262,057)	-	(258,262,057)
Insurance and other payables	106,924,361	(106,924,361)	(106,924,361)	-	(106,924,361)
Total liabilities	565,826,736	(565,826,736)	(365,707,242)	(200,119,494)	(565,826,736)

iii) Market risk

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

a) Currency risk

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

The Group's major exposures are in USD, which is pegged with AED and the Group's exposure to currency risk is limited to that extent. Since almost all reinsurance arrangements are denominated in USD.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

4. Risk management (continued)

v) Asset liability management (“ALM”) (continued)

b) Financial risk (continued)

iii) Market risk (continued)

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to interest rate risk relates to its bank deposits. At 31 December 2015, fixed deposits carried interest rates ranging from 2.5% to 5.9% per annum (2014: 2.75% to 5.9% per annum).

If interest rates had been 100 basis points lower throughout the year and all other variables were held constant, the Group's net profit for the year ended 31 December 2015 would decrease by approximately AED 2.82 million (2014: AED 3.41 million). Similarly increase in interest by 100 basis points would result in equal and opposite effect on profit for the year.

c) Equity price risk

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

The Group's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

The Group's equity price risk policy requires is to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, sector and market. The fair values of financial assets are not different from their carrying values.

Sensitivities

The table below shows the results of sensitivity testing on the Group's profit or loss and equity by type of business. The sensitivity analysis indicates the effect of changes in price risk factors arising from the impact of the changes in these factors on the Group's investments:

	10% increase in price		10% decrease in price	
	Profit or loss	Other comprehensive income	Profit or loss	Other comprehensive income
	AED	AED	AED	AED
31 December 2015				
Fair value through OCI	-	253,815	-	(253,815)
Fair value through profit or loss	21,184,164	-	(21,184,164)	-
31 December 2014				
Fair value through OCI	-	253,815	-	(253,815)
Fair value through profit or loss	23,733,960	-	(23,733,960)	-

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

4. Risk management (continued)

v) Asset liability management (“ALM”) (continued)

b) Financial risk (continued)

iv) 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 risks.

The Group has detailed systems and procedures manuals with effective segregation of duties, access controls, authorization and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Group’s strategic planning and budgeting process.

5. Use of estimates and judgements

The areas of the Group’s business containing key sources of estimation uncertainty include the measurement of insurance contract provisions and the determination of the fair values of financial instruments.

Measurement of insurance contract provisions

The Group’s accounting policy in respect of insurance contract accounting is discussed in more detail in note 3(b). The key assumptions made in respect of insurance contract liabilities are included in note 11.

Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Group.

There are a number of contracts sold where the Group exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Group is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

Provision for outstanding claims, whether reported or not

Considerable judgment by the management is required in the estimation of amounts due to the contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management’s estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of claims incurred but not reported (“IBNR”) at the date of statement of financial position. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation, and are presented in Note 11.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims regularly.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

5. Use of estimates and judgements (continued)

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 and reinsurance companies, historical recovery rates 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 profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the consolidated profit or loss at the time of collection.

Provision made for the doubtful debts on insurance receivables at 31 December 2015 was AED 30.43 million (2014: AED 21.38 million).

Liability Adequacy Test

At each consolidated statement of financial position date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the consolidated profit or loss.

Valuation of Financial Instruments

The Fair value of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques are used to determine fair values, these are tested before they are used. In case of options, management consider market conditions of those options together with the probability of their exercise. Where appropriate, management applied marketability discounts in order to arrive at a value that reflects the market conditions associated with those options. The fair value estimates presented herein are not necessarily indicative of an amount that the Group would realise in a current transaction, and because of the inherent uncertainty of valuations, do not represent amounts that will be ultimately realised, since such amounts depend on future circumstances and the differences could be material.

Valuation of investment properties

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio annually.

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

The Group has taken the highest and best use fair values for the fair value measurement of its investment properties.

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurements
1) Income valuation approach	-Expected market rental growth rate	<p>The estimated fair value increase/decrease if:</p> <ul style="list-style-type: none"> -Expected market rental growth rate were higher -The risk adjusted discount rates were lower / higher -The property is not free hold -The property is subject to any covenants, rights and obligations -The property is subject to any adverse legal notices / judgment -The property is subject to any defect / damages -The property is subject to sales value fluctuations of surrounding properties in the area.
2) Sales comparative valuation approach	-Risk adjusted discount rates	
3) Market value approach	-Free hold property	
	-Free of covenants , third party rights and obligations	
	-Statutory and legal validity	
	-Condition of the property	
	-Sales value of comparable properties	

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

6 Accounting classification of financial assets and financial liabilities

The table below shows a reconciliation between line items in the consolidated statement of financial position and categories of financial instruments.

At 31 December 2015

<u>Financial assets</u>	<u>FVTPL</u>	<u>FVTOCI</u>	<u>Amortised</u> <u>cost</u>	<u>Total</u>
	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>
Investments	211,841,640	2,538,147	-	214,379,787
Reinsurance contract assets	-	-	194,318,473	194,318,473
Insurance and other receivables	-	-	231,304,296	231,304,296
Due from related parties	-	-	98,411,277	98,411,277
Cash and bank balances	-	-	297,824,545	297,824,545
	<u>211,841,640</u>	<u>2,538,147</u>	<u>821,858,591</u>	<u>1,036,238,378</u>

<u>Financial liabilities</u>	<u>FVTPL</u>	<u>FVTOCI</u>	<u>Amortised</u> <u>cost</u>	<u>Total</u>
	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>
Due to related parties	-	-	519,307	519,307
Insurance contract liabilities	-	-	491,212,881	491,212,881
Bank borrowings	-	-	164,370,379	164,370,379
Insurance and other payables	-	-	166,463,528	166,463,528
	<u>-</u>	<u>-</u>	<u>822,566,095</u>	<u>822,566,095</u>

At 31 December 2014

<u>Financial assets</u>	<u>FVTPL</u>	<u>AFS</u>	<u>Amortised</u> <u>cost</u>	<u>Total</u>
	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>
Investments	237,339,603	2,538,147	-	239,877,750
Reinsurance contract assets	-	-	150,491,917	150,491,917
Insurance and other receivables	-	-	244,610,297	244,610,297
Due from related parties	-	-	183,385,991	183,385,991
Cash and bank balances	-	-	357,418,551	357,418,551
	<u>237,339,603</u>	<u>2,538,147</u>	<u>935,906,756</u>	<u>1,175,784,506</u>

<u>Financial liabilities</u>	<u>FVTPL</u>	<u>AFS</u>	<u>Amortised</u> <u>cost</u>	<u>Total</u>
	<u>AED</u>	<u>AED</u>	<u>AED</u>	<u>AED</u>
Due to related parties	-	-	520,824	520,824
Insurance contract liabilities	-	-	473,408,045	473,408,045
Bank borrowings	-	-	258,262,057	258,262,057
Insurance and other payables	-	-	106,924,361	106,924,361
	<u>-</u>	<u>-</u>	<u>839,115,287</u>	<u>839,115,287</u>

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

7 Fair value of financial instruments

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

a) Fair value hierarchy of assets/liabilities measured at fair value

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position.

As at 31 December 2015

<u>Financial assets</u>	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
FVTPL - financial assets	211,841,640	-	-	211,841,640
FVTOCI - financial assets	-	-	2,538,147	2,538,147
	211,841,640	-	2,538,147	214,379,787
<u>Non financial assets</u>				
Investment properties	-	-	172,856,118	172,856,118
	211,841,640	-	175,394,265	387,235,905

As at 31 December 2014

<u>Financial assets</u>	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
FVTPL - financial assets	202,339,603	-	35,000,000	237,339,603
FVTOCI - financial assets	-	-	2,538,147	2,538,147
	202,339,603	-	37,538,147	239,877,750
<u>Non financial assets</u>				
Investment properties	-	-	172,809,138	172,809,138
	202,339,603	-	210,347,285	412,686,888

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

7 Fair value of financial instruments (continued)

a) Fair value hierarchy of assets/liabilities measured at fair value (continued)

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	2015 AED	2014 AED
Balance at 1 January	210,347,285	179,236,597
Transfer to level 1	-	(6,697,474)
New derivative arrangements entered during the year	-	35,000,000
Write off of investment in derivative financial instrument at fair value through profit or loss ("FVTPL")	(35,000,000)	-
Purchase of investment property	46,980	2,809,138
Disposal of investments	-	(976)
Balance at 31 December	175,394,265	210,347,285

b) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 December 2015

<u>Financial assets</u>	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Reinsurance contract assets	-	-	194,318,473	194,318,473
Insurance and other receivables	-	-	231,304,296	231,304,296
Due from related parties	-	-	98,411,277	98,411,277
Cash and bank balances	-	297,824,545	-	297,824,545
	-	297,824,545	524,034,046	821,858,591
<u>Financial liabilities</u>				
Due to related parties	-	-	519,307	519,307
Insurance contract liabilities	-	-	491,212,881	491,212,881
Bank borrowings	-	-	164,370,379	164,370,379
Insurance and other payables	-	-	166,463,528	166,463,528
	-	-	822,566,095	822,566,095

As at 31 December 2014

<u>Financial assets</u>	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Reinsurance contract assets	-	-	150,491,917	150,491,917
Insurance and other receivables	-	-	244,610,297	244,610,297
Due from related parties	-	-	183,385,991	183,385,991
Cash and bank balances	-	357,418,551	-	357,418,551
	-	357,418,551	578,488,205	935,906,756
<u>Financial liabilities</u>				
Due to related parties	-	-	520,824	520,824
Insurance contract liabilities	-	-	473,408,045	473,408,045
Bank borrowings	-	-	258,262,057	258,262,057
Insurance and other payables	-	-	106,924,361	106,924,361
	-	-	839,115,287	839,115,287

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

8 Property and equipment

	Office premises AED	Office fixture AED	Furniture and equipment AED	Motor vehicles AED	Capital work in progress AED	Total AED
<i>Cost</i>						
At 1 January 2014	463,275	2,580,270	10,459,553	1,010,572	2,942,306	17,455,976
Additions	-	3,740,121	2,598,770	26,100	-	6,364,991
Transfer from capital work in progress	-	2,159,306	783,000	-	(2,942,306)	-
Disposal	-	-	(4,578)	-	-	(4,578)
Write off	-	(1,234,916)	(570,030)	-	-	(1,804,946)
At 31 December 2014	463,275	7,244,781	13,266,715	1,036,672	-	22,011,443
At 1 January 2015	463,275	7,244,781	13,266,715	1,036,672	-	22,011,443
Additions	-	285,435	396,650	-	-	682,085
At 31 December 2015	463,275	7,530,216	13,663,365	1,036,672	-	22,693,528
<i>Depreciation</i>						
At 1 January 2014	33,973	2,413,137	8,641,907	665,505	-	11,754,522
Charge for the year	9,266	346,942	1,072,755	121,338	-	1,550,301
On disposals	-	-	(2,934)	-	-	(2,934)
Write off	-	(1,234,916)	(570,030)	-	-	(1,804,946)
At 31 December 2014	43,239	1,525,163	9,141,698	786,843	-	11,496,943
At 1 January 2015	43,239	1,525,163	9,141,698	786,843	-	11,496,943
Charge for the year	9,260	795,438	1,176,050	81,958	-	2,062,706
At 31 December 2015	52,499	2,320,601	10,317,748	868,801	-	13,559,649
<i>Carrying amounts</i>						
At 31 December 2014	420,036	5,719,618	4,125,017	249,829	-	10,514,500
At 31 December 2015	410,776	5,209,615	3,345,617	167,871	-	9,133,879

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

9 Investment properties

	2015 AED	2014 AED
At the beginning of the year	172,809,138	170,000,000
Additions during the year (Note 9.1)	46,980	2,809,138
At the end of the year	<u>172,856,118</u>	<u>172,809,138</u>

As at 31 December 2015, the Group has four investment properties out of which one property is Meydan Tower (property is under development but construction has not started), located in Dubai controlled by GGICO Real Estate Development Co. L.L.C. in which the Group has 10% ownership. The carrying value of the property is AED 80 million (10% share of AED 800 million) as at 31 December 2015 (31 December 2014: AED 80 million). Another property located in Al Barsha First, Dubai has a carrying value of AED 90 million (31 December 2014: AED 90 million). The other two properties are located in Jordan. The Company assessed fair value of the investment properties during 2015 externally. As at 31 December 2015, the fair value of investment properties portfolio is not significantly different as per Company's internal assessment.

9.1 During the year 2015, the Group has purchased investment property in Jordan at cost of AED 0.05 million.

10 Investments

	2015 AED	2014 AED
Investment in financial assets at fair value through profit or loss ("FVTPL") (note 10.1)	211,841,640	202,339,603
Investment in derivative financial instrument at fair value through profit or loss ("FVTPL") (note 10.1)	-	35,000,000
Investment in financial asset at fair value through other comprehensive income ("FVTOCI")	2,538,147	2,538,147
Investment in associates (note 10.2)	166,341	253,669
Total	<u>214,546,128</u>	<u>240,131,419</u>

During the year 2015, the Group has purchased shares worth of AED 11.04 million.

10.1 Following is the movement of investments in FVTPL during the year:

	2015 AED	2014 AED
Fair value at beginning of the year	237,339,603	194,871,884
Transfer from held to maturity investments	-	6,697,474
Net (disposals) / additions during the year	(4,207,096)	6,710,583
(Decrease) / increase in fair value	(21,290,867)	29,059,662
Fair value at end of the year	<u>211,841,640</u>	<u>237,339,603</u>

Investments in financial assets at fair value through profit or loss ("FVTPL") includes investment in a fund with a related party amounting to AED 3.3 million (2014: AED 3.3 million).

All investments are held within U.A.E. except for investments in FVTPL and investments in FVTOCI amounting to AED 152.7 million (2014: AED 158.4 million) and AED 2.5 million (2014: AED 2.5 million), respectively, which are invested in securities listed in Kingdom of Saudi Arabia and Jordan.

Prior year, the Group had entered into an arrangement with a third party to sell its entire shareholdings in a listed investment (put option) classified as FVTPL. The arrangement was valid for a 6 month period from the date of arrangement and the put option was valued at AED 35 million, internally, as at 31 December 2014. During the year, the put option expired and accordingly loss of AED 35 million has been charged to profit or loss.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

10 Investments (continued)

10.2 Investments in associates comprises of the following:

	2015 AED	2014 AED
Green Air Technology L.L.C., United Arab Emirates [Note 10.2 (a)]	16,341	103,669
Sogour Al Khaleej General Trading L.L.C., United Arab Emirates [Note 10.2 (b)]	150,000	150,000
Total	166,341	253,669

Details of the Group's associates at 31 December 2015 are as follows:

Company name	Place of incorporation and operation	Proportion ownership interest %	Proportion of voting power held %	Principal activity
Green Air Technology L.L.C.	United Arab Emirates	50	50	General trading
Sogour Al Khaleej General Trading L.L.C.	United Arab Emirates	50	50	General trading

Although, the Group holds 50% equity in 2 associates, these are controlled by the Parent Company. The Group's voting rights in these entities does not give it control over these entities.

10.2 (a) Green Air Technology L.L.C.:

	2015 AED	2014 AED
Total assets	11,675,260	12,019,694
Total liabilities	(11,642,579)	(11,812,356)
Net assets	32,681	207,338
Share of associates' net assets	16,341	103,669

The Group holds 50% ownership in Green Air Technology L.L.C., a limited liability company incorporated in Dubai, United Arab Emirates. The remaining 50% ownership is owned equally by the Parent Company and the CEO of the Company.

10.2 (b) Sogour Al Khaleej General Trading L.L.C.

The Group holds 50% ownership in Sogour Al Khaleej General Trading L.L.C., a limited liability company incorporated in Dubai, United Arab Emirates. The main activity of the Company is general trading. The remaining 50% ownership is owned by the Parent Company.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

11 Insurance contract liabilities and reinsurance contract assets

	31 December 2015 AED	31 December 2014 AED (Restated)	1 January 2014 AED (Restated)
Gross			
Reserve for outstanding claims	255,322,763	200,119,494	165,114,920
Reserve for incurred but not reported claims (IBNR)	54,361,321	71,868,925	41,033,000
Reserve for outstanding claims (including IBNR)	309,684,084	271,988,419	206,147,920
Unearned premium reserve	181,528,797	201,419,626	178,972,500
Total insurance contract liabilities (gross)	491,212,881	473,408,045	385,120,420
Less: Recoverable from reinsurers			
Reinsurer share of outstanding claims	(169,700,906)	(139,597,399)	(113,477,260)
Reinsurer share of incurred but not reported claims (IBNR)	(24,617,567)	(10,894,518)	(4,403,440)
Reinsurer share of outstanding claims (including IBNR)	(194,318,473)	(150,491,917)	(117,880,700)
Unamortised reinsurance premium reserve	(43,909,916)	(48,054,690)	(41,280,000)
Total reinsurance contract assets	(238,228,389)	(198,546,607)	(159,160,700)
Net insurance contract liabilities as at 31 December	252,984,492	274,861,438	225,959,720

Movement in outstanding claims and reinsurance contract assets

	2015		
	Gross AED	Reinsurance AED	Net AED
Total at the beginning of the year	271,988,419	(150,491,917)	121,496,502
Less: settled during the year	(345,755,415)	83,488,788	(262,266,627)
Add: provision made during the year	383,451,080	(127,315,344)	256,135,736
At 31 December	309,684,084	(194,318,473)	115,365,611
	2014 (Restated)		
	Gross AED	Reinsurance AED	Net AED
Total at the beginning of the year	206,147,920	(117,880,700)	88,267,220
Less: settled during the year	(265,023,564)	74,871,366	(190,152,198)
Add: provision made during the year	330,864,063	(107,482,583)	223,381,480
At 31 December	271,988,419	(150,491,917)	121,496,502

Movement in unearned premium reserve

	2015		
	Gross AED	Reinsurance AED	Net AED
Total at the beginning of the year	201,419,626	(48,054,690)	153,364,936
Provision made during the year	181,528,797	(43,909,916)	137,618,881
Provision released during the year	(201,419,626)	48,054,690	(153,364,936)
At 31 December	181,528,797	(43,909,916)	137,618,881
	2014 (Restated)		
	Gross AED	Reinsurance AED	Net AED
Total at the beginning of the year	178,972,500	(41,280,000)	137,692,500
Provision made during the year	201,419,626	(48,054,690)	153,364,936
Provision released during the year	(178,972,500)	41,280,000	(137,692,500)
At 31 December	201,419,626	(48,054,690)	153,364,936

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

11. Insurance contracts liabilities and reinsurance contract assets (continued)

Assumptions and sensitivities

Process used to determine the assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market practices or other published information.

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate.

The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The method used by the Group for provision of IBNR takes into account historical data, past estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

The assumptions that have the greatest effect on the measurement of insurance contract provisions are the expected loss ratios for the most recent accident years.

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's estimation process. The Group believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims are finally settled.

Claim development table

	Underwriting year				Total
	2012	2013	2014	2015	
	AED	AED	AED	AED	AED
Gross					
Estimate of net incurred claims costs					
- At the end of underwriting year	-	161,967,000	228,759,000	257,054,000	-
- One year later	50,921,000	198,274,000	278,904,000	-	-
- Two years later	56,033,000	202,305,000	-	-	-
- Three years later	60,203,000	-	-	-	-
Current estimate of incurred claims	60,203,000	202,305,000	278,904,000	257,054,000	798,466,000
Cumulative payments to date	(34,989,000)	(143,917,000)	(172,401,000)	(151,159,679)	(502,466,679)
Liability recognised	25,214,000	58,388,000	106,503,000	105,894,321	295,999,321
Liability in respect of prior years					13,684,763
Total liability included in the statement of financial position					309,684,084
Net					
Estimate of net incurred claims costs					
- At the end of underwriting year	-	91,480,000	150,456,000	198,510,000	-
- One year later	26,344,000	127,734,000	200,935,000	-	-
- Two years later	32,294,000	127,381,000	-	-	-
- Three years later	35,399,000	-	-	-	-
Current estimate of incurred claims	35,399,000	127,381,000	200,935,000	198,510,000	562,225,000
Cumulative payments to date	(23,987,000)	(107,271,168)	(160,911,430)	(155,044,791)	(447,214,389)
Liability recognised	11,412,000	20,109,832	40,023,570	43,465,209	115,010,611
Liability in respect of prior years					355,000
Total liability included in the statement of financial position					115,365,611

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

11. Insurance contracts liabilities and reinsurance contract assets (continued)

Summary of the Actuary's report on the Technical Provisions

Gross Reserves	As at 31 December 2015		
	Life	General	Total
	insurance	insurance	
	AED	AED	AED
Reserve for outstanding claims (including IBNR)	7,822,000	301,862,084	309,684,084
Unearned premium reserve	3,291,000	178,237,797	181,528,797
Total	11,113,000	480,099,881	491,212,881

Net Reserves	As at 31 December 2015		
	Life	General	Total
	insurance	insurance	
	AED	AED	AED
Reserve for outstanding claims (including IBNR)	591,000	114,774,611	115,365,611
Unearned premium reserve	147,000	137,471,881	137,618,881
Total	738,000	252,246,492	252,984,492

Actuarial estimation of the insurance liabilities has been performed by the independent actuary in accordance with the requirement of new financial regulations issued under Federal Law No.6 of 2007 pertaining to the insurance companies and agents. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. Liability has been calculated on current year numbers only. Therefore, comparative information has not been available.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

12 Insurance and other receivables

	2015 AED	2014 AED
Receivable arising from insurance and reinsurance contracts		
Due from policy holders	64,156,395	53,157,071
Due from insurance and reinsurance companies	102,603,865	84,637,809
Due from agents and brokers	80,603,047	107,177,945
Staff advances	549,187	382,145
Allowance for doubtful receivables (note 12.1)	(30,427,923)	(21,383,923)
	<u>217,484,571</u>	<u>223,971,047</u>
Accrued interest income	2,847,246	3,322,754
Prepaid expenses and refundable deposits	3,105,111	2,834,864
Other receivables	8,599,279	15,318,165
	<u>232,036,207</u>	<u>245,446,830</u>

12.1 Allowance for doubtful receivables

Movement in the allowance for doubtful receivables

	2015 AED	2014 AED
Balance at beginning of the year	21,383,923	21,383,923
Impairment losses recognised on receivables	9,044,000	2,171,520
Charge / (reversal) during the year	-	(2,171,520)
Balance at end of the year	<u>30,427,923</u>	<u>21,383,923</u>

13 Cash and bank balances

	2015 AED	2014 AED
Cash in hand	2,457,283	293,923
Bank balances:		
Current accounts	12,996,554	16,648,765
Fixed deposits	282,370,708	340,475,863
	<u>297,824,545</u>	<u>357,418,551</u>

Fixed deposits with banks as at 31 December 2015 include AED 10.3 million (2014: AED 10.3 million) deposited in the name of the Group to the order of the Ministry of Economy and Trade of the United Arab Emirates as required by the Federal Law Number (6) of 2007 relating to Insurance Authority.

Fixed deposits amounting to AED 253.3 million (2014: AED 317 million) are under lien in respect of bank credit facilities granted to the Group.

All fixed deposits with banks mature within different periods not exceeding one year from the financial date of deposit and carry interest rates between 2.5% to 5.9% per annum (2014: 2.75% to 5.9% per annum).

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

13 Cash and bank balances (continued)

Cash and cash equivalents for the purpose of cashflows are analysed as follows;

	2015 AED	2014 AED
Bank balances and cash	297,824,545	357,418,551
Long term fixed deposits	(234,571,310)	(294,092,957)
Cash and cash equivalents	63,253,235	63,325,594

14 Share capital

	2015 AED	2014 AED
Issued and fully paid: 230,000,000 shares of AED 1 each	230,000,000	230,000,000

15 Statutory reserve

In accordance with U.A.E. Federal Commercial Companies Law Number 8 of 1984, as amended, the Group has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. No transfer has been made to this reserve in the current year as the Company incurred a loss. This reserve is not available for distribution except as stipulated by the Law.

16 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.

17 Provision for employees' end of service indemnity

Movement in the net liability is as follows:

	2015 AED	2014 AED
At 1 January	13,401,749	11,060,017
Charge for the year	929,214	2,640,300
Paid during the year	(963,349)	(298,568)
At 31 December	13,367,614	13,401,749

18 Bank borrowings

	2015 AED	2014 AED
Bank overdrafts	164,370,379	258,262,057

The Group has bank facilities in the form of overdrafts repayable upon demand and bearing interest ranging from 3.55% to 3.9% per annum (2014: 3.55% to 4.25%). These facilities are secured by lien on fixed deposits amounting to AED 253.3 million (2014: AED 317 million). The bank overdraft limit provided under the facilities is AED 354.7 million (2014: AED 325 million).

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

19 Insurance and other payables

	2015 AED	2014 AED
Due to insurance and reinsurance companies	80,162,147	55,527,676
Other payable:		
Insurance customer payables	72,271,539	36,208,050
Accrued expenses and provisions	2,653,445	2,640,679
Other	11,376,397	12,547,956
	<u>166,463,528</u>	<u>106,924,361</u>

20 Commission income - net

	2015 AED	2014 AED
Gross commission earned	76,904,607	77,833,392
Less: commission incurred	(23,803,189)	(26,332,326)
	<u>53,101,418</u>	<u>51,501,066</u>

21 Investment (loss) / income - net

	2015 AED	2014 AED
Net gain on sale of investment in securities	3,780,408	8,944,214
Rental income	17,250	-
Interest income	10,191,150	10,544,201
Dividend income	4,382,629	5,439,532
(Loss) / gain on revaluation of investments - FVTPL (note 10.1)	(21,290,867)	29,059,662
Gain on disposal of property and equipment	-	705
Allowance for doubtful recovery from a related party (note 25.1)	(93,489,375)	-
Other income	99,416	119,431
Share on loss of associate	(87,328)	(287,341)
Finance costs	(8,833,739)	(9,469,098)
Unallocated general and administrative expenses	(16,123,346)	(16,059,150)
	<u>(121,353,802)</u>	<u>28,292,156</u>

Unallocated general administrative expenses include social contribution made by the Group of AED 0.342 million

22 Profit for the year

Profit for the year has been arrived at after charging the following expenses which are included in the general and administrative expenses and unallocated general and administrative expenses.

	2015 AED	2014 AED
Staff cost	28,277,776	27,899,444
Depreciation of property and equipment (note 8)	2,062,706	1,550,301
Allowance for doubtful receivables (note 12)	9,044,000	2,171,520

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

23 Earnings per share	2015	2014
	AED	AED
		<i>(Restated)</i>
(Loss) / profit for the year attributable to equity holders of the Parent	(104,576,286)	38,378,216
Weighted average number of shares	230,000,000	230,000,000
(Loss) / earning per share	(0.45)	0.17

Basic earnings per share are calculated by dividing the profit for the year attributable to shareholders by the weighted average number of shares outstanding at reporting date. There is no dilution impact on basic earnings per share.

24 Investment in subsidiary

(a) Financial details of non-wholly owned subsidiary of the Group are as follows:

Name of Subsidiary	Profit/(loss) allocated to non-controlling interest		Accumulated non-controlling interest	
	2015	2014	2015	2014
	AED	AED	AED	AED
Jordan Emirates Insurance Company (PSC)	(456,880)	426,244	650,230	1,107,110

(b) Below is the summarised financial information of Jordan Emirates Insurance Company (PSC), the main subsidiary that has material non-controlling interest. The financial information represents balances before intra-group eliminations.

	2014	2013
	AED	AED

Statement of financial position

Total assets	70,698,812	93,948,099
Total liabilities	61,623,603	78,500,777
Net equity	9,075,209	15,447,322

Statement of comprehensive income

Net insurance premium revenue	37,917,777	47,506,395
Net claims incurred	(35,632,566)	(34,179,479)
Net commission and other income	1,333,125	461,479
Net investment loss	(801,385)	(1,844,690)
General and administrative expenses	(9,189,064)	(8,103,685)
(Loss) / profit for the year	(6,372,113)	3,840,020
Other comprehensive income	-	-
Total comprehensive (loss) / income	(6,372,113)	3,840,020

Statement of cash flows

Net cash used in operating activities	(5,004,952)	(1,774,951)
Net cash flows generated from / (used in) investing activities	5,425,621	(4,533,810)
Net cash flows generated from financing activities	-	5,220,000
Net cash flows generated from / (used in) during the year	420,669	(1,088,761)

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

25 Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24: Related Party Disclosures. Related parties comprise companies and entities under common ownership and/or common management and control, shareholders, directors and key management personnel of the Group, their close family members and entities controlled, jointly controlled or significantly influenced by such parties. The Group's management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

At reporting date, amounts due from/to related parties were as follows:

		2015 AED	2014 AED
Included in due from related parties			
Due from related parties	25.1	239,400,652	230,885,991
Allowance for doubtful debts		(140,989,375)	(47,500,000)
		<u>98,411,277</u>	<u>183,385,991</u>

25.1 This amount include AED 144.3 million receivable from Sogour Al Khaleej General Trading L.L.C., a related party in respect of sales of equity shares. During the year, the Company cancelled this sales transaction and entered into another sales transaction with Holding Company to sale the subject matter shares at market value. Accordingly, a loss of AED 93.4 million has been recognised through profit or loss which represents the difference between carrying value of receivables and market value of shares.

Included in due to related parties

Due to related parties	519,307	520,824
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Included in insurance contract liabilities

Gross outstanding claims	975,473	761,628
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These amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

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

	2015 AED	2014 AED
Gross premium	13,503,127	12,127,124
Claims paid	1,802,150	1,606,159

Compensation of key management personnel

	2015 AED	2014 AED
Salaries and benefits	8,493,917	8,000,226
	<u>8,493,917</u>	<u>8,000,226</u>

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

26 Contingent liabilities and commitments

	2015 AED	2014 AED
Letters of guarantee	<u>12,433,401</u>	<u>12,177,515</u>

27 Operating lease arrangements

Operating lease payments represent rentals payable by the Group for its office premises. At reporting date, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2015 AED	2014 AED
Less than one year	3,287,495	2,626,493
Between one and five years	<u>6,574,990</u>	<u>5,012,026</u>
	<u>9,862,485</u>	<u>7,638,519</u>

28 Capital Risk Management

The Group's objectives when managing capital is to comply with the insurance capital requirements required by UAE Federal Law no.6 of 2007 concerning Insurance companies and Agents.

In UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented below) must be maintained at all times throughout the year. The Group is subject to local insurance solvency regulations with which it has complied with during the year. The Group has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

The below summaries the minimum regulatory capital of the Group and the total held.

	2015 AED	2014 AED
Minimum regulatory capital	<u>100,000,000</u>	<u>100,000,000</u>
Total shareholders' equity	<u>426,452,604</u>	<u>554,628,890</u>

The UAE Insurance Authority has issued a Resolution No. 42 for 2009 setting the minimum subscribed or paid up capital of AED 100 million for establishing the insurance companies and AED 250 million for re-insurance companies. The resolution also stipulates that atleast 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 Group is in compliance with the minimum capital requirements.

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

29 Segment information

Operating segment information

For management purposes the Company is organised into two operating segments, general insurance and life assurance. These segments are the basis on which Company reports its primary segment information

	General insurance		Life insurance		Total	
	2015	2014	2015	2014	2015	2014
	AED	AED	AED	AED	AED	AED
		(Restated)		(Restated)		(Restated)
Underwriting income						
Gross insurance premium	374,129,671	380,302,416	10,620,765	9,626,381	384,750,436	389,928,797
Less: insurance premium ceded to reinsurers	(121,757,356)	(142,175,235)	(10,060,279)	(9,055,852)	(131,817,635)	(151,231,087)
Net retained premium	252,372,315	238,127,181	560,486	570,529	252,932,801	238,697,710
Net change in unearned premium reserve	15,741,045	(15,656,110)	5,010	(16,326)	15,746,055	(15,672,436)
Net insurance premium	268,113,360	222,471,071	565,496	554,203	268,678,856	223,025,274
Gross claims paid	(341,358,556)	(264,043,988)	(4,396,859)	(979,576)	(345,755,415)	(265,023,564)
Insurance claims recovered from reinsurers	79,377,791	74,012,664	4,110,997	858,702	83,488,788	74,871,366
Net claims paid	(261,980,765)	(190,031,324)	(285,862)	(120,874)	(262,266,627)	(190,152,198)
Net change in outstanding claims	6,360,913	(33,192,182)	(230,022)	(37,100)	6,130,891	(33,229,282)
Net claims incurred	(255,619,852)	(223,223,506)	(515,884)	(157,974)	(256,135,736)	(223,381,480)
Net commission income	48,524,278	47,465,176	4,577,140	4,035,890	53,101,418	51,501,066
General and administrative expenses	(46,924,047)	(38,271,693)	(2,399,855)	(2,360,863)	(49,323,902)	(40,632,556)
Underwriting profit	14,093,739	8,441,048	2,226,897	2,071,256	16,320,636	10,512,304
Net investments income					(121,353,802)	28,292,156
Loss / profit for the year					(105,033,166)	38,804,460

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

29.1 Segment information(continued)

Operating segment information

	General insurance		Life insurance		Total	
	2015	2014	2015	2014	2015	2014
	AED	AED	AED	AED	AED	AED
ASSETS						
Property and equipment	8,973,731	10,340,629	160,148	173,871	9,133,879	10,514,500
Investment properties	172,856,118	172,809,138	-	-	172,856,118	172,809,138
Investments	214,546,128	240,131,419	-	-	214,546,128	240,131,419
Reinsurance contract assets	227,853,389	193,411,079	10,375,000	5,135,528	238,228,389	198,546,607
Insurance and other receivables	229,751,069	241,904,906	2,285,138	3,541,924	232,036,207	245,446,830
Due from related parties	98,411,277	183,385,991	-	-	98,411,277	183,385,991
Cash and bank balances	289,324,545	348,348,932	8,500,000	9,069,619	297,824,545	357,418,551
Total assets	1,241,716,257	1,390,332,094	21,320,286	17,920,942	1,263,036,543	1,408,253,036
LIABILITIES						
Due to related parties	519,307	520,824	-	-	519,307	520,824
Provision for employees' end of service indemnity	13,193,430	13,247,785	174,184	153,964	13,367,614	13,401,749
Insurance contract liabilities	480,099,881	467,759,529	11,113,000	5,648,516	491,212,881	473,408,045
Bank borrowings	164,370,379	258,262,057	-	-	164,370,379	258,262,057
Insurance and other payables	164,130,877	105,847,251	2,332,651	1,077,110	166,463,528	106,924,361
Total liabilities	822,313,874	845,637,446	13,619,835	6,879,590	835,933,709	852,517,036
EQUITY						
Share capital	-	-	-	-	230,000,000	230,000,000
Legal reserve	-	-	-	-	63,115,259	63,115,259
General reserve	-	-	-	-	200,000,000	200,000,000
Fair value reserve	-	-	-	-	(1,361,523)	(1,361,523)
Retained earnings	-	-	-	-	(65,301,132)	62,875,154
Equity attributable to shareholders of the Company					426,452,604	554,628,890
Non-controlling interests	-	-	-	-	650,230	1,107,110
Total equity					427,102,834	555,736,000
Total liabilities and equity					1,263,036,543	1,408,253,036

Al-Sagr National Insurance Company (Public Shareholding Company) and its subsidiary

Notes (continued)

30 Dividends

At the Annual General Meeting held on 27 April 2015, the Shareholders approved a cash dividend of 10% amounting to AED 23,000,000 for 2014 (2014: cash dividend of 7.5% amounting to AED 17,250,000 for 2013). The Shareholders also approved the Board of Directors' remuneration for 2014 of AED 600,000 (2014: AED 600,000 for 2013).

31 Effect of changes in accounting policies

As disclosed in note 2 (b), the Group has voluntarily changes its accounting policy for recognising UPR, IBNR and commission income related to underwriting activities.

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

	As previously reported AED	Adjustment AED	Restated AED
Retained earnings	136,915,271	(89,622,115)	47,293,156
Reinsurance contract assets	157,010,552	2,150,148	159,160,700
Insurance contract liabilities	(293,348,157)	(91,772,263)	(385,120,420)

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

	As previously reported AED	Adjustment AED	Restated AED
Retained earnings	169,794,298	(106,919,144)	62,875,154
Reinsurance contract assets	192,139,324	6,407,283	198,546,607
Insurance contract liabilities	(360,081,618)	(113,326,427)	(473,408,045)

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

	As previously reported AED	Adjustment AED	Restated AED
Net change in unearned premium reserve	(21,905,420)	6,232,984	(15,672,436)
Net change in outstanding claims	(9,699,269)	(23,530,013)	(33,229,282)
Earnings per share (AED)	0.24	(0.07)	0.17

Change in accounting policy resulted in decrease in previously reported consolidated profit for the year ended 31 December 2014 by AED 17.3 million and consequently reduced earnings per share by AED 0.07.

32 Comparative figures

Certain comparative figures have been reclassified where appropriate to conform with the presentation and accounting policies adopted in these condensed consolidated financial statements.