Life
Health
Happiness

Takaful Emarat – Insurance (P.S.C) Annual Report 2015

TAKAFUL EMARAT

بِسْمِ اللَّهِ الرَّحْمَٰنِ الرَّحِيمِ

In the name of God, the Most Gracious, the Most Merciful

His Highness Sheikh Khalifa bin Zayed Al Nahyan
President of the United Arab Emirates

His Highness Sheikh Mohammed bin Rashid Al Maktoum
Vice President and Prime Minister of the United Arab Emirates and Ruler of Dubai

His Highness Sheikh Mohammed bin Zayed Al Nahyan
Crown Prince of Abu Dhabi and Deputy Supreme Commander of the UAE Armed Forces

Introduction

Takaful Emarat is one of the leading Shariah-compliant insurers and the only dedicated Health and Life insurer in the UAE.

The Company listed on the Dubai Financial Market (DFM) in 2008 and was established to provide a comprehensive range of life, wealth and health products for residents and expatriates in the Middle East. It is one of only two takaful insurers qualified by the Dubai Health Authority as a Participating Insurer to provide health insurance under Dubai's Mandatory Health Insurance Scheme.

AED 350m+

in Takaful Earned Contributions

280,000+

members covered

140

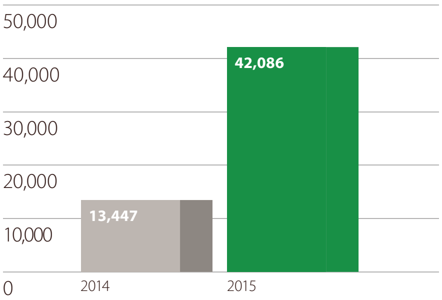
professional dedicated employees

Highlights of the Year

KEY PERFORMANCE INDICATORS

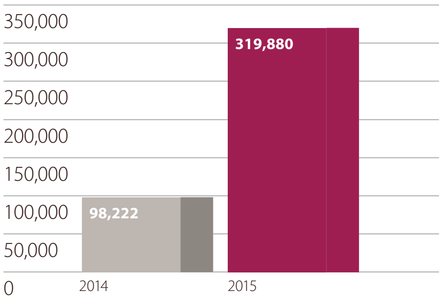
Takaful Profits – AED (000)

AED 42.1m
+213%



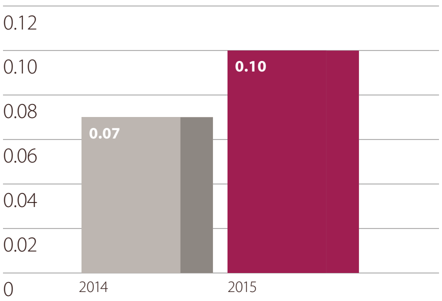
Net Earned Contribution – AED (000)

AED 319.9m
+226%



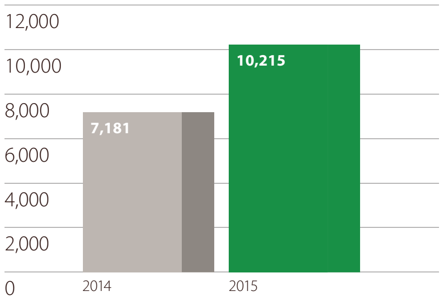
Earning per Share – AED

AED 0.10
+43%



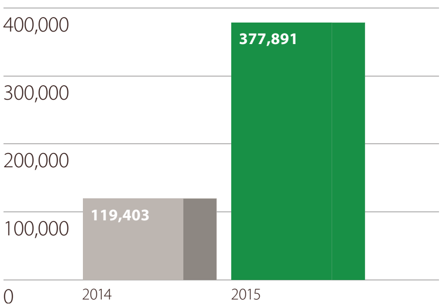
Net Profit – AED (000)

AED 10.2m
+42%



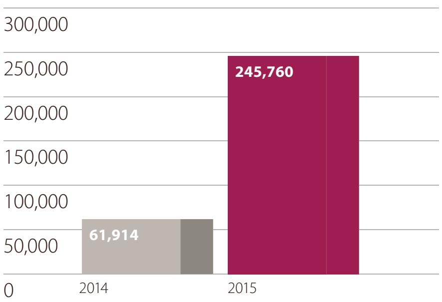
Takaful Contribution Earned – AED (000)

AED 377.9m
+216%



Gross Claims Incurred – AED (000)

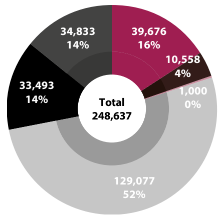
AED 245.8m
+297%



INVESTMENT ALLOCATION – AED (000)

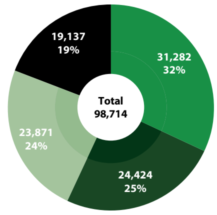
2015

- Real Estate
- Equity instruments within UAE
- UAE Government securities
- Cash and deposits with Bank in the UAE
- Sukuk Deposit with Non Bank
- (Mutual Funds) Other invested assets



2014

- Real Estate
- Equity instruments within UAE
- Cash and deposits with Bank in the UAE
- (Mutual Funds) Other invested assets



At a Glance

A ***unique concept*** of insurance

Takaful Emarat is a leading Shariah-compliant company and the only dedicated Life and Health takaful provider in the UAE, with offices in Dubai, Abu Dhabi and Sharjah.

The Company, which has been listed on the Dubai Financial Market (DFM) since 2008, offers a diverse portfolio of Life and Health takaful products tailored for both individuals and corporates.

As a listed business, the Company operates in line with Dubai Financial Market regulations and compliance directives and currently provides its corporate life and medical products to over 280,000 members, which span 350 employers in the UAE.

Today, Takaful Emarat is one of only two Health and Life takaful providers qualified by the Dubai Health Authority as a Participating Insurer to support the roll-out of mandatory health insurance in Dubai, and is uniquely well-positioned to benefit from the increased uptake of takaful insurance in the region, which is forecasted to grow as insurance penetration deepens. By 2017, the global gross takaful market is expected to reach USD20 billion, up from current estimates of USD14 billion, according to EY.

Takaful Emarat is uniquely well-positioned for steady and long-term growth in the years ahead.

130+

years of collective experience of senior executives

4

physical presences across UAE

Evolution of Takaful Emarat

2008

2008: Takaful Emarat is founded and listed on the Dubai Financial Market under the trading symbol 'Takaful-Em'. The Company becomes the first dedicated vendor of Life and Health takaful products in the UAE market.

2009

2009 – 2011: Introduces a comprehensive portfolio of Life takaful products, tailored for both individuals and corporations, in addition to Health takaful products.

2010

2010 – 2011: The Company works on individual life product implementation and its fully fledged administrative systems.

2012

2012: Introduces its toll-free telephone line for customers managed by a dedicated customer service team.

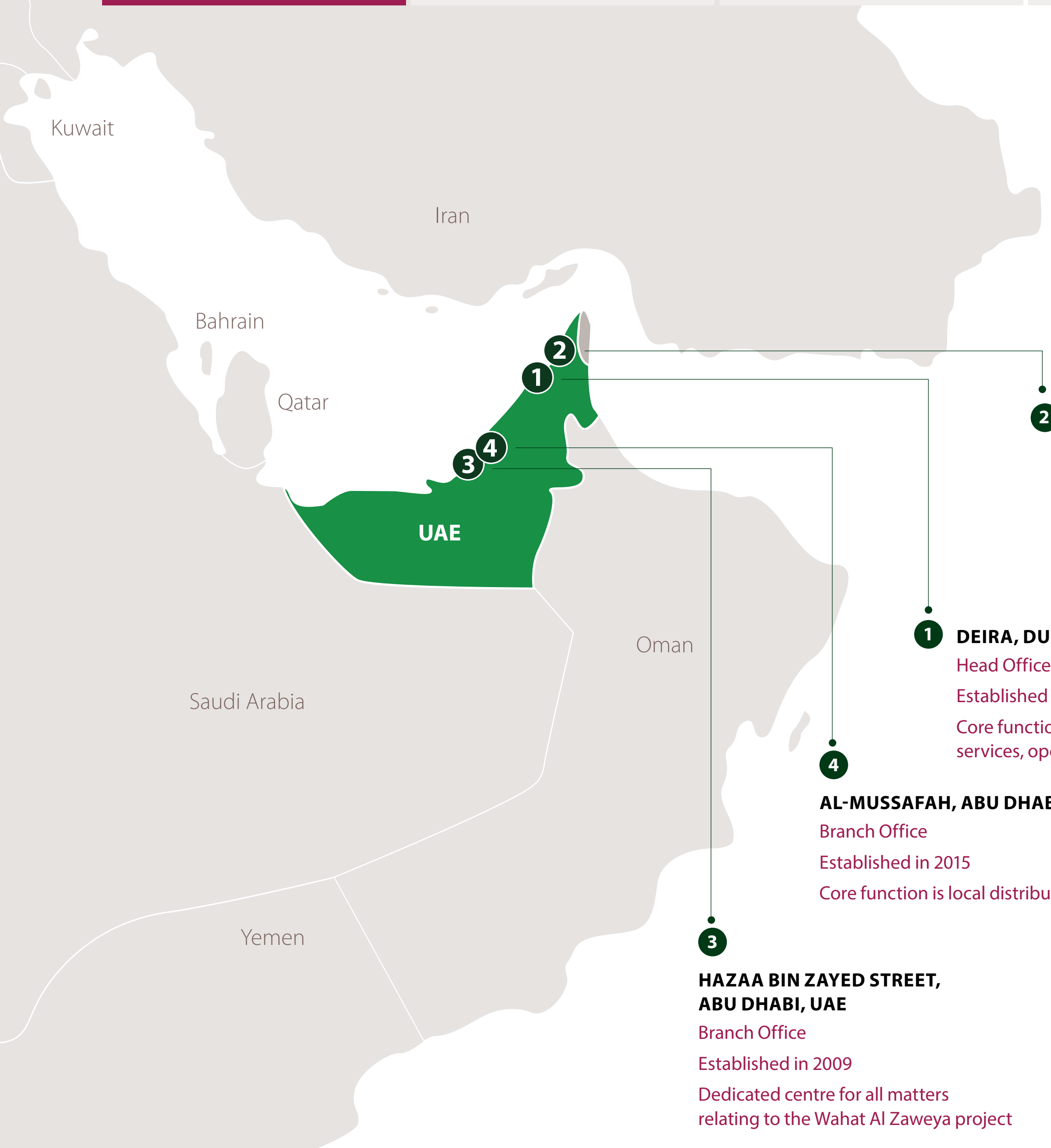
2012: Launches exclusive 'Takaful Emarat Capital Protected Fund' designed to be a long-term saving venture with the benefit that 90% of the highest net asset value will be protected at all times.

2013

2013: Takaful Emarat undergoes successful restructuring under a new management team with over 130 years of collective experience with multi-national companies. Business transformed and focused on growth.

2014

2014: Becomes the first takaful company qualified as a Participating Insurer by the Dubai Health Authority (DHA), offering the mandatory Essential Benefits Plan (EBP) for low income workers – earning AED 4,000 and below.



Locations

2 AL MAJAZ, SHARJAH, UAE

Branch Office

Established in 2008

Core functions include distribution and dedicated local customer service for Emirati nationals

1 DEIRA, DUBAI, UAE

Head Office

Established in 2008

Core functions include central services, operations, distribution

4 AL-MUSSAFAH, ABU DHABI, UAE

Branch Office

Established in 2015

Core function is local distribution

3 HAZAA BIN ZAYED STREET, ABU DHABI, UAE

Branch Office

Established in 2009

Dedicated centre for all matters relating to the Wahat Al Zaweya project

2015

2015: Launches comprehensive programme of professional development for its employees, showcasing the Company's ongoing investment in its human capital.

2015: Takaful Emarat signs distribution agreement with Wahat Al Zaweya Company for Investment and Real Estate Development to act as the exclusive provider of death and disability takaful to its home mortgage clients. The deal is the first of its kind in the region, and enables the Company to offer its products and services to Wahat Al Zaweya's client base, which spans across the Emirates of Dubai, Abu Dhabi and Sharjah.

2015: Announces the opening of its second branch in Abu Dhabi, located in Al-Mussafah. The branch was opened to service significant demand for Life and Health takaful in the area.

2015: Rights issue launches – the first of its kind for a takaful company in the UAE.

2015: Takaful Emarat invites shareholders to subscribe to a rights issue aimed at increasing the Company's capital by AED 50 million.

2015: Rights issue closes, with 36.51% oversubscription and AED 68.257 million worth of shares fully subscribed.

2015: Full-year results deliver a 42% increase in net profit.

2016

Looking forward – 2016: Takaful Emarat to focus on innovative product development, growth in current distribution channels and developing additional channels, strengthening back office capabilities to ensure quality service is maintained, and introducing advanced technologies within sales channels and after-sales services.

Our ***product portfolio*** is extensive and growing

Takaful Emarat provides a comprehensive range of Life and Health takaful products and services for individuals and corporate customers, all of which are fully compliant with international best practice.

Personal Takaful Insurance

Our **8** personal life takaful insurance products are segmented based on consumer needs and the purpose that these products mainly serve.

LIFE TAKAFUL PROTECTION

Level Term Plan: In case of death of the individual covered, a fixed Sum Cover will be payable to the beneficiary(ies), with optional additional takaful protection benefits (Critical Illness, Accidental Death Benefit, Permanent Partial Disability, Permanent Total Disability).

Decreasing Term Plan: In case of death of the individual covered, the Company will pay the amount of the outstanding loan to the beneficiary(ies) (this plan is more geared towards the mortgage market) with optional additional protection benefits (Permanent Total Disability).

Al Moyassara Plan: Designed to be a simple and hassle free solution which offers takaful protection against illness, disability and death caused only by accidents.

SAVINGS & PROTECTION

Takaful Growth Plan: Offers a unique combination of financial protection and savings growth, but is geared more towards the purpose of saving and growing your funds through Initial and Guaranteed Bonuses. This plan increases your savings by investing in a range of 44 investment funds offered by renowned fund managers, with an optional benefit to cover against critical illness up to 40 diseases.

Whole Life Plan: Offers a unique combination of financial protection and savings growth, but is geared more towards financial protection in case of death as a primary benefit, with less emphasis on the growth of your savings. This plan increases your savings by investing in a range of 44 investment funds offered by renowned fund managers.

Education Plan: Offers regular savings towards future education costs of the child in case of bread winner's (Parents) death, combined with a choice of protection covers (premature death, disability, etc.). This plan increases your savings by investing in to a range of 44 investment funds offered by renowned fund managers.

TRAVEL PROTECTION

Safar Mubarak Plan: Offers takaful protection to cover against accidents during travel, which includes medical expenses (inpatient/outpatient), travel assistance, compensation in case you are, involved in an accident that results in loss of limb, eyesight or death and optional benefits such as medical translation.

INVESTMENT PLANS

Wealth Plan (Single Contribution Plan): A flexible investment account allowing the opportunity to invest in a choice of Shariah-compliant funds strategies via over 44 world renowned fund managers.

AED 350m+

Over AED 350 million in Takaful Earned Contributions

280,000

Insuring more than 280,000 members

350

Spanning over 350 employers

Corporate Takaful Insurance

Comprises the following Group takaful products aimed at corporations seeking life takaful solutions for themselves and their employees:

Group Life Takaful Plan:
Offers comprehensive death benefits to support the families of employees, with optional additional protection benefits (Critical/Terminal Illness, Accidental Death Benefit, Permanent Partial Disability, Permanent Total Disability, etc.) and Workmen's Compensation top-up cover (as per UAE Labor Law).

Group Credit Life Takaful Plan: A life takaful solution aimed at protecting business loans by eliminating the risk of loan default in case of death or disability and financial relief to the family of the deceased. This also includes optional additional protection benefits (Critical/Terminal Illness, Permanent Total Disability).

Health Takaful Insurance

B2B solution offered only to corporations:

Essential Benefits Plan (EBP):
A basic plan introduced by the Dubai Health Authority (DHA) to offer employees who earn a salary of AED 4,000 or less. This plan can be offered through the DHA-approved PI Insurers. Life takaful protection benefits are available upon request.

Customized Health Plans: Offers health takaful insurance which covers employees and their families under a single takaful contract, with access to a broad network of recognized medical providers.

What Differentiates Us?

A one-stop-shop for all ***Life and Health*** takaful needs

Strong management, comprehensive Life and Health product portfolio, well qualified workforce, extensive industry partnerships, customer-centric technology.

Takaful Emarat has a strong and stable management team who have a successful track record of driving steady and sustained growth across its core markets of life and health takaful.

The management team is supported by an exceptional workforce which is highly skilled with extensive regional and international insurance experience who provide customers with the 'best-in-class' service. This has created a well-respected and customer-centric business which is the first and only Shariah-compliant Life and Medical insurance provider in the UAE and is fully authorized by a multitude of insurance and healthcare governing bodies.

REGISTERED WITH ...

- Department of Economics – Govt. of Abu Dhabi
- Department of Economic Development – Govt. of Dubai
- Department of Economics – Govt. of Sharjah
- Securities and Commodities Authority – UAE
- Insurance Authority – UAE
- Dubai Chamber of Commerce & Industry
- Abu Dhabi Chamber of Commerce & Industry
- Health Authority Abu Dhabi
- Dubai Health Authority

1st

The first Shariah-compliant life and health insurance provider in the UAE

216%

% increase in Earned Contributions for 2015 to AED 377.9 million

130+

Strong management team with over 130 years' combined experience

4

Offices across the UAE in Abu Dhabi, Dubai, and Sharjah

rmation

42%

growth in net profit for 2015

80+

Number of brokers we have relationships with

280,000

members for our corporate life and medical products, which span 350 employers in the UAE

PREMIUM NETWORK OF THIRD PARTY ADMINISTRATORS ('TPA')

Takaful Emarat also has established partnerships with a range of Premium Network Providers in order to offer support to its customer base and provide extensive choice. These include:

- Aafiya
- Globalnet TPA
- NAS
- Pentacare Medical Services L.L.C
- Arab Gulf Health Services ('Next Care')

ONGOING INVESTMENT

Takaful Emarat is committed to providing the best takaful products and services to the market and has recently invested heavily in its customer services function to do so. This includes a new state-of-the-art call centre facility, installed to support the rapid growth of the business, a contribution collection service that facilitates the micro-management of due contributions to reduce or eliminate delinquencies and a new automation process that pre-empts customer interaction through emails and SMS for their contribution reminders, renewal of their policies and overdue contributions.

"We have a truly diverse workforce, with outstanding relevant international experience gained from a broad range of high quality multinational insurance providers."

Wael Al Sharif, CEO

Chairman's Statement

Leading the growth of the UAE's life and health insurance sector

2015 was a year of strong growth for Takaful Emarat, which delivered robust financial performance with a 42% increase in net profit.

Looking ahead, this presents opportunities for our business, which is well-positioned to benefit from any potential consolidation in the sector . . . building on our strong financial performance for 2015, we remain committed to driving growth through ongoing commercial, operational and strategic initiatives across our business.

Over the last 24 months, a new management team with significant regional and international insurance experience has re-organized and streamlined the Takaful Emarat business to focus on accelerating growth and expansion.

This growth has been underpinned by the increasing awareness of the benefits of takaful such as transparency and its principles of risk-sharing and the ongoing support and regulation of the sector by the UAE government.

However, increased regulation has also impacted the profitability of some of the less developed insurers, as they struggle to meet the more rigorous investment and corporate governance requirements. Looking ahead, this presents opportunities for our business, which is well-positioned to benefit from any potential consolidation in the sector.

Building on our strong financial performance for 2015, we remain committed to driving growth through ongoing commercial, operational and strategic initiatives across our business.

To support this, we continue to invest in our infrastructure, human capital and distribution partnerships. The introduction of mandatory health insurance in the UAE is central to this growth, with Takaful Emarat serving as one of only two takaful providers qualified as Participating Insurers by the Dubai Health Authority. Takaful Emarat is therefore strategically well-positioned to capitalize on this significant market opportunity.

Underpinning all our success to date are our people. We continue to invest in all of our employees, as well as our ongoing Emiratisation Programme, in support of the UAE's National Agenda, launched by His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai.

I am proud to say that our employee training programme is one of the most comprehensive in our industry and is delivering high-quality graduates who are playing key roles in the ongoing success of Takaful Emarat. I would like to take this opportunity to thank them all for their hard work and dedication during 2015; it is very much appreciated.

Our business is now primed for an exciting period of sustained long-term growth, and I look forward to reporting further progress in due course.

On behalf of Takaful Emarat's management and shareholders, the Board of Directors expresses its sincere appreciation and utmost gratitude to His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, for his continued support of the UAE's business community and its development.

H.E. Abdulla Bakheet Al Murar
Chairman

MARKET OVERVIEW

According to market research by Alpen Capital, the GCC insurance industry continues to grow at double-digit CAGR despite challenging market conditions, backed by increased awareness due to government spending on infrastructure, and favourable regulatory changes in most of the GCC nations.

The industry is thus expected to continue to grow in the years ahead, driven by government spending on infrastructure and the steady growth in insurance penetration across the region.

In support of these trends, the GCC insurance industry is moving from being a protected industry into a globally competitive sector. With governments realizing the importance of efficient and stringent regulatory frameworks to support growth, the industry is witnessing several reforms to tackle challenges such as a highly fragmented regional market with intense competition. High valuations and limited market share are discouraging consolidation in the industry; however stricter solvency and capital requirement regulations may push smaller players to consider the M&A route to sustain and grow in the industry, which represents an opportunity for Takaful Emarat as a potential consolidator.

Despite a sharp decline in oil prices in 2015, real GDP growth in the oil-exporting countries in the Middle East and Central Asia has remained steady at 2.4%, with subdued inflation. As wealthy GCC nations continue to grow, supported by cash reserves and strengthening fundamentals such as economic diversification and infrastructure development, significant opportunities are being created for insurers.

Added to this, according to research by Alpen Capital, the population in the Gulf is projected to increase by 2.4% CAGR between 2014 and 2020 to reach 59.5 million, with a high proportion of ages between 25 and 64. This large working population, with access to education, media, and new technologies, is expected to drive the demand for insurance. It is anticipated that the insurance penetration in the GCC is expected to increase to 3.3% in 2020 from 1.4% in 2014.

The economic outlook for the Gulf is also supported by infrastructure expansion through projects such as Dubai Expo 2020, FIFA World Cup 2022 along with Etihad and Qatari rail projects, which is also likely to create demand for insurance-related products.

The insurance industry is also well-positioned to benefit from medical insurance having been made mandatory under law in most of the GCC nations. The region is seeing a surge in healthcare consumption due to strong population growth and higher income levels.

The optimism in the global takaful arena, which according to EY is expected to be worth USD20 billion by 2017, has also trickled down to the GCC region, with the UAE and Saudi Arabia acting as its key markets. Also, the GCC takaful market presents strong growth potential due to low insurance penetration rates (less than 2%) in its key markets.

The ongoing regulatory reforms regarding the minimum capital and reporting requirements and pricing are likely to drive sustained growth in the insurance industry in the years ahead.

Takaful Emarat remains well-positioned to continue its growth momentum and act as a potential consolidator as it seeks to optimize shareholder value.

The Company has been ***repositioned*** and returned to ***profitability***

2015 was a year of accelerating growth for Takaful Emarat, with the Company benefiting from significant restructuring under a new management team with over 130 years of combined industry experience, over the previous two years. The Company has been streamlined, returned to profitability and is focused on driving growth in its key markets of Life and Health insurance in the UAE.

Wael Al Sharif
Chief Executive Officer

Our growth strategy has been underpinned by the roll-out of compulsory health insurance in Dubai, which came into effect 1 January 2014. With an estimated population of 2 million currently not insured, the Essential Benefits Plan (EBP) package, required by the Dubai Health Authority (DHA), will provide the workforce in Dubai with access to good healthcare when they need it. DHA has specified a minimum level of benefits that must be provided in any health insurance plan offered in the Emirate of Dubai.

Today, Takaful Emarat is one of only two DHA-qualified Participating Insurers, which uniquely positions our business to benefit from compulsory health insurance and will provide tremendous opportunities to accelerate the growth of our business in the years ahead.

Added to this, increased regulation and more stringent corporate governance requirements for our industry will also benefit publicly listed companies such as Takaful Emarat from an investor-perspective due to the strong compliance and financial management processes required.

STRONG FINANCIAL PERFORMANCE FOR 2015

Net profits for 2015 were up by 42% to AED 10.21 million compared to AED 7.18 million in 2014. This was driven by an expansion in the Medical and Life lines of the business, prudent underwriting, and cost efficiency through strict control of general and administrative expenses. Takaful Emarat's operating expenses in 2015 were 11% compared to 30% in 2014 despite tripling revenues, which demonstrates the Company has significantly improved operating efficiencies.

Net operating profits were up 213% to AED 42.08 million compared to AED 13.44 million in 2014 due to significant growth in gross contributions written. Earned contributions increased by 216% to AED 377.89 million compared to AED 119.40 million in 2014 due to distribution channel growth in both Medical and Life lines of business. Total assets at 2015 year-end were also up 89% to AED 439.26 million compared to AED 232.26 million for 2014.

ONGOING EXPANSION AND CREATION OF SALES CHANNELS

In support of this growth, during the year, Takaful Emarat launched its second branch in Abu Dhabi, located in the industrial city of Al-Mussafah. Product distribution agreements are now in place with RAK Bank and Emirates Islamic Bank with more to follow, which will extend the Company's access to significant numbers of potential new customers. During the period, Takaful Emarat also signed a strategic distribution agreement with Wahat Al Zaweya Company for Investment and Real Estate Development to act as the exclusive provider of death and disability takaful to its home mortgage client base numbering in the thousands. Under the agreement, Takaful Emarat will provide Life and Health takaful to the real estate developer's customers across the emirates of Dubai, Abu Dhabi and Sharjah. The pioneering agreement is the first of its kind in the market, and demonstrates Takaful Emarat's ongoing focus on growing its distribution channels and product reach via innovative partnerships with well-established and respected businesses in the UAE.

OUTLOOK

As a business, we have been completely restructured over the last two years to focus on growth, and our 2015 results are testimony to the success of this strategy.

Today our business is one of only two Life and Health insurers qualified by the DHA as a Participating Insurer to support the roll-out of mandatory health insurance in Dubai, and is uniquely well-positioned to benefit from the increasing uptake of takaful insurance in the region.

Looking ahead, we will continue to invest in our business as we continue to grow and expand our products and services. Post year-end, we launched a new digital strategy and website, which offer a modern and easy-to-use platform with a range of improved features designed to provide our customers with an optimal user experience.

The platform provides easily accessible information to help customers make the right decision for their individual needs with real-time access to a fund's performance and financial reporting tools. This new website will be delivered in two phases. The first phase focuses on offering customers easy access to product information and a new, modernized feel, while the second phase, which is due to come online in the second half of 2016, will encourage customers to have a digital dialogue with Takaful Emarat by requesting insurance quotes and filing claims online.

Through these initiatives and the ongoing growth of our core business, we remain uniquely well-positioned to continue our expansion in the years ahead.

Finally, I would like to thank the Board of Directors for their continuous support and guidance, in addition to the entire Takaful Emarat team for their hard work and commitment to date, which has been a key component of our ongoing success.

ealth

"Takaful Emarat is one of only two DHA-qualified Participating Insurers, which uniquely positions our business to benefit from compulsory health insurance and will provide tremendous opportunities to accelerate the growth of our business in the years ahead."

Managing Director's Q&A

A business driven by ***innovation*** and seeking growth through ***balanced risk***

There are three factors driving the growth of the takaful insurance market in the UAE: firstly, the growth of the general Islamic banking and finance sector; secondly the relatively low penetration of insurance in the Gulf; and thirdly other regulatory measures in the UAE such as the creation of a single Shariah board at the UAE Central Bank to monitor Islamic banking.

#ha

Mohammad Al Hawari
Managing Director

Q 2015 was a very successful year for Takaful Emarat's growth strategy, with the year ending with a rights issue being 36.51% oversubscribed. Can you tell us a little more about this?

A Absolutely – the rights issue was central to our comprehensive capital-raising plans to invest in our business and drive growth. In line with this strategy, in December 2015, we successfully raised AED 50 million during the first tradable rights issue for a takaful company in the UAE. Launched on 1 November and closed on 12 December, the rights issue was 36.51% oversubscribed with AED 68.257 million shares fully subscribed, due to the steady support from the market. We are now well capitalized and will invest in our core business to drive sustained and long-term organic growth.

Q What will the proceeds be used for?

A The new capital will be used to strengthen Takaful Emarat's back office function, and grow and develop its distribution channels and sales network across the UAE, in particular in the Northern Emirates. We will also invest in the Company's digital and interactive client service technologies to ensure optimal customer service and efficient policy management. In addition, the funds will be used to streamline Takaful Emarat's investments, ensuring a more stable and predictable income and return on investment.

Q How important is technology for your business?

A It is critical – we have recently launched a new digital capability offering a modern and easy-to-use platform and a range of improved features designed to provide customers with an optimal user experience. This benefits existing customers by enabling them to manage their insurance needs online at a time and place that is convenient for them.

Takaful Emarat customers will be able to play an active role in managing their own policies online by adding or deactivating policy features as required, and filing claims from a desktop or from the smartphone-enabled website. In this second phase of the website revamp, we will also be able to offer potential customers instant life or health insurance quotes 24 hours a day, seven days a week.

As part of the new generation of takaful companies, technology is key to our ongoing success and we embrace it.

Q What is Takaful Emarat doing to invest in its employees and aid the UAE's National Agenda for Emiratisation?

A In October of 2015, we introduced a comprehensive programme of professional development for our employees. Since the launch of this initiative at the beginning of 2015, 41 of Takaful Emarat's employees (Emirati and Non Emirati) have been identified to attend over 26 different professional courses from world-leading training institutes including The Chartered Insurance Institute (CII), The Associate Life Management Institute (ALMI), The Institute of Certified Management Accountants (CMA) and Emirates Institute for Banking and Financial Studies (EIBFS).

Our employee training initiative, one of the most thorough in the industry, recognizes and rewards talent within our business, as well as attracts potential new hires who want to work for a dynamic and growing business that is uniquely well-placed to capitalize on the opportunities that exist within the UAE's insurance market.

Q What is your view for 2016 and beyond?

A We delivered a robust performance for 2015 across all our key financial metrics, and reported a 42% increase in net profits, the highest among all UAE-listed insurance companies. This reflects the success of our business model, which is primed for accelerating growth due to the introduction of mandatory health insurance. Our focus for 2016 and in the years ahead will always be on generating shareholder value through sustained and profitable growth and the delivery of innovative and high quality products and services.

Longer-term, there are significant opportunities for growth in our sector right across the region driven by under-penetrated markets, growing populations, improving regulation and transparency and the growing consumer demand for well-regulated and innovative products and services. We are uniquely well-positioned to benefit from these trends.

Q Will you consider acquisitions?

A Yes, as a growing business we would consider earning-enhancing acquisitions that would provide our business with increased scale and reach, and this is something that we are actively looking at. Regulators and various stakeholders are renewing calls for consolidation in the insurance industry to create more players of critical mass and avoid cut-throat competition, and this is something we support. However, we have very strict criteria and would do extensive due diligence to ensure that any potential transaction we consider complements our successful business model and wider growth aspirations.

Ethical transparency through the elimination of ***uncertainty***

Takaful Emarat is focused on value creation for its policy holders and shareholders through delivering steady and sustained growth.

Takaful Emarat's business model is designed to ensure that the Company provides its customers with a comprehensive portfolio of best-in-class insurance products that are fully supported by a customer-centric service.

As a publicly listed and fully regulated business, Takaful Emarat is committed to providing its customers with a fair and transparent service that adheres to the principles of Shariah.

This approach is supported by a team of experienced and qualified employees who combine significant international expertise with regional experience to deliver an optimal customer service.

Takaful Emarat's business model comprises the following core functions:

- prudent underwriting of insurance business;
- efficient management of claims and payments;
- comprehensive risk management procedures;
- delivery of innovative products and services; and
- customer-centric service with a total commitment to providing best-in class customer service across all platforms.

PRUDENT UNDERWRITING

Takaful Emarat utilises the skill sets of its actuarial, finance and insurance teams to ensure its underwriting model is profitable and efficient, and underpins the ongoing growth of the business.

This has been enhanced by the skills of Takaful Emarat's international management team, who have over 130 years of combined industry experience from leading international and regional insurance businesses, and bring significant experience in effective underwriting. This has been fundamental to the Group's restructuring initiative over the last two years, transforming the Company into a profitable and high-growth business.

For FY 2015, Takaful Emarat delivered a 42% increase in net profit and remains well-positioned to provide its customers with a continuously expanding range of services and industry expertise.

VALUE ADDED PRODUCTS

Takaful Emarat continues to focus on delivering innovative products to its customers, which deliver real value.

The Company currently has over 280,000 members for its corporate life and medical products, which span over 350 employers in the UAE. Today, Takaful Emarat is one of the only two Health and Life takaful providers approved by the Dubai Health Authority to support the roll-out of mandatory health insurance in Dubai, which has the potential to deliver significant opportunities for the Takaful Emarat business.

Takaful Emarat is also expanding its distribution network to provide new products and solutions through diversified distribution channels such as Bancassurance, brokers and a direct sales force, with a focus on ongoing growth and expansion.

Takaful Emarat has signed distribution agreements with RAK Bank and Emirates Islamic Bank, and a strategic distribution agreement with Wahat Al Zaweya Company for Investment and Real Estate Development to act as the exclusive provider of death and disability takaful to its home mortgage client base, which numbers in the thousands – a pioneering deal in the industry. New partnerships are currently being developed.

APPROPRIATE RISK MANAGEMENT

Takaful Emarat is heavily invested in sophisticated risk management procedures within the company, which protect its enterprise value as well as the interests of its policy holders and shareholders.

This is done by identifying, measuring and managing the various types of risks inherent within the Company's operations. The objective is to manage the organization's exposure to potential earnings versus capital volatility, while maximizing value.

EFFICIENT CLAIMS MANAGEMENT

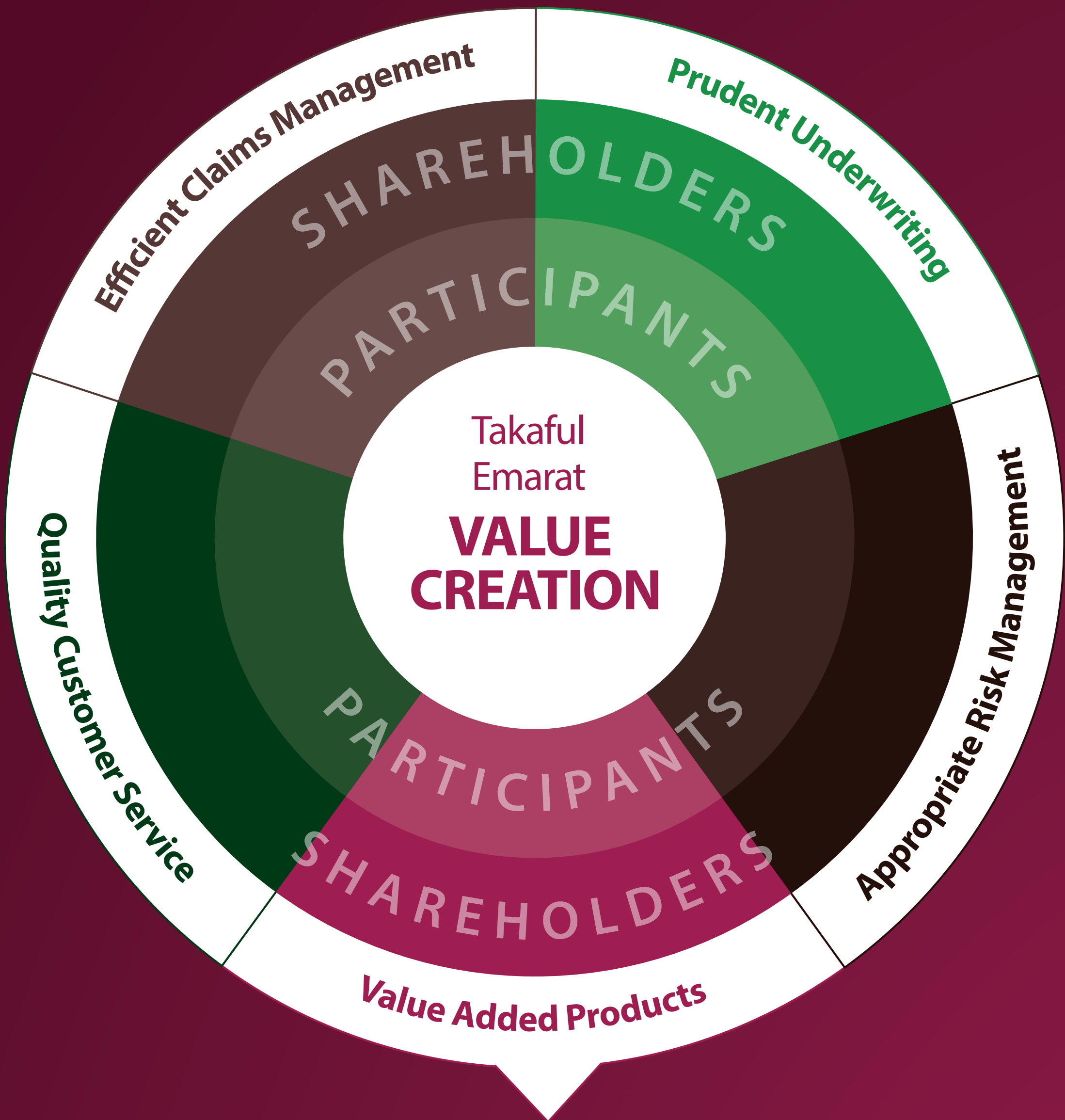
Added to this, Takaful Emarat has also invested in its customer services function to support its ongoing growth momentum in the years ahead. This includes a new state-of-the-art call centre facility, installed to support the rapid growth of the business, a contribution collection service that facilitates the micro-management of due contributions to reduce delinquencies and a new automation process that pre-empts customer interaction through email/SMS for their contribution reminders, renewal of their policies and overdue contributions.

QUALITY CUSTOMER SERVICE

Takaful Emarat is committed to providing best-in-class customer service across all its platforms from call centres through to its online customer portal accessible at www.takafulemarat.com.

This is now supported by a new digital and technology strategy, with ongoing investment in the training of its employees.

Takaful Emarat recently launched a comprehensive programme of professional development for its employees, as well as launched its Emiratisation programme, in support of the UAE's National Agenda, launched by His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai.



Distribution Channels for Life & Health Products

DIRECT SALES FORCE

Main channel for generating premiums

Dedicated sales force for captive markets

BROKERS

Relationships with 80+ brokers, and growing

Enhances face to face distribution and helps reach untapped markets

BANCASSURANCE

This channel is the main emphasis for our future growth, due to the strong b2c banking market and culture in the UAE

Product distribution agreements are in place with RAK (Ras Al Khaimah) Bank and Emirates Islamic Bank with more to follow – these will extend the Company's access to significant numbers of potential new customers

Board of Directors

OUR VISION
LEADERSHIP

To become an international leader of takaful insurance in the GCC, Middle East, North Africa and other Islamic countries

01

H.E. Abdulla Al Murar

Chairman

His Excellency is the Chairman of Tabarak Commercial Investment, and serves as the Chairman of the Board of Trustees for Al Ain University of Science and Technology and Al Falah University. His Excellency is also the Chairman of Wahat Al Zaweya Real Estate Development, a leading company within the UAE's Real Estate Development market. His Excellency has completed a Bachelor's and Master's degree in Business Administration, and brings a wealth of managerial experience which has contributed to elevating his leadership skills and career.

02

Abdulla Atatreh

Deputy Chairman

Mr Atatreh currently serves as the Vice Chairman and Managing Director of Tabarak Commercial Investment, and is a Member on the Board of Trustees of Al Ain University of Science and Technology. Mr Atatreh is also the Chairman of Bonyan International Investment, a Board Member of Wahat Al Zaweya Real Estate Development, and a Board Member of Emirates Future, a company which specialises in food security projects. Mr Atatreh brings a wealth of knowledge in the field of entrepreneurship, in addition to holding a Bachelor's degree in Civil Engineering, and a Master's Degree in Business Administration (Finance and Banking) from the United Arab Emirates University.

03

Mohammad Ziad Al Hawari

Executive Director

Mohammad Al Hawari belongs to a young breed of accomplished UAE Nationals. He currently serves as Executive Board Member and Managing Director of Takaful Emarat Insurance (P.S.C), and brings a wealth of multinational experience having held senior positions at Citbank, Dubai Holding and most recently at Mubadala-GE Capital where he was selected to join GE's Experienced Commercial Leadership Program.

04

Khalifa Yousef Khoury

Director

Mr Khoury is founder and Chairman of Arte Casa and Viola Communications. He is a Board member and Managing Director of Al Rayan Investment and currently serves as Vice Chairman of Ras Al Khaimah Cement Company and Al Qudra Holding. He is a Board member of Arkan Building Materials, Abu Dhabi Aviation and Safwa Islamic Financial. He graduated from the Grand Canyon University in the USA with a Master's degree in Business Administration.

05

Ahmed Saeed Brouk Al Hamiri

Director

Mr. Al Hamiri graduated from the United Arab Emirates University in 2003 with a Bachelor's degree in Political Science and a Master's Degree in Business Administration. Mr. Al Hamiri brings a wealth of knowledge and experience from the UAE's Government Sector and the field of entrepreneurship. He also serves as a Member of the Board of Trustees of Al Falah University, in addition to having launched numerous private businesses across a diverse array of industries.

06

Zafar Habib Khan

Director

Mr Khan is currently a director of HH Consultants Services, based in Dubai. He began his career at Union National Bank before joining First Gulf Bank as Head of Investments and Treasury, subsequently becoming Chief Investment Officer. Later he joined Falcon Private Bank as CEO, with responsibility for the MENA region. Mr Khan was awarded a Bachelor of Economics degree in 1984, an MBA in Finance in 1991 and became a Chartered Financial Analyst in 2001.

07

Ahmad Kilani

Director

Mr Kilani previously worked at Jordinvest, subsequently headed the Investments Department at Bonyan International Investment Group and later joined Prime Investment Group which is listed on the PLUS Market in London. He is currently CEO of Tabarak Investment. Mr Kilani holds a Bachelor's degree in Accounting, Finance and Banking Sciences from Yarmouk University and an MBA in Finance from the University of Jordan. He is qualified as a Certified Management Accountant and a Certified Financial Manager.

Shariah Board Report

IN THE NAME OF GOD, THE MOST GRACIOUS, THE MOST MERCIFUL
Shariah Supervisory Board Report of Takaful Emarat – Insurance
Public Joint Stock Company- Dubai
UAE, financial year ending on 31 December 2015
To the General Assembly of the Company Shareholders and to the Board of Directors

Greetings,

Praise to Allah and peace be upon our prophet Mohammaed.

In line with Article (14) of the Company's Articles of Association, we present the following report about the activities and accounts:

We have reviewed the basis on which the Company's business has been conducted, the financial results, the investments it has engaged in during the financial year ending on 31 December 2015, samples of the takaful (insurance) policies entered into by the Company and the new contracts and agreements signed by the Company and other activities in order to make the opinion on whether the Company is compliant with the Islamic provisions and principles, the advisory opinions, resolutions and directives issued by us.

Ensuring the Company's compliance with the Islamic provisions and principles is the responsibility of the management that is in charge of the implementation of the Company activities in accordance with its Articles of Association and in line with Islamic provisions and principles. Our responsibility is limited to making an independent Shariah opinion based on our audit of the documents and to report accordingly.

We have audited the Company's financial results and its financial structure by auditing the balance sheet, income statement and statement of revenues and expenses. We have also audited the Company investments, as well as the details of the takaful policies dealt with in different types of takaful insurance. We identified updates on re-insurance or re-takaful, and the authorities with whom such agreements were concluded.

We were provided with the adequate information and interpretations to give reasonable assurance that the Company did not violate the Islamic provisions and principles in general and within the activities we examined.

Our opinion:
1. The Company adhered in its financial structure in separating between the account of the policy holders and the shareholders' account, which is fundamental in takaful insurance. The Company prepared its budget for the financial year ending on 31 December 2015 in accordance with the applicable model of the Shariah Standards according to which the Company should prepare its budget (under the prevailing accounting regulations) a model that expresses reality and nature of the takaful business and its financial structure.
2. The Company only withheld from the policyholders the prescribed administration charges or less in addition to a common portion of the profit of this account being Modharba. We have requested the Company to disclose the same at its policy documents kept in headquarters, branches and website for the policyholders as it is a Shariah requirement for Wakala and Modraba. Such declaration should be made clear to the customers.
3. The Company provided Qard Hasan to tackle the interim deficit in takaful portfolio.
4. The investments that the Company made are acceptable investments in light of our audit.
5. The Company confirmed that they entered into re-insurance agreements in accordance with our guidelines. We asked to minimize the re-insurance with traditional companies as possible, with priority given to the mandatory and optional re-insurance with the Islamic companies based on the Islamic insurance.
6. We have reviewed the samples of takaful policy documents used by the Company and we found that they are in compliance with the Shariah principles.
7. In line with the Circular No. 39 of 2013 issued by the Insurance Authority in UAE, the Company has made a provision regarding Zakat relating to the shareholders' account. The Company will transfer the Zakat amount to the Zakat Fund as per the resolution of Board of Directors.
8. We request the Board of Directors, to form a supervisory committee to oversee disbursements from the Zakat Account. The committee shall be formed of the Chairman of the Shariah Supervisory Board or a member thereof, and the CEO and CFO of the Company.
9. The Shariah Board emphasizes that the Company shall arrange training for the employees on takaful insurance and its Shariah principles, with a view to enhance the business and to achieve the Company's objectives in compliance with the Islamic provisions.

The Shariah Board affirms that the Company may not use any document or instrument or contracts or enter into any agreement or investment or exercise any of the activities unless approved by the Board to ensure compliance with the Shariah requirements as provided for in the Articles of Association.

May God guide the Company and those in charged with authority therein.

And in closing: "Praise be to Allah, the Cherisher and Sustainer of the worlds".

Prof Dr Abdul Nasir musa Abul Basal
Chairman of the Board

Dr Abdul Sattar Abu Ghodeh
Deputy Chairman of the Board

Sheikh Mohammed Hassan Klaim
Member

Financial Statements
22-52

Independent Auditor's Report
to the shareholders of Takaful Emarat – Insurance (PSC)

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

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 and UAE Federal Law No (6) of 2007 and the related Financial Regulations for insurance companies issued by the Insurance Authority, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS
Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information we considered necessary for the purpose of our audit;
ii) the 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 Company has maintained proper books of account;
iv) the financial information included in the Directors' report is consistent with the books of account of the Company;
v) note 10 to the financial statements discloses the shares purchased by the Company during the year;
vi) note 18 to the 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 Company has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Memorandum of Association which would materially affect its activities or its financial position as at 31 December 2015; and
viii) as disclosed in note 38 to the financial statements, no social contributions were made during the year ended 31 December 2015.

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

PricewaterhouseCoopers
22 March 2016

Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Statement of Financial Position
as at 31 December 2015

	Notes	31 December 2015 AED	31 December 2014 AED
ASSETS			
Cash and bank balances	5	**129,076,567**	23,871,231
Statutory deposit	6	**4,000,000**	4,000,000
Takaful receivables and other assets	7	**98,729,057**	83,910,817
Retakaful contract assets	8	**41,199,181**	11,747,865
Deferred policy acquisition costs	9	**41,967,234**	27,599,349
Held-to-maturity investment		**1,000,000**	–
Investments at fair value through profit or loss	10	**78,884,626**	43,560,774
Investment properties	11	**39,676,256**	31,282,360
Property and equipment	12	**3,032,384**	3,427,948
Intangible assets	13	**1,697,179**	2,861,607
Total assets		**439,262,484**	232,261,951
LIABILITIES AND EQUITY			
LIABILITIES			
Takaful and other payables	15	**98,345,510**	43,264,636
Takaful contract liabilities	8	**193,544,572**	112,957,295
Borrowings	14	**11,025,000**	–
Provision for employees' end of service benefits	16	**1,395,084**	1,302,559
Total liabilities		**304,310,166**	157,524,490
EQUITY			
Share capital	17	**150,000,000**	100,000,000
Accumulated losses		**(16,787,279)**	(25,980,650)
Statutory reserve	30	**1,739,597**	718,111
Total equity		**134,952,318**	74,737,461
Total liabilities and equity		**439,262,484**	232,261,951

This financial statements were approved by the Board of Directors on 21 March 2016 and are signed on its behalf by:

Mohammad Al Hawari
Managing Director

Wael Al Sharif
Chief Executive Officer

Mohammed Iqbal Basha
Chief Financial Officer

Statement of Comprehensive Income
for the year ended 31 December 2015

	Notes	Year ended 31 December 2015 AED	2014 AED
Attributable to policyholders:			
Gross contribution written	20	**402,821,846**	169,465,335
Changes in unearned contribution	20	**(24,930,673)**	(50,061,863)
Takaful contributions earned	20	**377,891,173**	119,403,472
Retakaful contributions ceded	20	**(58,011,344)**	(21,181,078)
Net earned contributions	20	**319,879,829**	98,222,394
Gross claims incurred	21	**(245,759,937)**	(61,914,449)
Retakaful share of claims incurred	21	**25,928,303**	7,761,917
Net claims incurred	21	**(219,831,634)**	(54,152,532)
Commission incurred		**(14,962,368)**	(5,617,855)
Allocation charges on life takaful policies and other charges	8	**(25,629,351)**	(14,405,678)
Change in reserves	22	**(18,563,621)**	(10,687,496)
Net change in fair value of policyholders investment linked contracts	22	**1,193,097**	88,492
Net Takaful income		**42,085,952**	13,447,325
Wakalah fees	23	**(56,325,880)**	(28,370,231)
Net deficit from Takaful operations		**(14,239,928)**	(14,922,906)
Attributable to shareholders:			
Wakalah fees from policy holders	23	**56,325,880**	28,370,231
Investment (loss)/income	24	**(10,363,308)**	7,653,254
Allocation charges on life takaful policies and other charges	8	**25,629,351**	14,405,678
Gain on sale of investment property	12	**5,402,745**	–
Change in fair value of investment property	12	**1,927,615**	4,500,000
Other income	25	**1,777,555**	1,127,975
Commission incurred		**(17,691,852)**	(7,789,439)
General and administrative expenses	26	**(38,553,201)**	(26,163,681)
Provision for Qard Hassan to policyholders' fund		**(14,239,928)**	(14,922,906)
Profit for the year attributable to shareholders		**10,214,857**	7,181,112
Basic and diluted profit per share	27	**0.10**	0.07
Other comprehensive income		**–**	–
Total comprehensive profit for the year		**10,214,857**	7,181,112

The notes on pages 27 to 52 form an integral part of the financial statements.

Statement of Changes in Equity
for the year ended 31 December 2015

	Share capital AED	Statutory reserve AED	Accumulated losses AED	Total AED
Balance at 1 January 2014	150,000,000	–	(82,443,651)	67,556,349
Less: Reduction in share capital (Note 17)	(50,000,000)	–	50,000,000	–
Total comprehensive profit for the year	–	–	7,181,112	7,181,112
Transfer to statutory reserve (Note 30)	–	718,111	(718,111)	–
Balance at 31 December 2014	100,000,000	718,111	(25,980,650)	74,737,461
Balance at 1 January 2015	**100,000,000**	**718,111**	**(25,980,650)**	**74,737,461**
Add: Increase in share capital (Note 17)	**50,000,000**	**–**	**–**	**50,000,000**
Total comprehensive profit for the year	**–**	**–**	**10,214,857**	**10,214,857**
Transfer to statutory reserve (Note 30)	**–**	**1,021,486**	**(1,021,486)**	**–**
Balance at 31 December 2015	**150,000,000**	**1,739,597**	**(16,787,279)**	**134,952,318**

The notes on pages 27 to 52 form an integral part of the financial statements.

Statement of Cash Flows
for the year ended 31 December 2015

	Year ended 31 December 2015 AED	2014 AED
Cash flows from operating activities		
Profit for the year	**10,214,857**	7,181,112
Adjustments for:		
Depreciation and amortisation of property and equipment and intangible assets (Note 26)	**2,261,611**	2,376,263
Profit on investment at amortised cost	**(130,461)**	–
Profit on investments at fair value through profit or loss	**(391,547)**	(270,071)
Realised gain on sale of investments at fair value through profit or loss (Note 24)	**6,017,902**	(5,915,031)
Gain/(loss) on revaluation of investments carried at fair value through profit or loss (Note 10)	**5,555,971**	(2,100,614)
Provision of employees' end of service benefits (Note 16)	**573,123**	473,115
Gain on sale of property, equipment and Investment property	**(5,527,159)**	(17,036)
Reversal of provision against receivable	**–**	600,000
Increase in fair value of investment property (Note 11)	**(1,927,615)**	(4,500,000)
Operating profit/(loss) before working capital changes and payment of employee end of service benefits	**16,646,682**	(2,172,262)
Employees' end of service benefits paid (Note 16)	**(480,598)**	(164,568)
Operating profit/(loss) before working capital changes	**16,166,084**	(2,336,830)
Working capital changes:		
Changes in retakaful contract assets	**(29,451,316)**	11,389,843
Changes in Takaful and other assets	**(28,664,117)**	(62,024,923)
Changes in due from a related party	**–**	2,413,743
Changes in Takaful contract liabilities	**80,587,277**	53,867,222
Changes in Takaful and other payables	**66,105,874**	12,044,596
Net cash generated from operating activities	**104,743,802**	15,353,651
Cash flows from investing activities		
Purchase of investments at fair value through profit or loss (Note 10)	**(139,317,859)**	(160,948,765)
Proceeds from sale of investments at fair value through profit or loss	**92,420,134**	164,698,305
Purchase of property and equipment and intangible assets	**(733,614)**	(273,119)
Proceeds from sale of property and equipment	**31,995**	39,250
Additions to investment property under construction	**(939,122)**	–
Purchase of investment at amortised cost	**(1,000,000)**	–
Net cash (used in)/generated from investing activities	**(49,538,466)**	3,515,671
Cash flows from financing activities		
Proceeds from issue of shares	**50,000,000**	–
Cash generated from financing activities	**50,000,000**	–
Net increase in cash and cash equivalents	**105,205,336**	18,869,322
Cash and cash equivalents at beginning of the year	**23,871,231**	5,001,909
Cash and cash equivalents at end of the year (Note 5)	**129,076,567**	23,871,231

The notes on pages 27 to 52 form an integral part of the financial statements.

Notes to the Financial Statements
for the year ended 31 December 2015

1. GENERAL INFORMATION

Takaful Emarat – Insurance (PSC), Dubai, United Arab Emirates (the "Company") is a public joint stock company incorporated in the Emirate of Dubai – United Arab Emirates, pursuant to decree No. 62 for the year 2007 issued by the Ministry of Economy on February 6, 2007, and is subject to the provisions of the UAE Federal Law No. 2 of 2015 ("Companies Law").

UAE Federal Law No. 2 of 2015 (Companies Law) which is applicable to the Company has come into effect from 1 July 2015. The Company is currently assessing and evaluating the relevant provisions of the Companies Law. It has twelve months from the effective date of the Companies Law to fully comply with the Companies Law under the transitional provisions set out therein.

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

The Company carries out takaful insurance activities in Health Insurance, Life Insurance and Credit and Saving Insurance in accordance with the Islamic Shariah and within the provisions of the Articles of Association of the Company.

The registered address of the Company is P.O. Box 64341, Dubai, United Arab Emirates.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards, (IFRS) as issued by the International Accounting Standards Board (IASB), interpretations issued by International Financial Reporting Interpretations Committee (IFRIC) and the applicable requirements of laws of the United Arab Emirates.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Standards, amendments and interpretations

(a) Standards amendments and interpretations that are effective for the Company's accounting period beginning on 1 January 2015

Annual improvements 2012 (Effective date – 1 July 2014)

These annual improvements amend standards from the 2010 – 2012 reporting cycle. It includes changes to:

- IFRS 8, 'Operating segments' which is amended to require disclosure of the judgments made by management in applying the aggregation criteria to operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.
- IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.
- IAS 24, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.

Annual improvements 2013 (Effective date – 1 July 2014)

IFRS 13 'Fair value measurement' on clarification of the portfolio exemption in IFRS 13 – The amendment clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a Company of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9.

IAS 19, Defined benefit plans: Employee contributions (Effective date – 1 July 2014)

The amendment clarifies the accounting by entities with plans that require contributions linked only to service in each period. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employees' working lives.

The above amendments to existing standards do not have any significant impact on the Company's financial statements for the year ended 31 December 2015. Apart from the above amendments, there are no new standards that have a potential significant impact on these financial statements.

(b) Standards, amendments and interpretations issued but not yet effective for the Company's accounting period beginning on 1 January 2015 and not early adopted

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets' regarding depreciation and amortization (Effective date 1 January 2016)

This amendment clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

The presumption may only be rebutted in certain limited circumstances.

Notes to the Financial Statements continued
for the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED
3.1 Standards, amendments and interpretations continued
Amendments to IAS 1, 'Presentation of financial statements' (Effective date 1 January 2016)
The amendments clarify that it may be necessary to disaggregate some of the line items specified in IAS 1 paragraphs 54 (statement of financial position) and 82 (profit or loss). That disaggregation is required where it is relevant to an understanding of the entity's financial position or performance.

Annual improvements 2014 (Effective date 1 January 2016)
These annual improvements amend standards from the 2012 – 2014 reporting cycle. It includes changes to:
- IFRS 7, 'Financial instruments: Disclosures' – The amendment related to servicing contracts requires that if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets.
- IAS 19, 'Employee benefits' – The amendment clarifies, when determining the discount rate for post-employment benefit obligations, that it is the currency that the liabilities are denominated in that is important, not the country where they arise.
- IAS 34,'Interim financial reporting', regarding information disclosed elsewhere in the interim financial report. The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'. The amendment further amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information. The amendment is retrospective.

IFRS 15, 'Revenue from contracts with customers' (Effective date 1 January 2018)
This standard replaces IAS 11, 'Construction contracts', IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

IFRS 9 'Financial Instruments' (Effective date 1 January 2018)
The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes.

The Company is assessing the impact of above new standards and amendments to published standards or IFFRIC interpretations issued but not yet effective for Company's financial year beginning 1 January 2015.

3.2 Basis of measurement
The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments at fair value through profit or loss and investment property that have been measured at fair value.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.3 Foreign currency
(a) Functional and presentation currency
Items included in the financial statements of the Company are measured in United Arab Emirates Dirham ("AED") being the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are prepared in AED, which is the Company's functional and presentation currency.

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

3.4 Takaful contributions

3.4.1 Medical and short term life takaful contracts

Takaful contributions comprise the total contributions receivable for the whole period of cover provided by takaful contracts entered into during the accounting period and are recognised on the date on which the takaful policy incepts.

Unearned contributions are those proportions of contributions written in a year that relate to period of risk after the reporting date. Unearned contributions is calculated on a daily prorate basis or "1/365" method. The proportion attributable to subsequent year is deferred as a provision for unearned contributions.

3.4.2 Long term Life takaful contracts

The Company issues long term takaful contracts with an investment linked component. The Company classifies such contracts as takaful contracts based on significance of insurance risk. Takaful contracts with no significant insurance risk are classified as investment contracts. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur.

For takaful contracts, contributions, surrenders and maturities, changes in fair values of underlying assets and changes in reserves are recognised in the statement of comprehensive income. For investment contracts, changes in fair values of underlying assets and changes in reserves are recognised in the statement of comprehensive income and contributions and surrenders and maturities are directly recognised under investment contracts.

Liabilities for unit-linked contracts represent portfolios maintained to meet specific investment objectives of participants who bear the credit and market risks. The liabilities are carried at fair value with changes recognised in the statement of comprehensive income.

A liability for contractual benefits that are expected to be incurred in future is recorded when the contributions are recognised. The liability is based on the assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviation is included in the assumptions.

Where a life assurance contract has a single contribution or limited number of contribution payments due over a significantly shorter period than the period during which the benefits are provided, the excess of the contributions payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contract inforce or for annuities in force, in line with the decrease of the amount of future benefits expected to be paid.

The liabilities are recalculated at the end of each reporting period using the assumptions established at the inception of the contract.

3.5 Retakaful contribution

Retakaful contribution ceded are amounts paid to insurance and reinsurance companies in accordance with the retakaful contracts of the Company. In respect of proportional retakaful contracts and non-proportional retakaful contracts, the amounts are recognised in the statement of comprehensive income in accordance with the terms of these contracts.

3.6 Wakalah fees

The Company manages the takaful operations on behalf of the policyholders for a wakalah fee which is recognised on an accrual basis. A similar amount is shown as expense in statement of income attributable to policyholders.

3.7 Claims

Claims, comprising amounts payable to participants and related loss adjustment expenses, net of recoveries and are charged to statement of comprehensive income as incurred. Such expenses include direct and indirect claims settlement costs which arise from events that have occurred up to the balance sheet date even if they have not been reported. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments of individual cases reported and statistical analysis for the claims Incurred But Not Reported ("IBNR") as determined by management's best estimate.

3.8 Retakaful share of claims incurred

Retakaful share of claims are recognised when the related gross claim is recognised according to the terms of the retakaful contracts of the Company.

3.9 Policy acquisition costs

Commissions that are related to securing new contracts and renewing existing contracts are amortised over the terms of the policies as takaful contribution is earned. All other costs are recognised as expenses when incurred.

3.10 Investment income

Profit from investment deposits is recognised on a time proportion basis. Dividend income is accounted for when the right to receive payment is established. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the weighted average cost and are recorded on occurrence of the sale transaction.

Notes to the Financial Statements continued
for the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.11 Cash and cash equivalents
For the purpose of the cash flows statement, cash and cash equivalents comprise cash in hand, balances with banks and unrestricted deposits with a maturity of less than three months from the date of placement.

3.12 Liability adequacy test
At the end of each reporting date the Company assesses whether its recognised takaful liabilities are adequate using current estimates of future cash flows under its takaful contracts. If that assessment shows that the carrying amount of its takaful liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised as charge against income and an additional reserve created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

3.13 Retakaful contract assets
The Company cedes takaful risk in the normal course of business for all of its businesses. Retakaful assets represent balances due from retakaful companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the retakaful can be measured reliably. The impairment loss is recorded in the statement of income. Ceded retakaful arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risk in the normal course of business for insurance contracts where applicable. Contributions and claims on assumed retakaful are recognised as income and expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the reinsured business. Retakaful liabilities represent balances due to retakaful companies. Amounts payable are estimated in a manner consistent with the associated retakaful contract.

Contributions and claims are presented on a gross basis for both ceded and assumed retakaful risk.

Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

3.14 Takaful contract liabilities

(i) Unearned contributions reserve
Unearned contributions are those proportions of contributions written in a year that relate to period of risk after the reporting date. Unearned contribution is calculated on a daily prorate basis or "1/365" method. The proportion attributable to subsequent year is deferred as a provision for unearned contributions.

(ii) Outstanding claims reported
Outstanding claims reported are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, after reduction for the recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

(iii) Claims incurred but not reported
A provision for claims Incurred But Not Reported ("IBNR") is determined by management's best estimate and after considering results of reserve review done by an independent actuary.

The reserves represent management's best estimates on the basis of:
a) claims reported during the year
b) delay in reporting these claims

(iv) Life takaful fund
The life takaful fund is determined by independent actuarial valuation of future policy benefits at the end of each reporting period. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience and industry mortality tables. Adjustments to the balance of the fund are effected by charging to statement of comprehensive income.

(v) Unit linked liabilities
For unit linked policies, liability is equal to the policy account values. The investment component of these insurance contracts are designated as at fair value through profit and loss (FVTPL).

3.15 Investment property
Investment property comprises property held for rental yields and for capital appreciation. It is not held for purposes of the Company's own use as part of property and equipment. Investment property is initially recognized at cost, including transaction expenses. Subsequent to initial recognition, investment property is carried at fair value.

Fair value of the investment property is determined on the basis of valuation undertaken by an independent valuer who holds a recognized and relevant qualification and has recent experience in the location and category of the investment property being valued. Gains and losses arising from changes in the fair value are recognized in the statement of comprehensive income in the period in which they arise.

3.16 Property and equipment
Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write down the cost of assets to their estimated residual values over their expected useful economic lives as follows:

Office equipment	5 years
Furniture and fixtures	10 years
Motor vehicles	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount being the higher of the net selling price and value in use. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recorded in the statement of comprehensive income.

3.17 Intangible assets
Intangible assets represents software acquired by the Company which is stated at cost less accumulated amortisation and impairment losses, if any. Cost of the software represents the costs incurred to acquire and bring the software to use.

Amortisation is recognised on a straight line basis over the useful life of the software, from the date it is available for use. The useful life of the software is estimated to be 5 years.

3.18 Impairment of non-financial assets
Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

3.19 Financial assets
3.19.1 Classification
The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and financial assets carried at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise 'takaful and other receivables', 'due from related party', 'retakaful receivables and 'cash and bank balances' in the statement of financial position.

(c) Held-to-maturity investment
Held-to-maturity investment are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Company's management has the positive intention and ability to hold to maturity. If the Company were to sell other than an insignificant amount from investments carried at amortised cost, the entire category would be reclassified as available for sale.

3.19.2 Recognition and measurement
Regular purchases and sales of financial assets are recognised on the trade-date the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Notes to the Financial Statements continued
for the year ended 31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.19 Financial assets continued
Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'Investment income' in the period in which they arise.

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

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

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

3.21 Surplus/deficit in policyholders' fund
Surplus in participants' funds represents accumulated gains on takaful activities and are distributed among the participants. The timing, quantum and the basis of distribution are determined by the Company and are approved by its Fatwa and Shari'a Supervisory Board.
Deficits in participants' funds are financed through Qard Hasan by the Company and thereafter fully provided for by the Company. Accordingly, assets, liabilities, revenue and expenses relating to the participants' funds are recognized in the financial statements of the Company.

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

3.22.2 Annual leave and leave passage
An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

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

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

3.24 Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financials position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3.25 Leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

The significant judgments and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

4.1 Critical judgements in applying accounting policies

4.1.1 Classification of investments

Management decides on acquisition of an investment whether it should be classified as investments at fair value through profit or loss or investment carried at amortised cost. The Company classifies investments at fair value through profit or loss, if they are acquired primarily for the purpose for short term profit making. Other investments are classified as investments carried at amortised cost if the Company's management has the positive intention and ability to hold the investment.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2.1 The ultimate liability arising from claims made under takaful contracts

The estimation of ultimate liability arising from the claims made under takaful contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the end of each reporting period and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting period. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

4.2.2 Fair value of investment properties

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the Company determined the amount within a range of reasonable fair value estimates. In making its judgment, the Company considers recent prices of similar properties in the same location and similar conditions, with adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices. Such estimation is based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

4.2.3 Impairment of takaful receivables

The Company reviews its receivables to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from receivables. A provision for impairment of contribution, retakaful and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their terms.

4.2.4 Liability adequacy test

At end of each reporting period, liability adequacy tests are performed to ensure the adequacy of takaful contract liabilities. The Company 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 statement of income.

4.2.5 Actuarial valuation of life takaful provision

The life assurance fund is determined by independent actuarial valuation of future policy benefits at the end of each reporting period. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration.

Mortality and withdrawal rate assumptions are based on experience and industry mortality tables.

Notes to the Financial Statements continued
for the year ended 31 December 2015

5. CASH AND BANK BALANCES

	2015 AED	2014 AED
Cash on hand	**47,037**	46,037
Bank balances		
Current accounts	**78,029,530**	16,825,194
Deposits	**51,000,000**	7,000,000
Cash and cash equivalents	**129,076,567**	23,871,231

The deposits carry a profit rate of 0.8% to 1.25% per annum (2014: 0.5% to 1.0% per annum).

6. STATUTORY DEPOSIT

Statutory deposit is maintained in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007 and is available to finance the day to day operations of the Company.

7. TAKAFUL RECEIVABLES AND OTHER ASSETS

	2015 AED	2014 AED
Takaful receivables	**61,838,603**	60,726,122
Provision for impairment	**(1,582,362)**	(1,582,362)
	60,256,241	59,143,760
Receivable from retakaful companies	**16,299,937**	8,496,950
Prepaid expenses	**1,198,172**	875,332
Other receivables	**20,974,707**	15,394,775
	98,729,057	83,910,817

Takaful receivables and other assets – Inside UAE

	2015 AED	2014 AED
Takaful receivables	**61,838,603**	60,726,122
Provision for impairment	**(1,582,362)**	(1,582,362)
	60,256,241	59,143,760
Receivable from retakaful companies	**335,800**	–
Prepaid expenses	**1,198,171**	875,332
Other receivables	**20,974,708**	15,394,775
	82,764,920	75,413,867

Takaful receivables and other assets – Outside UAE

	2015	2014
Receivable from retakaful companies	**15,964,137**	8,496,950
Total takaful receivables and other assets	**98,729,057**	83,910,817

Ageing of takaful receivables and other assets:
31 December 2015

	Takaful Receivables AED	Receivable from retakaful companies AED	Other receivables AED	Total AED
Takaful receivables and other assets – Inside UAE				
Neither past due nor impaired				
less than 30 days	**47,825,084**	**335,800**	**20,974,708**	**69,135,592**
30 – 90 days	**5,721,505**	**–**	**–**	**5,721,505**
Past due but not impaired				
91 – 180 days	**1,591,929**	**–**	**–**	**1,591,929**
181 – 270 days	**4,499,880**	**–**	**–**	**4,499,880**
271 – 360 days	**617,843**	**–**	**–**	**617,843**
Past due and impaired				
More than 360 days	**1,582,362**	**–**	**–**	**1,582,362**
Provision for impairment	**(1,582,362)**	**–**	**–**	**(1,582,362)**
	60,256,241	**335,800**	**20,974,708**	**81,566,749**
Takaful receivables and other assets – Outside UAE				
Neither past due nor impaired				
less than 30 days	**–**	**15,964,137**	**–**	**15,964,137**
Total takaful receivables and other assets	**60,256,241**	**16,299,937**	**20,974,708**	**97,530,886**

Ageing of takaful and other assets:
31 December 2014

	Takaful Receivables AED	Receivable from retakaful companies AED	Other receivables AED	Total AED
Takaful receivables and other assets – Inside UAE				
Neither past due nor impaired				
less than 30 days	52,815,848	–	15,394,775	68,210,623
31 – 90 days	4,832,711	–	–	4,832,711
Past due but not impaired				
91 – 180 days	727,715	–	–	727,715
181 – 270 days	767,486	–	–	767,486
271 – 360 days	–	–	–	–
Past due and impaired				
More than 360 days	1,582,362	–	–	1,582,362
Provision for impairments	(1,582,362)	–	–	(1,582,362)
	59,143,760	–	15,394,775	74,538,535
Takaful receivables and other assets – Outside UAE				
Neither past due nor impaired				
less than 30 days	–	8,496,950	–	8,496,950
Total takaful receivables and other assets	59,143,760	8,496,950	15,394,775	83,035,485

Movement in the allowance for doubtful debts:

	2015 AED	2014 AED
Balance at the beginning of the year	**1,582,362**	1,260,616
Impairment provision made during the year	**–**	600,000
Written off during the year	**–**	(278,254)
Balance at the end of the year	**1,582,362**	1,582,362

Notes to the Financial Statements continued
for the year ended 31 December 2015

8. TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	2015 AED	2014 AED
Gross takaful contract liabilities		
Claims reported	**34,071,485**	5,103,610
Claims incurred but not reported	**14,354,358**	3,628,922
Unearned contributions	**114,452,968**	89,522,293
Mathematical reserve	**1,350,322**	661,993
Policyholders' investment linked contracts at fair value	**29,315,439**	14,040,477
	193,544,572	112,957,295
Retakaful contract assets		
Claims reported	**6,284,596**	946,892
Claims incurred but not reported	**3,895,892**	939,205
Unearned contributions	**31,018,693**	9,861,768
	41,199,181	11,747,865
Net takaful contract liabilities		
Claims reported	**27,786,889**	4,156,718
Claims incurred but not reported	**10,458,466**	2,689,717
Unearned contributions	**83,434,275**	79,660,525
Mathematical reserve	**1,350,322**	661,993
Fair value of policyholders investment linked contracts	**29,315,439**	14,040,477
	152,345,391	101,209,430
Movement in payable to policyholders of investment linked contracts		
Opening balance	**14,040,477**	9,660,820
Gross contribution written	**46,984,144**	24,659,507
Allocation charges	**(25,629,351)**	(14,025,678)
Other expenses and policy charges	**(69,175)**	(34,825)
Redemptions during the year	**(4,817,559)**	(6,130,855)
Change in fair value	**(1,193,097)**	(88,492)
Closing balance	**29,315,439**	14,040,477

9. DEFERRED POLICY ACQUISITION COSTS

	2015 AED	2014 AED
Balance as at beginning of the year	**27,599,349**	3,616,972
Commission paid during the year	**32,059,737**	31,763,767
Amortisation for the year	**(17,691,852)**	(7,781,390)
Balance at the end of the year	**41,967,234**	27,599,349

10. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 AED	2014 AED
Equity investments	**10,558,099**	24,423,789
Mutual funds	**34,833,433**	19,136,985
Sukuk investments	**33,493,094**	–
	78,884,626	43,560,774

Sukuk investments carry profit rate ranging from 6.25% to 6.375% per annum.

During the year ended 31 December 2015, the Company invested in Dubai Islamic Bank (DIB) Tier 1 Sukuk amounting to AED 11.025 million which earns a coupon rate of 6.25% and is pledged with First Gulf Bank.

Movements during the year were as follows:

	2015		
	Attributable to policyholders AED	**Attributable to shareholders AED**	**Total AED**
At beginning of the year	**14,040,477**	**29,520,297**	**43,560,774**
Purchases during the year	**21,285,618**	**118,032,241**	**139,317,859**
Disposals during the year	**(4,817,559)**	**(93,620,477)**	**(98,438,036)**
Change in fair value during the year	**(1,193,097)**	**(4,362,874)**	**(5,555,971)**
At end of the year	**29,315,439**	**49,569,187**	**78,884,626**

	2014		
	Attributable to policyholders AED	Attributable to shareholders AED	Total AED
At beginning of the year	9,660,820	29,633,849	39,294,669
Purchases during the year	10,599,004	150,349,761	160,948,765
Disposals during the year	(6,130,855)	(152,652,419)	(158,783,274)
Change in fair value during the year	(88,492)	2,189,106	2,100,614
At end of the year	14,040,477	29,520,297	43,560,774

During the year, the Company purchased equity securities amounting to AED 87.167 million (2014: AED 157.27 million).

Investments at fair value through profit or loss comprise of the following:

	2015 AED	2014 AED
Within U.A.E.	**44,574,832**	24,631,074
Outside U.A.E.	**34,309,794**	18,929,700
	78,884,626	43,560,774

Notes to the Financial Statements continued
for the year ended 31 December 2015

11. INVESTMENT PROPERTIES

	2015 AED	2014 AED
Plot of land (Refer (a) below)	**16,927,615**	15,000,000
Investment property under construction (Refer (b) below)	**22,748,641**	16,282,360
	39,676,256	31,282,360

(a) Movement in value of plot of land

	2015	2014
Fair value at beginning of the year	**15,000,000**	10,500,000
Increase in fair value during the year	**1,927,615**	4,500,000
Fair value at end of the year	**16,927,615**	15,000,000

The carrying value of land represents its fair value as determined by an independent valuation expert, in accordance with relevant appraisal and valuation standards issued by the Royal Institute of Chartered Surveyors ("RICS"). The basis of determination of fair value is the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The date of revaluation was 16 July 2015. The revalued amount approximates its fair value as at 31 December 2015.

(b) At 31 December 2014 the amount of AED 16,282,360 represented 50% co-investment in a property project. During the current year, the Company has sold its share in the project for a consideration of AED 22,748,641 and recognised a gain of AED 5,402,745 in the statement of comprehensive income. In consideration for sale of its co-investment share, the Company has received free hold title for 28 apartments, the aggregate fair value of which is equal to the sales consideration.

12. PROPERTY AND EQUIPMENT

	Office equipment AED	Furniture and fixtures AED	Motor vehicles AED	Total AED
Cost				
Balance at 31 December 2013	2,710,099	7,328,443	120,600	10,159,142
Additions during the year	111,396	15,075	83,750	210,221
Disposals during the year	(13,913)	–	(53,000)	(66,913)
Balance at 31 December 2014	2,807,582	7,343,518	151,350	10,302,450
Additions during the year	247,653	115,515	92,350	455,518
Disposals during the year	(147,019)	–	(80,000)	(227,019)
Balance at 31 December 2015	2,908,216	7,459,033	163,700	10,530,949
Accumulated depreciation				
Balance at 31 December 2013	1,129,879	4,744,680	77,584	5,952,143
Depreciation for the year	499,618	440,531	26,909	967,058
Disposals during the year	(4,066)	–	(40,633)	(44,699)
Balance at 31 December 2014	1,625,431	5,185,211	63,860	6,874,502
Depreciation for the year	484,043	305,118	31,379	820,540
Disposals during the year	(132,477)	–	(64,000)	(196,477)
Balance at 31 December 2015	1,976,997	5,490,329	31,239	7,498,565
Carrying amount				
Balance at 31 December 2015	931,219	1,968,704	132,461	3,032,384
Balance at 31 December 2014	1,182,151	2,158,307	87,490	3,427,948

At 31 December 2015, the cost of fully depreciated property and equipment that was still in use amounted to AED 3,821,285 (2014: AED 3,490,982).

13. INTANGIBLE ASSETS

	Software AED
Cost	
Balance at 31 December 2013	**7,218,255**
Additions during the year	**62,898**
Balance at 31 December 2014	**7,281,153**
Additions during the year	**278,097**
Disposals	**(46,300)**
Balance at 31 December 2015	**7,512,950**
Accumulated amortisation	
Balance at 31 December 2013	**3,010,341**
Amortisation for the year	**1,409,205**
Balance at 31 December 2014	**4,419,546**
Amortisation for the year	**1,441,071**
Disposals	**(44,846)**
Balance at 31 December 2015	**5,815,771**
Carrying amount	
Balance at 31 December 2015	**1,697,179**
Balance at 31 December 2014	**2,861,607**

14. BORROWINGS

This amount relates to AED 11.025 million borrowings from First Gulf Bank to purchase DIB Tier 1 Sukuk. The loan is pledged against DIB Tier 1 Sukuk for AED 11.025, with maturity of three months and carries profit rate 1.25% above 3 month LIBOR.

15. TAKAFUL AND OTHER PAYABLES

	2015 AED	2014 AED
Retakaful payables	**74,334,704**	30,599,944
Accrued expenses and other payables	**24,010,806**	12,664,692
	98,345,510	43,264,636

Retakaful payables include amount of AED 30.5 million (2014: AED 19.5 million) in respect of advances received from re insurance entities for paying upfront commission to brokers for life insurance business. Under this arrangement a predefined percentage of life takaful business is ceded to reinsurance entities.

Notes to the Financial Statements continued
for the year ended 31 December 2015

15. TAKAFUL AND OTHER PAYABLES CONTINUED

Takaful and other payables – Inside/Outside UAE

	2015 AED	2014 AED
Inside UAE	**46,134,148**	39,970,414
Outside UAE	**52,211,362**	3,294,222
	98,345,510	43,264,636

Takaful and other payables – Inside UAE

	2015 AED	2014 AED
Retakaful payables	**22,123,342**	360,466
Payable to insurance agents	**623,612**	764,213
Payable to insurance brokers	**7,822,236**	5,004,979
Payable to staff	**4,771,755**	2,440,512
Other payables	**10,793,203**	6,895,500
	46,134,148	31,693,468

Takaful and other payables – Outside UAE

	2015 AED	2014 AED
Retakaful payables	**52,211,362**	14,011,680

16. PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision for employees' end of service benefits during the year was as follows:

	2015 AED	2014 AED
Balance at the beginning of the year	**1,302,559**	994,012
Charge for the year	**573,123**	473,115
Paid during the year	**(480,598)**	(164,568)
Balance at the end of the year	**1,395,084**	1,302,559

In accordance with the provisions of IAS 19, to assess the present value of its obligations as at 31 December 2015, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Law, the expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 3.18% (2014: 3.15%). Under this method an assessment has been made of an employee's expected service life with the Company and the expected basic salary at the date of leaving the service. The assumed average annual salary growth is 3% (2014: 3%).

17. SHARE CAPITAL

	2015 AED	2014 AED
Issued and fully paid:		
100,000,000 ordinary shares of AED 1 each	**100,000,000**	150,000,000
50,000,000 ordinary shares of AED 1 each[a]	**–**	(50,000,000)
50,000,000 ordinary shares of AED 1 each[b]	**50,000,000**	–
	150,000,000	100,000,000

(a) In 2014, the Company reduced the paid up share capital by AED 50 million by offsetting the amount against accumulated losses, following the completion of all statutory formalities.

(b) During the year ended 31 December 2015, the Company increased the paid up share capital by AED 50 million through a rights issue subscribed by the existing shareholders of the Company. The rights issue was fully subscribed and paid up during the year ended 31 December 2015.

18. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. The terms and conditions of the transactions are mutually agreed by the parties.

Compensation of key management personnel

	2015 AED	2014 AED
Short and long term benefits	**6,412,683**	2,647,122
	6,412,683	2,647,122

Transactions with related parties during the year

Gross contribution written	**1,316,147**	–
	1,316,147	–

During 2015, the Company signed an agreement with a related party for selling life policies. The above amount pertains to the premium received in respect of policies sold under this agreement.

19. POLICY HOLDERS' FUND

	2015 AED	2014 AED
Deficit in policy holders' fund		
Balance at beginning of year	**(43,894,560)**	(28,971,654)
Deficit for the year	**(14,239,928)**	(14,922,906)
Balance at the end of the year	**(58,134,488)**	(43,894,560)
Qard Hassan from shareholders		
Balance at beginning of year	**43,894,560**	28,971,654
Provided during the year	**14,239,928**	14,922,906
Balance at the end of the year	**58,134,488**	43,894,560
Total deficit in policy holders' fund	**–**	–

20. NET EARNED CONTRIBUTIONS

	2015			2014		
	Medical AED	Life and savings AED	Total AED	Medical AED	Life and savings AED	Total AED
Gross contributions written	**351,203,230**	**51,618,616**	**402,821,846**	140,846,873	28,618,462	169,465,335
Change in unearned contributions	**(23,521,864)**	**(1,408,809)**	**(24,930,673)**	(50,278,289)	216,426	(50,061,863)
Takaful contributions earned	**327,681,366**	**50,209,807**	**377,891,173**	90,568,584	28,834,888	119,403,472
Retakaful contributions	**73,414,616**	**5,753,653**	**79,168,269**	10,786,644	1,269,713	12,056,357
Change in unearned contributions	**(20,297,723)**	**(859,202)**	**(21,156,925)**	9,060,298	64,423	9,124,721
Retakaful contributions ceded	**53,116,893**	**4,894,451**	**58,011,344**	19,846,942	1,334,136	21,181,078
Net earned contributions	**274,564,473**	**45,315,356**	**319,879,829**	70,721,642	27,500,752	98,222,394

Notes to the Financial Statements continued
for the year ended 31 December 2015

21. CLAIMS INCURRED
2015

	Gross			Retakaful			Net		
	Medical AED	**Life AED**	**Total AED**	**Medical AED**	**Life AED**	**Total AED**	**Medical AED**	**Life AED**	**Total AED**
Takaful claims paid	**204,296,118**	**1,770,508**	**206,066,626**	**(16,184,016)**	**(1,449,896)**	**(17,663,912)**	**188,112,102**	**320,612**	**88,432,714**
Movement in provision for claims reported and unsettled	**27,898,667**	**1,069,208**	**28,967,875**	**(4,189,521)**	**(1,148,184)**	**(5,337,704)**	**23,709,148**	**(78,976)**	**23,630,170**
Movement in provision for claims incurred but not reported	**10,725,436**	**–**	**10,725,436**	**(2,956,686)**	**–**	**(2,956,687)**	**7,768,750**	**–**	**7,768,750**
Claims recorded in the statement of income	**242,920,221**	**2,839,716**	**245,759,937**	**(23,330,223)**	**(2,598,080)**	**(25,928,303)**	**219,589,998**	**241,636**	**219,831,634**

2014

	Gross			Retakaful			Net		
	Medical AED	Life AED	Total AED	Medical AED	Life AED	Total AED	Medical AED	Life AED	Total AED
Takaful claims paid	62,759,288	74,633	62,833,921	(10,002,872)	(24,167)	(10,027,039)	52,756,416	50,466	52,806,882
Movement in provision for claims reported and unsettled	(528,952)	–	(528,952)	1,166,040	–	1,166,040	637,088	–	637,088
Movement in provision for claims incurred but not reported	(390,520)	–	(390,520)	1,099,082	–	1,099,082	708,562	–	708,562
Claims recorded in the statement of income	61,839,816	74,633	61,914,449	(7,737,750)	(24,167)	(7,761,917)	54,102,066	50,466	54,152,532

22. CHANGE IN RESERVES

	2015 AED	2014 AED
Change in reserve relating to takaful life products (note 8)	**17,370,524**	10,599,004
Less : change in fair value (note 9)	**1,193,097**	88,492
	18,563,621	10,687,496

23. WAKALAH FEES
Wakalah fees for the year ended 31 December 2015 amounted to AED 56,325,880 (2014: AED 28,370,231).

For group life and group medical policies, wakalah fees were charged at 10% to 30% of gross takaful contributions until June 2015 and 10% to 20% of gross takaful contributions from July 2015. For life takaful policies, wakalah fees were charged at a maximum of 50% of takaful risk contribution for life takaful policies. Wakalah fee is approved by Shariah Supervisory Board and is charged to the statement of income when incurred.

24. INVESTMENT INCOME – NET

	2015 AED	2014 AED
Return on investment in fixed deposits	**760,534**	325,631
Realized (loss)/gain on sale of investments at FVTPL	**(6,017,902)**	5,915,031
Fair value changes on investments at FVTPL	**(4,362,874)**	2,100,614
Dividend income	**90,000**	–
Investment management charges	**(833,066)**	(688,022)
	(10,363,308)	7,653,254

25. OTHER INCOME-NET

	2015 AED	2014 AED
Gain on sale of property and equipment	**14,544**	17,035
Miscellaneous income	**1,763,011**	1,110,940
	1,777,555	1,127,975

26. GENERAL AND ADMINISTRATIVE EXPENSES

	2015 AED	2014 AED
Salaries and other benefits	**20,126,710**	13,725,789
Rent and related expenses	**1,783,186**	1,649,442
Legal and professional fees	**10,349**	199,635
Remuneration of ShariahSupervisory Board	**174,000**	290,608
Depreciation and amortization	**2,261,611**	2,376,263
Third Party Administrator (TPA) expenses	**4,625,035**	521,844
Authority fees	**1,929,277**	842,042
Other expenses	**7,643,033**	6,558,058
	38,553,201	26,163,681

27. BASIC AND DILUTED PROFIT PER SHARE

Basic profit per share is calculated by dividing the profit for the year by the weighted average number of ordinary shares outstanding by the year as follows:

	2015	2014
Profit for the year attributable to shareholders (in AED)	**10,214,857**	7,181,112
Weighted average number of shares outstanding during the year	**100,547,945**	100,547,945
Basic profit per share (AED)	**0.10**	0.07

In accordance with IAS – 33 'Earnings Per Share', the impact of increase in shares issued has been considered retrospectively while computing weighted average number of ordinary shares.

Diluted earnings per share has not been presented since the Company has not issued any instruments which would have an impact on profit per share.

28. FATWA AND SHARIAH SUPERVISORY BOARD

The Company's business activities are subject to the supervision of a Fatwa and Shariah Supervisory Board (FSSB) appointed by the shareholders. FSSB performs a supervisory role in order to determine whether the operations of the Company are conducted in accordance with Shariah rules and principles.

29. ZAKAT

Zakat is payable by the shareholders. Management has informed the shareholders the amount of Zakat payable by each shareholder.

30. STATUTORY RESERVE

In accordance with the UAE Federal Law No. 2 of 2015, as amended, 10% of the net profit of the Company has to be transferred to a non-distributable legal reserve until such reserve equals 50% of the paid up share capital of the Company. Accordingly AED 1,021,480 (2014: 718,111) has been transferred to the statutory reserve during the year.

Notes to the Financial Statements continued
for the year ended 31 December 2015

31. SEGMENT INFORMATION

For management purposes, the Company is organised into two business segments; takaful and investment operations. The takaful operations comprise the takaful business undertaken by the Company on behalf of policyholders. Investment operations comprises investments and cash management for the Company's own account. No operating segments have been aggregated to form the above reportable operating segments.

Segment performance is evaluated based on profit or loss which in certain respects is measured differently from profit or loss in the financial statements.

Except for Wakalah fees and Qard Hassan, no other inter-segment transactions occurred during the year. If any other transactions were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results include transactions between business segments which will then be eliminated on consolidation as shown below.

	2015						2014					
	Underwriting			Shareholder			Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	327,681,366	50,209,807	377,891,173	(10,363,308)	17,045,414	6,682,106	90,568,584	28,834,888	119,403,472	7,653,254	13,584,676	21,237,930
Segment result	40,304,745	1,781,207	42,085,952	(10,363,308)	17,045,414	6,682,106	11,179,287	2,268,038	13,447,325	7,653,254	13,584,676	21,237,930
Wakalah fees	(54,103,461)	(2,222,420)	(56,325,880)		56,325,880	56,325,880	(27,170,575)	(1,199,656)	(28,370,231)		28,370,231	28,370,231
Loss attributable to Policy holders			(14,239,928)						(14,922,906)			
Unallocated costs						(52,793,129)						(42,427,049)
Net profit for the period						10,214,857						7,181,112

	2015						
	Medical AED	Life and savings AED	Underwriting Total AED	Shareholders' investments AED	Unallocated Others AED	Total AED	Total AED
Segment assets	**197,260,228**	**36,333,823**	**233,594,051**	**145,246,037**	**90,422,396**	**205,668,433**	**439,262,484**
Segment liabilities	**208,360,356**	**38,379,052**	**246,739,408**	**–**	**57,570,758**	**57,570,758**	**304,310,166**

	2014						
	Medical AED	Life and savings AED	Underwriting Total AED	Shareholders' investments ED	Unallocated Others AED	Total AED	Total AED
Segment assets	103,574,376	16,987,409	120,561,785	71,802,657	39,897,509	111,700,166	232,261,951
Segment liabilities	113,196,107	20,151,420	133,347,527	–	24,176,963	24,176,963	157,524,490

32. CAPITAL MANAGEMENT

(i) Governance framework

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

The Board of Directors meets regularly to approve any commercial, regulatory and organisational decisions. Management under the authority delegated from the Board of Directors defines the Company's risk and its interpretation, limits structure to ensure the appropriate quality and diversification of assets, aligns underwriting and retakaful strategy to the corporate goals, and specifies reporting requirements.

(ii) Capital management framework

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. As at 31 December 2015, the Company has complied with minimum capital requirement of AED 100 million.

(iii) Regulatory framework

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

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise. The disclosure for capital risk management is included in Note 32(iii)(f).

33. FINANCIAL INSTRUMENTS

(a) Significant accounting policies

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

(b) Categories of financial instruments

	2015 AED	2014 AED
Financial assets		
At amortised cost	**237,986,246**	105,910,720
At fair value	**78,884,626**	43,560,774
	316,870,872	149,471,494
Financial liabilities		
At amortised cost	**141,129,691**	45,063,150
At fair value	**29,315,439**	14,040,477
	170,445,130	59,103,627

Notes to the Financial Statements continued
for the year ended 31 December 2015

34. RISK MANAGEMENT
(i) Takaful risk
The principal risk the Company faces under takaful 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 Company is to ensure that sufficient reserves are available to cover these liabilities.

Takaful risk is basically concentrated in the medical class of business. However, the variability of risks is improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

Based on the simulations performed, the impact on profit of a change of 1% in the claims expenses for both gross and net of reinsurance recoveries would be as follows:

	2015 Gross AED	2014 Gross AED	**2015 Net AED**	2014 Net AED
Impact of an increase in 1% of claim ratio	**(2,457,599)**	(619,145)	**(2,198,316)**	(541,525)
Impact of a decrease in 1% of claim ratio	**2,457,599**	619,145	**2,198,316**	541,525

(ii) Retakaful risk
In order to minimise financial exposure arising from large takaful claims, the Company, in the normal course of business, enters into arrangements with other parties for retakaful purposes. Such retakaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the retakaful is affected under treaty, facultative and excess of loss retakaful contracts.

To minimise its exposure to significant losses from retakaful insolvencies, the Company evaluates the financial condition of its retakaful providers and ensures diversification of retakaful providers. The Company deals with retakaful companies approved by the Board of Directors.

(iii) Financial risk
The Company's principal financial instruments are investment securities, deposits, takaful receivables, other receivables and cash and cash equivalents.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk, profit risk and equity price risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The Company does not enter into any derivative transactions.

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

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:
- The Company only enters into takaful and retakaful contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from takaful and retakaful contracts are monitored on an ongoing basis in order to reduce the Company's exposure against defaults.
- The Company's bank balances are maintained with a range of local banks.

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

	2015 AED	2014 AED
Statutory deposit	**4,000,000**	4,000,000
Takaful and other receivables	**97,625,083**	77,138,634
Bank balances and Sukuks	**163,569,661**	23,825,194
Retakaful share of claims	**6,284,596**	946,892
Retakaful share of claims incurred but not reported	**3,895,892**	939,205
	275,375,232	106,849,925

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with takaful contract liabilities and financial liabilities when they fall due.

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

The table below summarises the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

2015:

	Less than three months AED	From 3 months to one year AED	Over 1 year AED	Total AED
Financial assets				
Bank balances and Sukuk	**127,576,567**	**2,500,000**	**–**	**130,076,567**
Statutory deposit	**–**	**–**	**4,000,000**	**4,000,000**
Takaful and other assets	**74,387,217**	**23,237,866**	**–**	**97,625,083**
Retakaful contract assets	**6,284,596**	**–**	**–**	**6,284,596**
Investments at FVTPL	**78,884,626**	**–**	**–**	**78,884,626**
Total	**287,133,006**	**25,737,866**	**4,000,000**	**316,870,872**
Financial liabilities				
Takaful and other payables	**15,235,197**	**80,798,009**	**–**	**96,033,206**
Retakaful contract liabilities	**34,071,485**	**–**	**–**	**34,071,485**
Borrowings	**11,025,000**			
Investment linked contracts	**29,315,439**	**–**	**–**	**29,315,439**
Total	**89,647,121**	**80,798,009**	**–**	**170,445,130**

2014:

	Less than three months AED	From 3 months to one year AED	Over 1 year AED	Total AED
Financial assets				
Cash and bank balances	23,871,231	–	–	23,871,231
Statutory deposit	–	–	4,000,000	4,000,000
Takaful and other receivables	35,389,426	41,749,208	–	77,138,634
Retakaful contract assets	1,886,097	–	–	1,886,097
Investments at FVTPL	43,560,774	–	–	43,560,774
Total	104,707,528	41,749,208	4,000,000	150,456,736
Financial liabilities				
Takaful and other payables	9,359,596	30,599,944	–	39,959,540
Retakaful contract liabilities	8,732,532	–	–	8,732,532
Investment linked contracts	14,040,477	–	–	14,040,477
Total	32,132,605	30,599,944		62,732,549

Notes to the Financial Statements continued
for the year ended 31 December 2015

34. RISK MANAGEMENT CONTINUED
(iii) Financial risk continued
(c) Market risk
Market risk arises from fluctuations in foreign exchange rates, profit rates and equity prices. The value at risk that may be accepted by the Company is monitored on a regular basis by management.

(i) Foreign currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in U.A.E. Dirhams or US Dollars to which the UAE Dirham is fixed.

(ii) Profit rate risk
Profit rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market rates. Floating rate instruments expose the Company to cash flow risk.

The Company is exposed to profit rate risk on certain of its investments, liabilities, bank balances and cash. The Company limits its risk by monitoring changes in such rates.

	Increase in basis points	Effect on results for the year
2015		
Profit bearing assets	**+100**	**854,976**
Expense bearing liability	**+100**	**110,250**
2014		
Profit bearing assets	+100	110,000
Expense bearing liability	+100	–

Any movement in profit rates in the opposite direction will produce exactly opposite results.

(d) Price risk
Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit 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 price risk is managed by outsourcing the trading of securities held by the Company to professional brokers. However the activities of brokers are also monitored and supervised by the management.

The following table shows the sensitivity of fair values to 20% increase or decrease as at 31 December:

	Favorable change AED	Unfavorable change AED
2015		
At fair value	**15,776,925**	**(15,776,925)**
2014		
At fair value	8,712,155	(8,712,155)

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

(f) Capital risk management

	2015 AED
Minimum Capital Requirement (MCR)	**100,000,000**
Solvency Capital Requirement (SCR)	**80,109,779**
Minimum Guarantee Fund (MGF)	**49,789,408**
Own Funds	**50,559,943**
Basic Own Funds	**50,559,943**
Ancillary Own Funds	**–**
MCR Solvency Margin Surplus/(Deficit)	**(49,440,057)**
SCR Solvency Margin Surplus/(Deficit)	**(29,549,835)**
MGF Solvency Margin Surplus/(Deficit)	**770,535**

As per Article (8) of Section 2 of the financial regulations issued for insurance companies in UAE, the Company shall at all times comply with the requirements of Solvency Margin. As of 31 December 2015, the Company had solvency deficit of AED 49.4 million as compare to the Minimum Capital Requirements of AED 100 million. The Company has alignment period of two years till 31 December 2017 to comply with the requirement of Solvency Margin.

35. FAIR VALUE MEASUREMENTS

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. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

Fair value of assets classified as FVTPL is determined by reference to their bid price at the close of business at the reporting date. Fair value for plot of land classified as investment property is based on external valuation or management internal assessment based on comparable transactions.

Fair value measurements recognised in the statement of financial position

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

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Assets				
2015				
Investments at FVTPL				
Quoted equities	**44,051,193**	**–**	**–**	**44,051,193**
Mutual funds	**–**	**34,833,433**	**–**	**34,833,433**
Investment property	**–**	**39,676,256**	**–**	**39,676,256**
	44,051,193	**74,509,689**	**–**	**118,560,882**
Liabilities				
Investment linked contracts	**–**	**29,315,439**	**–**	**29,315,439**

Notes to the Financial Statements continued
for the year ended 31 December 2015

35. FAIR VALUE MEASUREMENTS CONTINUED
Fair value measurements recognised in the statement of financial position continued

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Assets				
31 December 2014				
Investments at FVTPL				
Quoted equities	24,423,789	–	–	24,423,789
Mutual funds	–	19,136,985	–	19,136,985
Investment property	–	15,000,000	–	15,000,000
	24,423,789	34,136,985	–	58,560,774
Liabilities				
Investment linked contracts	–	14,040,477	–	14,040,477

There were no transfers between each of level during the year.

36. CONTINGENT LIABILITIES AND COMMITMENTS
Contingent liabilities

	2015 AED	2014 AED
Letters of guarantee	**523,921**	446,950

Commitments

The Company has lease agreements which are payable as follows:

	2015 AED	2014 AED
Less than one year	**1,521,839**	918,465
Between one and five years	**523,446**	92,435
	2,045,285	1,010,900

37. TECHNICAL PROVISION

	2015 AED	2014 AED
Unearned contribution reserve	**114,452,968**	89,545,690
Claims reported	**34,071,485**	5,103,610
Incurred but not reported reserve	**14,354,358**	3,631,603
Mathematical reserve	**1,350,322**	660,114
Policyholders' investment linked contracts at fair value	**29,315,439**	14,040,477
Technical provisions	**193,544,572**	112,981,494

Medical Business

	2015 AED	2014 AED
Unearned contribution reserve	**112,335,914**	88,814,048
Claims reported	**33,002,278**	4,938,293
Incurred but not reported reserve	**14,354,358**	3,628,922
Technical provisions	**159,692,550**	97,383,944

Life business

	2015 AED	2014 AED
Unearned contribution reserve	**2,117,054**	731,642
Claims reported	**1,069,207**	165,317
Mathematical reserve	**1,350,322**	660,114
Policyholders' investment linked contracts at fair value	**29,315,439**	14,040,477
Technical provisions	**33,852,022**	15,597,550

38. SOCIAL CONTRIBUTIONS

The Company has not made any social contributions during the year ended 31 December 2015.

39. CLAIMS DEVELOPMENT SCHEDULE

Since all claims settled are short-term in nature, the claims development schedule is not applicable.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2015 were approved by the Board of Directors and authorised for issue on 21 March 2016.

41. ASSETS AND LIABILITIES BELONGING TO THE SHAREHOLDERS AND PARTICIPANTS

As required by Financial Regulations for Takaful Insurance Companies issued by the Insurance Authority, the assets and liabilities belonging to the shareholders and participants are provided below:

	31 December 2015 AED	31 December 2014 AED
TAKAFUL OPERATIONS ASSETS		
Cash and bank balances	**21,571,247**	–
Takaful receivables and other assets	**91,413,275**	82,212,741
Retakaful contract assets	**41,199,181**	11,747,865
Investments at fair value through profit or loss	**14,040,477**	29,315,439
Receivable from shareholders	**5,010,383**	3,562,571
Total takaful operations' assets	**188,509,525**	111,563,654
SHAREHOLDERS' ASSETS		
Cash and bank balances	**107,505,320**	39,896,719
Statutory deposit	**4,000,000**	4,000,000
Takaful receivables and other assets	**7,315,782**	1,698,105
Deferred policy acquisition cost	**41,967,234**	27,599,349
Investment at amortised cost	**1,000,000**	–
Investments at fair value through profit or loss	**49,569,187**	29,520,297
Investment properties	**39,676,256**	31,282,360
Property and equipment	**3,032,384**	3,427,948
Intangible assets	**1,697,179**	2,861,607
Receivable from policyholders	**–**	2,601,563
Total shareholders' assets	**255,763,342**	142,887,948
Total assets	**444,272,867**	254,451,602

Notes to the Financial Statements continued
for the year ended 31 December 2015

41. ASSETS AND LIABILITIES BELONGING TO THE SHAREHOLDERS AND PARTICIPANTS CONTINUED

	31 December 2015 AED	31 December 2014 AED
TAKAFUL OPERATIONS LIABILITIES		
Liabilities		
Takaful and other payables	**53,194,839**	36,415,720
Takaful contract liabilities	**193,544,570**	112,957,297
Payable to shareholders	**3,575**	6,164,134
Total takaful operations liabilities	**246,742,984**	155,537,151
SHAREHOLDERS' LIABILITIES AND EQUITY		
Liabilities		
Takaful and other payables	**45,150,671**	22,874,431
Borrowings	**–**	–
Payable against leverage sukuk	**11,025,000**	–
Provision for employees' end of service benefits	**1,395,084**	1,302,559
Payable to policyholders	**5,006,808**	–
Total shareholders' liabilities	**62,577,563**	24,176,990
DEFICIT IN POLICYHOLDERS' FUND AND QARD HASSAN FROM SHAREHOLDERS		
Deficit in Policyholders' fund	**(58,134,489)**	(43,894,560)
Qard Hassan from Shareholders	**58,134,489**	43,894,560
Net deficit in policyholders' fund and Qard Hassan from shareholders	**–**	–
EQUITY		
Share capital	**150,000,000**	100,000,000
Accumulated losses	**(16,787,279)**	(25,980,650)
Statutory reserve	**1,739,597**	718,111
Total equity	**134,952,318**	74,737,461
Total shareholders' liabilities and equity	**197,529,881**	98,914,450
Total liabilities and equity	**444,272,867**	238,426,114

Notes

Notes

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