TAKAFUL EMARAT - INSURANCE (PSC)

Financial statements for the year ended 31 December 2014

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Financial statements
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Contents **Pages**

Board of Directors Report

Dear Shareholders,
Representatives of the official authorities,
Greetings,

We are pleased to present our Financial Statements and Business Results for the Company for the year 2014 to this General Assembly Meeting.

It is our Pleasure to inform you that the Company has posted a net profit of AED 7.18 Million for the year compared to a loss of AED 17.3 Million in 2013. This is due to the result of a full review, reengineering and restructuring of the operations, distribution infrastructure and focus on revenue generation. A revamped strategy is in place to take the Company to the next level.

The Company, since its establishment, was and remains keen on providing the best Takaful plans based on individuals and corporate needs. These plans are fully compliant with the Islamic Shariah principles, and in doing so, the Company has become one of the leaders among Takaful operators in UAE.

The Board of Directors took special interest in looking at the human resources and it was inevitable to provide the best qualified employees and develop them further to build a solid company. With onboard Executive Team having total 95 years of experience, the Company is marching towards its goal to be one of the best Takaful providers in UAE. The Company plans to increase its revenue constantly with focus on profitability.

The total assets of the Company at December 31st, 2014 are AED 232,261,951 up from AED 158,860,474 in 2013, total shareholders' equity stood at AED 74,737,461 compared to AED 67,556,349 last year, total income AED 49,608,161, including the income from investment amount of AED 7,653,254, while total administrative expenses AED 27,504,143 reflecting a reduction in expenses by 22% as compared to 2013.

Now that the infrastructure is complete and, as a witness to this, we now see business generated from new distribution channels such as banks and broker grow exponentially. It is also important to mention that the Board is fully supporting the Executive Team in growing the business while keeping a firm control on expenses.

Our sincere thanks and gratitude to our shareholders for their unlimited support, also our appreciation to the authorities and regulators for their continuous support to Takaful Emarat.

Last but not least our sincere thanks to all our Staff and Management for their efforts to ensure success and prosperity to the company.

Mohamed Ali AlSari
Chairman of the Board of Directors

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 the Takaful Emarat – Insurance (PSC) ("the Company") which comprise the statement of financial position as at 31 December 2014, and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

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 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 of 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.

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Independent auditor's report to the shareholders of Takaful Emarat - Insurance (PSC) (continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014 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

As required by the UAE Federal Law No (8) of 1984, as amended, we report that:

a) we have obtained all the information we considered necessary for the purpose of our audit;

b) the financial statements comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (8) of 1984, as amended, and the Articles of Association of the Company;

c) the Company has maintained proper books of account and the financial statements are in agreement therewith;

d) the financial information included in the Directors' report is consistent with the books of account of the Company; and

e) nothing has come to our attention, which causes us to believe that the Company has breached any of the applicable provisions of the UAE Federal Law No (8) of 1984, as amended, or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2014.

Other matter

The financial statements of the Company as at 31 December 2013 and for the year then ended were audited by another auditor whose report, dated 16 March 2014, expressed a modified opinion on those statements with an emphasis of matter relating to accumulated losses of AED 82.4 million as at 31 December 2013, being in excess of 50% of the Company's share capital as at that date (Note 1).

PricewaterhouseCoopers
9 March 2015

Amin H Nasser
Registered Auditor Number 307
Dubai, United Arab Emirates

Takaful Emarat - Insurance (PSC)

Statement of financial position

	Notes	31 December 2014 AED	31 December 2013 AED
ASSETS			
Cash and bank balances	5	23,871,231	5,001,909
Statutory deposit	6	4,000,000	4,000,000
Takaful and other assets	7	111,510,166	49,815,172
Due from a related party	8	-	2,413,743
Retakaful contract assets	9	11,747,865	23,137,708
Investments at fair value through profit or loss	10	43,560,774	39,294,669
Investment property	11	31,282,360	26,782,360
Property and equipment	12	3,427,948	4,206,999
Intangible asset	13	2,861,607	4,207,914
Total assets		232,261,951	158,860,474
LIABILITIES AND EQUITY			
Liabilities			
Takaful and other payables	14	43,264,636	31,220,040
Takaful contract liabilities	9	112,957,295	59,090,073
Provision for employees' end of service benefits	15	1,302,559	994,012
Total liabilities		157,524,490	91,304,125
Equity			
Share capital	16	100,000,000	150,000,000
Accumulated losses		(25,980,650)	(82,443,651)
Statutory reserve	28	718,111	-
Total equity		74,737,461	67,556,349
Total liabilities and equity		232,261,951	158,860,474

These financial statements were approved by the board of directors on 9 March 2015 and signed on this behalf by:

Mohamed Ali Alsari
Chairman

Wael Al Sharif
Chief Executive Officer

Mohammed Iqbal Basha
Chief Financial Officer

Takaful Emarat - Insurance (PSC)

Statement of comprehensive income

	Notes	Year ended 31 December 2014 AED	2013 AED
Attributable to policyholders:			
Takaful contributions earned	18	119,403,472	107,331,142
Retakaful contributions ceded	18	(21,181,078)	(30,950,700)
Net earned contributions	18	98,222,394	76,380,442
Gross claims incurred	19	(61,914,449)	(71,074,427)
Retakaful share of claims incurred	19	7,761,917	18,205,980
Net claims incurred	19	(54,152,532)	(52,868,447)
Commission and other expenses		(20,023,533)	(9,111,253)
Change in reserves	20	(10,687,496)	(3,524,107)
Net change in fair value of policyholders investment linked contracts		88,492	(572,450)
Net takaful income		13,447,325	10,304,185
Wakala fees	21	(28,370,231)	(30,574,046)
Net deficit from takaful operations		(14,922,906)	(20,269,861)
Attributable to shareholders:			
Investment income	22	7,653,254	6,579,188
Wakala fees from policyholders	21	28,370,231	30,574,046
Other income, net	23	13,584,676	1,327,652
General and administrative expenses	24	(27,504,143)	(35,469,667)
Provision for Qard Hassan to policyholders' fund	17	(14,922,906)	(20,269,861)
Profit/(loss) for the year attributable to shareholders		7,181,112	(17,258,642)
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year		7,181,112	(17,258,642)
Basic and diluted profit/(loss) per share	25	0.07	(0.17)

The notes on pages 8 to 54 form an integral part of these financial statements.

Takaful Emarat - Insurance (PSC)

Statement of changes in equity

	Share capital AED	Statutory reserve AED	Accumulated losses AED	Total AED
Balance at 31 December 2012	150,000,000	-	(65,185,009)	84,814,991
Total comprehensive loss for the year	-	-	(17,258,642)	(17,258,642)
Balance at 31 December 2013	150,000,000	-	(82,443,651)	67,556,349
Reduction in share capital (Note 16)	(50,000,000)	-	50,000,000	-
Total comprehensive profit for the year	-	-	7,181,112	7,181,112
Transfer to statutory reserve (Note 28)	-	718,111	(718,111)	-
Balance at 31 December 2014	100,000,000	718,111	(25,980,650)	74,737,461

The notes on pages 8 to 54 form an integral part of these financial statements.

Takaful Emarat - Insurance (PSC)

Statement of cash flows
for the year ended 31 December 2014

	Note	2014 AED	2013 AED
Cash flows from operating activities			
Profit/(loss) for the year		7,181,112	(17,258,642)
Adjustments for:			
Depreciation & amortization of property and equipment and intangible asset	24	2,376,263	2,841,069
Amortisation on investments carried at amortised cost	22	-	(427,259)
Profit on investments carried at FVTPL	22	(270,071)	(300,593)
Gain on sale of property and equipment	23	(17,036)	(39,265)
Gain on sale of investments at FVTPL	22	(5,915,031)	(3,862,178)
Gain on sale of investments at amortised cost	22	-	(660,893)
Gain on revaluation of investments at FVTPL	22	(2,100,614)	(1,207,744)
Provision for employee's end of service benefits	15	473,115	392,418
Impairment of receivables – net of reversals	7	600,000	1,260,616
Allowance for doubtful staff receivables	7	-	1,229,155
Gain on revaluation of investment property	23	(4,500,000)	-
Operating loss before working capital changes and payment of employee end of service indemnity		(2,172,262)	(18,033,316)
Employees' end of service benefits paid	15	(164,568)	(143,306)
Operating loss before working capital changes		(2,336,830)	(18,176,622)
Working capital changes:			
Changes in retakaful contract assets		11,389,843	16,570,347
Changes in takaful and other assets		(62,024,923)	16,380,867
Change in due from a related party	8	2,413,743	-
Changes in takaful contract liabilities		53,867,222	(9,265,746)
Changes in takaful and other payables		12,044,596	(18,022,595)
Net cash generated from / (used in) operating activities		15,353,651	(12,513,749)
Cash flows from investing activities			
Investment deposits with banks		-	5,714,169
Purchase of investments at FVTPL	10	(160,948,765)	(57,653,904)
Proceeds from sale of investments at FVTPL		164,698,305	61,782,105
Profit received on investments carried at amortised cost		-	27,755
Proceeds from sale of investments carried at amortised cost		-	13,484,201
Purchase of property and equipment		(273,119)	(1,512,151)
Proceeds from sale of property and equipment		39,250	233,924
Investment property under construction		-	(16,282,360)
Net cash generated from investing activities		3,515,671	5,793,739
Net change in cash and cash equivalents		18,869,322	(6,720,010)
Cash and cash equivalents at beginning of year		5,001,909	11,721,919
Cash and cash equivalents at end of the year	5	23,871,231	5,001,909

The notes on pages 8 to 54 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2014

1. General information

Takaful Emarat - Insurance (PSC), (the "Company") incorporated as a public shareholding company in March 2008. The Company is subject to the regulations of the U.A.E. Federal Law No. 8 of 1984 (as amended) and U.A.E. Federal Law No. 6 of 2007.

The Company carries out takaful insurance activities in Health Insurance, Life Insurance and Credit and Saving Insurance in accordance with the Islamic Sharia'a 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.

The Company had accumulated losses of AED 82.4 million as at 31 December 2013 which exceeded 50% of its paid up share capital at that date. In accordance with Article 285 of U.A.E. Federal Commercial Law No. 8 of 1984, as amended, if a Joint-Stock Company sustains losses amounting to one half of the capital, the Board of Directors shall convene an Extra-Ordinary General Meeting and resolve whether the Company shall be maintained or dissolved before the term fixed in its Articles of Association. On 2 October 2013, an Extra-Ordinary General Meeting was convened and the shareholders authorised the Board of Directors to take actions necessary to reduce the paid up capital by AED 50 million and offset the amount against accumulated losses. In April 2014, the paid up share capital was decreased by AED 50 million and set off against accumulated losses, following the completion of all statutory formalities.

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

2.1 New standards, amendments to existing standards and IFRIC interpretations effective for the Company's accounting period beginning on 1 January 2014

The following applicable new standards, amendments to existing standards and IFRIC interpretation have been published and are effective for the Company's accounting period beginning on 1 January 2014

- Amendments to IAS 32 'Financial Instruments' (Effective 1 January 2014) which require presentation to clarify certain aspects because of diversity in application of the requirements on offsetting, focused on four main areas:
  - the meaning of 'currently has a legally enforceable right of set-off'
  - the application of simultaneous realisation and settlement
  - the offsetting of collateral amounts
  - the unit of account for applying the offsetting requirement

- Amendments to IAS 36 'Impairment of Assets' (Effective 1 January 2014) which aims to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

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

2.1 New standards, amendments to existing standards and IFRIC interpretations effective for the Company's accounting period beginning on 1 January 2014 (continued)

- Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' (Effective 1 January 2014) makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

- IFRIC 21, 'Levies' (Effective 1 January 2014), sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised.

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

2.2 New standards and amendments to existing standards not effective for the Company's accounting period beginning on 1 January 2014 and have not been early adopted by the Company

The following applicable new standards and amendments to published standards have been issued but are not effective for financial periods beginning on 1 January 2014, and have not been early adopted by the Company in preparing these financial statements.

- Amendment to IAS 19 'Employee Benefits' (Effective 1 July 2014) clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service.

- Amendment to IFRS 13 'Fair Value Measurement (Effective 1 July 2014) (a) clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only) (b) clarify the scope of the portfolio exception in paragraph 52.

- Amendment to IAS 16 'Property, Plant and Equipment' and IAS 38 'Intangible Assets' (Effective 1 July 2014) clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

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

2.2 New standards and amendments to existing standards not effective for the Company's accounting period beginning on 1 January 2014 and have not been early adopted by the Company (continued)

- Amendment to IAS 24 'Related Party Disclosures' (Effective 1 July 2014) clarify how payments to entities providing management services are to be disclosed.

- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38,'Intangible assets', on depreciation and amortization (Effective 1 January 2016). The amendments provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. In this amendment, the IASB has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

- IFRS 9, 'Financial instruments' (effective 1 January 2018), addresses the classification, measurement and recognition of financials assets and financial liabilities. (The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments). 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 not recycling. 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 test. 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 use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

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

2.2 New standards and amendments to existing standards not effective for the Company's accounting period beginning on 1 January 2014 and have not been early adopted by the Company (continued)

Management is assessing the impact of the above new standards and amendments to published standards on the Company's financial statements and does not intend to adopt the above standard and amendments to published standards prior to their respective effective dates.

3. Summary of significant accounting policies

3.1 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of investments at fair value through profit and loss and investment property that have been measured at fair value. The principal accounting policies adopted are set out below.

3.2 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. Summary of significant accounting policies (continued)

3.3 Takaful contributions

3.3.1 Medical and short term life assurance 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.

3.3.2 Long term life assurance 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.

3. Summary of significant accounting policies (continued)

3.3 Takaful contributions (continued)

3.3.2 Long term life assurance contracts (continued)

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 in-force 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.

3.4 Retakaful contribution

Retakaful 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. Summary of significant accounting policies (continued)

3.5 Wakala fees

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

3.6 Claims

Claims, comprising amounts payable to participants and related loss adjustment expenses, net of recoveries and are charged to the 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 statement of financial position 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.

3.7 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.

3.8 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. During the year, management has changed the amortisation of the commission cost for takaful life contracts from 3 years to 5 years. The effect of change in accounting estimate is accounted for prospectively in accordance with requirements of IAS – 8 'Accounting Policies, Change in Accounting Estimate and Error'. Change in accounting estimate has resulted in decrease in commission and other expenses by AED 1,474,584 in the current period and in future periods.

3.9 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 carrying amount and are recorded on occurrence of the sale transaction.

3.10 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. Summary of significant accounting policies (continued)

3.11 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.

3.12 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 takaful 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.

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

3. Summary of significant accounting policies (continued)

3.13 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) Claims reported unsettled

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

(iii) Claims incurred but not reported

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

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 provision

The life takaful provision 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 this provision 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 account value is the number of units times the bid price/NAV.

The investment component of these insurance contracts are designated as at FVTPL.

3. Summary of significant accounting policies (continued)

3.14 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. Investment property under construction is carried at cost, if the fair value cannot be measured reliably.

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.

3.15 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.

During the year, management has changed the useful life of furniture and fixtures from 5 years to 10 years. The effect of change in accounting estimate is accounted for prospectively in accordance with requirements of IAS – 8 'Accounting Policies, Change in Accounting Estimate and Error'. Change in accounting estimate has resulted in decrease in depreciation expense by AED 427,741 in the current period and in future periods.

3.16 Intangible assets

Intangible assets represent 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. Summary of significant accounting policies (continued)

3.17 Impairment of tangible 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.

3.18 Financial assets

3.18.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and 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 receivable', 'due from related party', 'retakaful receivables – Outstanding claims reported and loss and adjustment expenses' and 'cash and bank balances' in the statement of financial position.

(c) Investments carried at amortised cost

Investments carried at amortised cost 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. Summary of significant accounting policies (continued)

3.18 Financial assets (continued)

3.18.2 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.

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.

3.18.3 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 group of financial assets is impaired. A financial asset or group 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 group 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. Summary of significant accounting policies (continued)

3.19 Financial liabilities

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

3.20 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.

3.21 Employee benefits

3.21.1 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 comprehensive income.

3. Summary of significant accounting policies (continued)

3.21 Employee benefits (continued)

3.21.2 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.

3.21.3 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.

3.22 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).

3.23 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to 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.

3.24 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 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 at amortised cost if the Company's management has the positive intention and ability to hold the investment till its maturity.

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

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 property

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 considered 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. Critical accounting judgments and key sources of estimation uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

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.

5. Cash and bank balances

	2014 AED	2013 AED
Cash on hand	46,037	38,537
Bank balances		
Current accounts	16,825,194	4,963,372
Deposits	7,000,000	-
Cash and cash equivalents	23,871,231	5,001,909

The deposits carried a profit rate of 0.5% to 1.0% per annum (2013: 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 are not available to finance the day to day operations of the Company.

7. Takaful and other receivables

	2014 AED	2013 AED
Takaful receivables	60,726,122	30,828,351
Provision for impairment	(1,582,362)	(1,260,616)
	59,143,760	29,567,735
Advance commission and others	28,237,590	6,117,290
Provision for doubtful staff receivables	-	(1,961,348)
	87,381,350	33,723,677
Due from retakaful companies	8,496,950	8,730,936
Prepaid expenses and other receivables	15,631,867	7,360,559
	111,510,166	49,815,172

The average credit period for policyholders is 90 days. Takaful receivables outstanding between 90 days and 365 days are provided for based on estimated irrecoverable amounts determined by reference to past default experience in addition to specific provision made on identified customers.

Takaful receivables include balances due from 3 customers amounting to AED 33,074,083 (2013: AED 19,194,990) which represent 55% (2013: 65%) of takaful receivables as at reporting date.

7. Takaful and other receivables (continued)

Aging of takaful receivables:

	2014 AED	2013 AED
Neither past due nor impaired	57,846,640	20,341,475
Past due but not impaired		
91-120 days	15,936	6,755,374
121 days and above	1,281,184	2,470,886
	1,297,120	9,226,260
Past due and impaired	1,582,362	1,260,616
Total takaful receivables	60,726,122	30,828,351

Movement in the allowance for doubtful debts:

	2014 AED	2013 AED
Balance at the beginning of the year	1,260,616	-
Impairment provision made during the year (net)	600,000	1,260,616
Written off during the year	(278,254)	-
Balance at the end of the year	1,582,362	1,260,616

Movement in the allowance for doubtful staff receivables:

	2014 AED	2013 AED
Balance at the beginning of the year	1,961,348	732,193
Provision (written off) / made during the year	(1,869,336)	1,229,155
Reversal of provision on recovery of doubtful staff receivables	(92,012)	-
Balance at the end of the year	-	1,961,348

8. Balances and transactions with related parties

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24. Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. The management decides on the terms and conditions of the transactions with related parties.

At the reporting date, due from a related party is as follows:

	2014 AED	2013 AED
Due from a related party		
Company under common management		
UNIQA Re AG-Austria, Switzerland	-	2,413,743

The amount outstanding is unsecured and was settled in cash in the current year.

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

	2014 AED	2013 AED
Payment on account of property under construction (Note 11)	-	16,282,360

Compensation of key management personnel

	2014 AED	2013 AED
Short and long term benefits	2,647,122	2,502,212

9. Takaful contract liabilities and retakaful contract assets

	2014 AED	2013 AED
Gross takaful contract liabilities		
Claims reported unsettled	5,103,610	5,632,562
Claims incurred but not reported	3,628,922	4,019,442
Unearned contributions	89,522,293	39,460,430
Life takaful provision	661,993	316,819
Payable to policyholders of investment linked contracts	14,040,477	9,660,820
	112,957,295	59,090,073
Retakaful contract assets		
Claims reported unsettled	946,892	2,112,932
Claims incurred but not reported	939,205	2,038,287
Unearned contributions	9,861,768	18,986,489
	11,747,865	23,137,708
Net takaful contract liabilities		
Claims reported unsettled	4,156,718	3,519,630
Claims incurred but not reported	2,689,717	1,981,155
Unearned contributions	79,660,525	20,473,941
Life takaful provision	661,993	316,819
Payable to policyholders of investment linked contracts	14,040,477	9,660,820
	101,209,430	35,952,365
Movement in payable to policyholders of investment linked contracts		
Opening balance	9,660,820	5,852,138
Additions during the year (note 20)	10,599,004	4,096,557
Disposals during the year	(6,130,855)	(860,325)
Change in fair value (note 20)	(88,492)	572,450
Closing balance	14,040,477	9,660,820

10. Investments at fair value through profit or loss

	2014 AED	2013 AED
Quoted securities	24,423,789	22,843,345
Mutual funds	19,136,985	16,451,324
	43,560,774	39,294,669

Movements during the year were as follows:

	2014 AED	2013 AED
At the beginning of the year	39,294,669	50,748,997
Purchases during the year	160,948,765	57,653,904
Disposals during the year	(158,783,274)	(70,743,235)
Change in fair value during the year	2,100,614	1,635,003
At the end of the year	43,560,774	39,294,669

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

	2014 AED	2013 AED
Within U.A.E.	24,631,074	22,919,445
Outside U.A.E.	18,929,700	16,375,224
	43,560,774	39,294,669

11. Investment property

	2014 AED	2013 AED
Plot of land (Note 11.1)	15,000,000	10,500,000
Investment property under construction (Note 11.2)	16,282,360	16,282,360
	31,282,360	26,782,360

Note 11.1: Plot of land

The Company has entered into a sale and purchase agreement with master developer for purchase of plot of land in prior years. The carrying amount of the plot of land is based on external valuation.

Note 11.2: Investment property under construction

Investment property under construction represents the payments made based on memorandum of understanding for acquiring investment in the Axis Gold 1 Real Estate Project based in U.A.E. The project is promoted by Gulf General Investment Company (P.S.C.), a related party acting as custodian of the Company's share of investment in the project. The title deed of the project has been registered in the name of GGICO Real Estate Development L.L.C.

12. Property and equipment

	Office equipment AED	Furniture and fixtures AED	Motor vehicles AED	Total AED
Cost				
Balance at 31 December 2012	2,466,738	7,165,253	481,900	10,113,891
Additions during the year	243,361	163,190	24,524	431,075
Disposals during the year	-	-	(385,824)	(385,824)
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
Accumulated depreciation				
Balance at 31 December 2012	614,569	3,877,554	201,443	4,693,566
Depreciation for the year	515,310	867,126	67,306	1,449,742
Disposals during the year	-	-	(191,165)	(191,165)
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
Carrying amount				
Balance at 31 December 2014	1,182,151	2,158,307	87,490	3,427,948
Balance at 31 December 2013	1,580,220	2,583,763	43,016	4,206,999

At 31 December 2014, the cost of fully depreciated property and equipment that was still in use amounted to AED 3,490,982 (2013: AED 3,302,081).

13. Intangible assets

	Software AED
Cost	
Balance at 31 December 2012	6,137,179
Additions during the year	1,081,076
Balance at 31 December 2013	7,218,255
Additions during the year	62,898
Balance at 31 December 2014	7,281,153
Accumulated amortisation	
Balance at 31 December 2012	1,619,013
Amortisation for the year	1,391,328
Balance at 31 December 2013	3,010,341
Amortisation for the year	1,409,205
Balance at 31 December 2014	4,419,546
Carrying amount	
Balance at 31 December 2014	2,861,607
Balance at 31 December 2013	4,207,914

14. Takaful and other payables

	2014 AED	2013 AED
Takaful payables	-	49,969
Retakaful payables	11,083,411	18,498,879
Accrued expenses and other payables	12,664,692	12,671,192
Payable against commission funding	19,516,533	-
	43,264,636	31,220,040

15. Provision for employees' end of service benefits

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

	2014 AED	2013 AED
Balance at the beginning of the year	994,012	744,900
Charge for the year	473,115	392,418
Paid during the year	(164,568)	(143,306)
Balance at the end of the year	1,302,559	994,012

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations as at 31 December 2014, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. The expected liability at the date of leaving the service has been discounted to net present value using a discount rate of 3.15% (2013: 4.48%).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. Management has assumed average increment/promotion costs of 3% (2013: 3%).

16. Share capital

	2014 AED	2013 AED
Issued and fully paid:		
100,000,000 (2013: 150,000,000) ordinary shares of AED 1 each	100,000,000	150,000,000

During the year ended 31 December 2014, the Company reduced the paid up share capital by AED 50 million by offsetting the amount against accumulated losses as explained in Note 1 to the financial statements.

17. Policyholders' fund

	2014 AED	2013 AED
Deficit in policy holders' fund		
Balance at beginning of year	(28,971,654)	(8,701,793)
Deficit for the year	(14,922,906)	(20,269,861)
Balance at the end of the year	(43,894,560)	(28,971,654)
Qard Hassan from shareholders		
Balance at beginning of year	28,971,654	8,701,793
Provided during the year	14,922,906	20,269,861
Balance at the end of the year	43,894,560	28,971,654
Total deficit in policy holders' fund	-	-

18. Net earned contributions

	31 December 2014			31 December 2013		
	Medical AED	Life AED	Total AED	Medical AED	Life AED	Total AED
Gross contributions written	140,846,873	28,618,462	169,465,335	81,080,448	10,884,389	91,964,837
Change in unearned contributions and changes in payable to policyholders of investment linked contract	(50,278,289)	216,426	(50,061,863)	19,747,217	(4,380,912)	15,366,305
Takaful contributions earned	90,568,584	28,834,888	119,403,472	100,827,665	6,503,477	107,331,142
Retakaful contributions	10,786,644	1,269,713	12,056,357	11,152,641	1,282,039	12,434,680
Change in unearned retakaful contributions provision	9,060,298	64,423	9,124,721	18,589,821	(73,801)	18,516,020
Retakaful contributions ceded	19,846,942	1,334,136	21,181,078	29,742,462	1,208,238	30,950,700
Net earned contributions	70,721,642	27,500,752	98,222,394	71,085,203	5,295,239	76,380,442

19. Claims incurred

31 December 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

19. Claims incurred (continued)

31 December 2013

	Gross			Retakaful			Net		
	Medical AED	Life AED	Total AED	Medical AED	Life AED	Total AED	Medical AED	Life AED	Total AED
Takaful claims paid	64,955,497	138,794	65,094,291	(16,248,655)	(11,652)	(16,260,307)	48,706,842	127,142	48,833,984
Movement in provision for claims reported and unsettled	2,624,694	-	2,624,694	(305,786)	-	(305,786)	2,318,908	-	2,318,908
Movement in provision for claims incurred but not reported	3,355,442	-	3,355,442	(1,639,887)	-	(1,639,887)	1,715,555	-	1,715,555
Claims recorded in the statement of income	70,935,633	138,794	71,074,427	(18,194,328)	(11,652)	(18,205,980)	52,741,305	127,142	52,868,447

20. Change in reserve

	2014 AED	2013 AED
Change in reserve – payable to policyholders investment linked contracts (note 9)	10,599,004	4,096,557
Change in fair value (note 9)	88,492	(572,450)
	10,687,496	3,524,107

21. Wakala fees

Wakala fees for the year ended 31 December 2014 amounted to AED 28,370,231 (2013: AED 30,574,046). The fee is calculated at a maximum of 30% of takaful contribution earned for group medical policies and at a maximum of 50% of takaful risk contribution for life takaful policies. Wakala fee is charged to the statement of income when incurred.

22. Investment income – net

	2014 AED	2013 AED
Return on investment in fixed deposits	55,560	120,521
Effect of amortisation on investment carried at amortised cost	-	427,259
Gain on sale of investments at FVTPL	5,915,031	3,862,178
Fair value changes on investments at FVTPL	2,100,614	1,207,744
Gain on sale of investments carried at amortised cost	-	660,893
Profit on investment carried at FVTPL	270,071	300,593
Investment management charges	(688,022)	-
	7,653,254	6,579,188

23. Other income-net

	2014 AED	2013 AED
Gain on sale of property and equipment	17,036	39,265
Gain on revaluation of investment property	4,500,000	-
Allocation charge on life takaful policies and other charge	14,405,678	4,466,172
Commission expense	(7,789,439)	(3,530,556)
Miscellaneous income	2,451,401	352,771
	13,584,676	1,327,652

24. General and administrative expenses

	2014 AED	2013 AED
Salaries and other benefits	13,725,789	17,674,782
Rent	1,649,442	1,730,290
Legal fees	199,635	1,882,260
Remuneration of Sharia Supervisory Board	290,608	154,135
Depreciation & amortization	2,376,263	2,841,069
Third party administration fees (TPA) – medical insurance	1,862,306	2,974,464
Allowance for doubtful debts	600,000	1,260,616
Miscellaneous expenses	6,800,100	6,952,051
	27,504,143	35,469,667

25. Basic and diluted Profit/(loss) per share

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

	2014 AED	2013 AED
Profit / (loss) for the year attributable to shareholders	7,181,112	(17,258,642)
Weighted average number of shares outstanding during the year	100,000,000	100,000,000
Basic profit/(loss) per share	0.07	(0.17)

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

No figure for diluted earnings per share has been presented since the Company has not issued any instruments which would have an impact on earnings per share when exercised.

26. Fatwa and Sharia'a supervisory board

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

27. Zakat

The Management has informed the shareholders the amount of Zakat payable by each shareholder, requiring them to pay their share of Zakat directly.

28. Statutory reserve

In accordance with the UAE Federal Law No. 8 of 1984, 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 718,111 (2013: Nil) was transferred to the statutory reserve for the year ended 31 December 2014

29. Segment information

For management purposes the Company is organised into two business segements; general takaful management and investment. The general takaful management comprise the takaful business undertaken by the Company on behalf of policyholders. Investment comprises investment 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.

29. Segment information (continued)

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 will include those transactions between business segments which will then be eliminated on consolidation as shown below.

	Year ended 31 December 2014						Year ended 31 December 2013					
	Policyholder			Sharesholders			Policyholder			Shareholders		
	Medical	Life	Total	Investments	Others	Total	Medical	Life	Total	Investments	Others	Total
	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED
Segment revenue	90,568,584	28,834,888	119,403,472	7,653,254	13,584,676	21,237,930	100,827,665	6,503,477	107,331,142	6,579,188	1,327,652	7,906,840
Segment result	11,179,287	2,268,038	13,447,325	7,653,254	13,584,676	21,237,930	9,784,867	519,318	10,304,185	6,579,188	1,327,652	7,906,840
Wakalah fees	(27,170,575)	(1,199,656)	(28,370,231)		28,370,231	28,370,231	(29,979,707)	(594,339)	(30,574,046)	-	30,574,046	30,574,046
Loss attributable to policy holders			(14,922,906)						(20,269,861)			
Unallocated costs						(42,427,049)						(55,739,528)
Net Profit/(loss) for the year						7,181,112						(17,258,642)

29. Segment information (continued)

Other information

	As at 31 December 2014						As at 31 December 2013					
	Policyholder			Shareholders			Policyholder		.	Shareholders		
	Medical	Life	Total	Investments	Total	Total	Medical	Life	Total	Investments	Total	Total
	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED
Segment assets	103,574,376	16,987,409	120,561,785	71,802,657	71,802,657	192,364,442	68,225,562	18,801,876	87,027,438	60,416,209	60,416,209	147,443,647
Unallocated assets	-	-	-	-	39,897,509	39,897,509	-	-	-	-	11,516,827	11,516,827
Total assets	103,574,376	16,987,409	120,561,785	71,802,657	112,700,166	232,261,951	68,225,562	18,801,876	87,027,438	60,416,209	71,933,036	158,860,474
Segment liabilities	113,196,107	20,151,420	133,347,527	-	-	133,347,527	71,786,760	11,255,541	83,042,301	-	-	83,042,301
Unallocated liabilities	-	-	-	-	24,176,963	24,176,963	-	-	-	-	8,261,824	8,261,824
Total liabilities	113,196,107	20,151,420	133,347,527	-	24,176,963	157,524,490	71,786,760	11,255,541	83,042,301	-	8,261,824	91,304,125

30. 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. The 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 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. The Company has fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

(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.

31. 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

	2014 AED	2013 AED
Financial assets		
At amortised cost	105,910,720	57,397,586
At fair value	43,560,774	39,294,669
	149,471,494	96,692,255
Financial liabilities		
At amortised cost	45,063,150	34,780,489
At fair value	14,040,477	9,660,820
	59,103,627	44,441,309

32. 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 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.

32. Risk management (continued)

(i) Takaful risk (continued)

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:

	2014 Gross AED	2013 Gross AED	2014 Net AED	2013 Net AED
Impact of an increase in 1% of claim ratio	(619,145)	(710,744)	(541,525)	(528,685)
Impact of a decrease in 1% of claim ratio	619,145	710,744	541,525	528,685

(ii) Retakaful risk

In common with other takaful companies, 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 and ensure diversification of retakaful providers. The Company deals with retakaful approved by the Board of Directors.

(iii) Financial risk

The Company's principal financial instruments are investment securities, investment 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.

32. Risk management (continued)

(iii) Financial risk (continued)

(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:

	2014 AED	2013 AED
Statutory deposit	4,000,000	4,000,000
Takaful and other receivables	77,138,634	43,907,639
Due from related party	-	2,413,743
Bank balances	23,825,194	4,963,372
Retakaful share of claims	946,892	2,112,932
Retakaful share of claims incurred but not reported	939,205	2,038,387
	106,849,925	59,436,073

32. Risk management (continued)

(iii) Financial risk (continued)

(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:

As at 31 December 2014:

	Less than three months	From 3 months to one year	Over 1 year	Total
	AED	AED	AED	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

32. Risk management (continued)

(iii) Financial risk (continued)

(b) Liquidity risk (continued)

As at 31 December 2013:

	Less than three months AED	From 3 months to one year AED	Over 1 year AED	Total AED
Financial assets				
Cash and bank balances	5,001,909	-	-	5,001,909
Statutory deposit	-	-	4,000,000	4,000,000
Takaful and other receivables	15,741,088	28,166,551	-	43,907,639
Retakaful contract assets	4,151,319	-	-	4,151,319
Due from a related party	2,413,743	-	-	2,413,743
Investments at FVTPL	32,580,853	6,713,816	-	39,294,669
Total	59,888,912	34,880,367	4,000,000	98,769,279
Financial liabilities				
Takaful and other payables	6,521,894	22,626,033	-	29,147,927
Retakaful contract liabilities	9,652,004	-	-	9,652,004
Investment linked contracts	9,660,820	-	-	9,660,820
Total	25,834,718	22,626,033	-	48,460,751

32. 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.

Management believes that there is minimal risk of significant losses due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

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 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 and 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 AED
2014		
Profit bearing assets	**+100**	110,000
2013		
Profit bearing assets	+100	40,000

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

32. Risk management (continued)

(iii) Financial risk (continued)

(d) Equity 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 Company has no significant concentration of price risk. 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
2014		
At fair value	8,712,155	(8,712,155)
2013		
At fair value	7,858,934	(7,858,934)

(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.

33. 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.

Fair value of the Company's financial assets that are measured at fair value on recurring basis

Some of the Company's financial assets are measured at fair value at the end of the reporting period.

33. Fair value measurements (continued)

Fair value measurements recognised in the statement of financial position

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

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

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

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

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial 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
Financial liabilities				
Investment linked contracts	-	14,040,477	-	14,040,477

33. Fair value measurements (continued)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets				
31 December 2013				
Investments at FVTPL				
Quoted equities	22,843,345	-	-	22,843,345
Mutual funds	-	16,451,324	-	16,451,324
Investment property	-	10,500,000	-	10,500,000
	22,843,345	26,951,324	-	49,794,669
Financial liabilities				
Investment linked contracts	-	9,660,820	-	9,660,820

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

34. Contingent liabilities and commitments

Contingent liabilities

	2014 AED	2013 AED
Letters of guarantee	446,950	187,127

34. Contingent liabilities and commitments (continued)

Commitments

The Company has lease agreements which are payable as follows:

	2014 AED	2013 AED
Less than one year	918,465	1,308,126
Between one and five years	92,435	498,520
	1,010,900	1,806,646

35. Comparatives

The following balances in the statement of financial position for the prior year have been reclassified to conform to the current year presentation.

2013	As previously reported at 31 December 2013	Reclassification	As restated at 31 December 2013
Investment at amortized cost	6,713,816	(6,713,816)	-
Investment FV through P&L	32,580,853	6,713,816	39,294,669
Retakaful Contributions ceded	59,123,047	(28,172,347)	30,950,700
Gross claims incurred	42,902,080	28,172,347	71,074,427

Statement of cash flows and all comparative account balances presented in the notes to the financial statement have been adjusted to reflect the above changes. There was no impact on the reported loss of the prior period due to the above reclassification

36. Approval of financial statements

The financial statements for the year ended 31 December 2014 were approved by the Board of Directors and authorised for issue on 9 March 2015.