TAKAFUL EMARAT - INSURANCE (PSC)

Independent auditor's report and financial statements for the year ended 31 December 2013

TAKAFUL EMARAT - INSURANCE (PSC)

Contents

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INDEPENDENT AUDITOR'S REPORT

The Shareholders
Takaful Emarat - Insurance (PSC)
Dubai
United Arab Emirates

Report on the Financial Statements

We have audited the accompanying financial statements of **Takaful Emarat - Insurance (PSC) (the "Company"), Dubai, United Arab Emirates** which comprise the statement of financial position as at 31 December 2013, and the 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 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.

Cont'd...

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Takaful Emarat - Insurance (PSC), Dubai, United Arab Emirates** as at 31 December 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 to these financial statements which indicate that as at 31 December 2013, the Company has accumulated losses of AED 82.4 million which exceeds 50% of the share capital. As required by Article 285 of U.A.E. Federal Commercial Law No. 8 of 1984, as amended, the Board of Directors is required to convene an Extra-Ordinary General Meeting and make appropriate resolution as mentioned in Note 1. On 2 October 2013, the Extra-Ordinary General Meeting was convened and shareholders authorised the Board of Directors to do all the transactions and actions necessary to decrease the paid up capital by AED 50 million and thereby set off the accumulated losses by the same amount. Further, the Board of Directors is in process of obtaining approval from government authorities as resolved by shareholders in the Extra-Ordinary General Meeting.

Other Matter

The financial statements of the Company for the year ended 31 December 2012 were audited by another auditor, who expressed an unmodified opinion on those financial statements on 21 March 2013.

Report on other legal and regulatory requirements

Also, in our opinion, the Company has maintained proper books of account. We have obtained all the information which we considered necessary for our audit. According to the information available to us, there were no contraventions during the year of the U.A.E. Federal Commercial Companies Law No. 8 of 1984 (as amended), the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations or the Articles of Association of the Company which might have a material effect on the financial position of the Company or its financial performance.

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
16 March 2014

Statement of financial position
at 31 December 2013

	Notes	2013 AED	2012 AED
ASSETS			
Cash and bank balances	5	5,001,909	17,436,088
Statutory deposit	6	4,000,000	4,000,000
Takaful and other receivables	7	49,815,172	68,412,972
Due from a related party	8	2,413,743	2,413,743
Retakaful contract assets	9	23,137,708	39,708,055
Investments at fair value through profit or loss	10	32,580,853	30,811,235
Investments carried at amortised cost	11	6,713,816	19,937,762
Investment property	12	10,500,000	10,500,000
Development work-in-progress	13	16,282,360	-
Property and equipment	14	8,414,913	9,938,490
Total assets		158,860,474	203,158,345
LIABILITIES, POLICY HOLDERS' FUND AND SHAREHOLDERS' EQUITY			
Liabilities			
Takaful and other payables	15	31,220,040	49,242,635
Takaful contract liabilities	9	59,090,073	68,355,819
Provision for employees' end of service indemnity	16	994,012	744,900
Total liabilities		91,304,125	118,343,354
Policy holders' fund			
Deficit in policy holders' fund	17	(28,971,654)	(8,701,793)
Qard Hassan from shareholders	17	28,971,654	8,701,793
Total deficit in policy holders' fund	17	-	-
Shareholders' equity			
Share capital	18	150,000,000	150,000,000
Accumulated losses		(82,443,651)	(65,185,009)
Net shareholders' equity		67,556,349	84,814,991
Total liabilities, policyholders' fund and shareholders' equity		158,860,474	203,158,345

Mohamed Ali Abdalla Ali Alsari
Chairman

The accompanying notes form an integral part of these financial statements.

Statement of comprehensive income
for the year ended 31 December 2013

	Notes	2013 AED	2012 AED
Attributable to policyholders:			
Takaful contributions earned	19	**107,331,142**	41,444,144
Retakaful contributions ceded	19	**(59,123,047)**	(22,920,852)
Net earned contributions	19	**48,208,095**	18,523,292
Gross claims incurred	20	**(42,902,080)**	(19,514,833)
Retakaful share of claims incurred	20	**18,205,980**	11,167,806
Net claims incurred	20	**(24,696,100)**	(8,347,027)
Commission and other expenses		**(13,207,810)**	(6,441,655)
Net takaful income		**10,304,185**	3,734,610
Wakalah fees	21	**(30,574,046)**	(9,465,985)
Net deficit from takaful operations		**(20,269,861)**	(5,731,375)
Attributable to shareholders:			
Investment income - net	22	**6,579,188**	2,083,411
Wakalah fees from policy holders	21	**30,574,046**	9,465,985
Other income-net	23	**1,327,652**	11,568,478
General and administrative expenses	24	**(35,469,667)**	(33,244,867)
Provision for Qard Hassan to policyholder's fund		**(20,269,861)**	(5,731,375)
Loss for the year attributable to shareholders		**(17,258,642)**	(15,858,368)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(17,258,642)**	(15,858,368)
Basic and diluted loss per share	25	**(0.12)**	(0.11)

The accompanying notes form an integral part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2013

	Share capital AED	**Accumulated losses AED**	**Total AED**
Balance at 31 December 2011	150,000,000	(49,326,641)	100,673,359
Total comprehensive loss for the year	-	(15,858,368)	(15,858,368)
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**

The accompanying notes form an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2013

	2013	2012
	AED	AED
Cash flows from operating activities		
Loss for the year	**(17,258,642)**	(15,858,368)
Adjustments for:		
Depreciation of property and equipment	**2,841,069**	2,043,791
Amortisation on investments carried at amortised cost	**(427,259)**	(318,118)
Profit on investments carried at amortised cost	**(300,593)**	(701,078)
Gain on sale of property and equipment	**(39,265)**	-
Gain on sale of investments at FVTPL	**(3,862,178)**	-
Gain on sale of investments at amortised cost	**(660,893)**	-
Gain on revaluation of investments at FVTPL	**(2,035,641)**	(35,164)
Provision for employee's end of service indemnity	**392,418**	461,434
Allowance for doubtful debts	**1,260,616**	-
Allowance for doubtful staff receivables	**1,229,155**	732,193
Impairment loss on investments carried at amortised cost	**827,897**	-
Operating cash flow before working capital changes	**(18,033,316)**	(13,675,310)
Decrease/(increase) in retakaful contract assets	**16,570,347**	(37,351,203)
Decrease/(increase) in takaful and other receivables	**16,380,867**	(60,726,074)
Increase in due from a related party	**-**	(2,370,804)
(Decrease)/increase in takaful contract liabilities	**(9,265,746)**	60,947,926
(Decrease)/increase in takaful and other payables	**(18,022,595)**	41,912,679
Cash used in operating activities	**(12,370,443)**	(11,262,786)
Employees' end of service indemnity paid	**(143,306)**	(76,208)
Net cash used in operating activities	**(12,513,749)**	(11,338,994)
Cash flows from investing activities		
Decrease in investment deposits with banks	**5,714,169**	4,285,831
Purchase of investments at FVTPL	**(57,653,904)**	(19,744,874)
Proceeds from sale of investments at FVTPL	**61,782,105**	-
Profit received on investments carried at amortised cost	**27,755**	701,078
Proceeds from sale of investments carried at amortised cost	**13,484,201**	-
Purchase of property and equipment	**(1,512,151)**	(6,429,331)
Proceeds from sale of property and equipment	**233,924**	-
Increase in development work-in-progress	**(16,282,360)**	-
Net cash generated from/(used in) investing activities	**5,793,739**	(21,187,296)
Net decrease in cash and cash equivalents	**(6,720,010)**	(32,526,290)
Cash and cash equivalents at beginning of year	**11,721,919**	44,248,209
Cash and cash equivalents at end of the year (Note 5)	**5,001,909**	11,721,919

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2013

1. General information

Takaful Emarat - Insurance (PSC), Dubai, United Arab Emirates (the "Company") is incorporated as a public joint stock company in accordance with the U.A.E. Federal Law No. 8 of 1984 (as amended) and with U.A.E. Federal Law No. 6 of 2007, concerning formation of Insurance Authority of U.A.E. and organizing its working in United Arab Emirates.

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 has accumulated losses of AED 82.4 million as at 31 December 2013 which exceeds 50% of the share capital. As required by the Article 285 of U.A.E. Federal Commercial Law No. 8 of 1984, as amended, if a Joint-Stock Company sustains loss 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, the Extra-Ordinary General Meeting was convened and shareholders authorised the Board of Directors to do all the transactions and actions necessary to decrease the paid up capital by AED 50 million and thereby set off the accumulated losses by the same amount. Further, the Board of Directors are in process of obtaining approval from government authorities as resolved by shareholders in the Extra-Ordinary General Meeting.

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

2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the Company for the first time has applied the following new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

IFRS 13 ***Fair Value Measurement***

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements in IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurement and disclosures about fair value measurements except for share-based payment transactions that are within the scope of IFRS 2 Share-based payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purpose).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

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

2.1 ***New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements*** (continued)

- **IFRS 13** ***Fair Value Measurement*** *(continued)*

IFRS 13 requires prospective application from 1 January 2013. In accordance with the transitional provisions, the Company has not made any new disclosures required by IFRS 13 for 2012 comparative periods (please see Note 32 for 2013 disclosures). Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

- **Amendments to IAS 1** ***Presentation of Items of Other Comprehensive Income***

The main amendment to IAS 1 requires items of other comprehensive income to be grouped into two categories in the other comprehensive income section:

a) Items that will not be reclassified subsequently to profit or loss; and

b) Items that may be reclassified subsequently to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2.2 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs have been adopted in these financial statements. The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 7 *Financial Instruments: Disclosures* enhances disclosures about offsetting of financial assets and liabilities.

- IFRS 10 *Consolidated Financial Statements* uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* have been amended for the issuance of IFRS 10.

- IFRS 11 *Joint Arrangements* establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly, IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

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

2.2 New and revised IFRSs applied with no material effect on the financial statements (continued)

- IFRS 12 *Disclosure of Interests in Other Entities* combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard.

- Amendments to IAS 19 *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognise changes in defined benefit plan obligations and plan assets when they occur.

- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* clarifies the requirements for accounting for stripping costs associated with waste removal in surface mining, including when production stripping costs should be recognised as an asset, how the asset is initially recognised, and subsequent measurement.

2.3 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted

The Company has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	***Effective for annual periods beginning on or after***
• Amendments to IFRS 7 *Financial Instruments*: Disclosures relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
• IFRS 7 *Financial Instruments*: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied
• IFRS 9 *Financial Instruments (2009)* issued in November 2009 introduces new requirements for the classification and measurement of financial assets. *IFRS 9 Financial Instruments (2010)* revised in October 2010 includes the requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement*.	At its November 2013 meeting, the IASB tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after 1 January 2017. However, IASB allows each version of the standard to be available for early application.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

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

2.3 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	***Effective for annual periods beginning on or after***
IFRS 9 *Financial Instruments (2013)* was revised in November 2013 to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the own credit gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9. IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). The various standards also permit various transitional options. Accordingly, entities can effectively choose which parts of IFRS 9 they apply, meaning they can choose to apply: (1) the classification and measurement requirements for financial assets (2) the classification and measurement requirements for both financial assets and financial liabilities (3) the classification and measurement requirements and the hedge accounting requirements.	
• Amendments to IAS 19 *Employee Benefits* - to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014
• Amendments to IAS 36 – *recoverable amount disclosures* The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognised or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.	1 January 2014
• Amendments to IAS 39 *Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting* The amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.	1 January 2014
• IFRIC 21 – *Levies* Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that give rise to the payment of the levy occurs.	1 January 2014

Notes to the financial statements
for the year ended 31 December 2013 (continued)

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

2.3 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted *(continued)*

New and revised IFRSs	***Effective for annual periods beginning on or after***
• Amendments to IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment Entities. On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs.	1 January 2014

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements for the period beginning 1 January 2014 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

3. Significant accounting policies

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates (U.A.E) Federal Law No. 8 of 1984 (as amended) and United Arab Emirates (U.A.E) Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organisation of its Operations.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments and investment property that have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The principal accounting policies adopted are set out below.

3. Significant accounting policies (continued)

3.3 Gross takaful contributions

3.3.1 Medical

Gross 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. Contributions include any adjustments arising in the accounting period for contributions receivable in respect of takaful contracts executed in prior accounting periods.

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 whilst maintaining the minimum reserve requirements required by the regulations relating to takaful companies. The proportion attributable to subsequent year is deferred as a provision for unearned contributions.

3.3.2 Life assurance contracts

In respect of the short term life assurance contracts, contributions are recognised as revenue (earned contributions) proportionately over the period of coverage. The portion of the contribution received in respect of in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned contribution liability. Contributions are shown before the deduction of the commission.

In respect of long term life assurance contracts, contributions are recognised as revenue (earned contributions) when they become payable by the contract holder. Contributions are shown before deduction of commission.

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.

Claims and benefits payable to contract holders are recorded as expenses when they are incurred.

3.4 Retakaful contribution

Gross retakaful contribution written comprise the total contribution payable for the whole cover provided by contracts entered into during the period and are recognised on the inception date of the policy. Contributions include any adjustments arising in the accounting period in respect of retakaful contracts incepting in prior accounting periods. Unearned retakaful contributions are those proportions of contribution written in a year that relate to periods of risk after the reporting date. Unearned retakaful contributions are deferred over the term of the underlying direct insurance policies.

Gross retakaful contribution on life is recognised as an expense when the policy becomes effective.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

3. Significant accounting policies (continued)

3.5 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.

3.6 Claims

Claims consist of amounts paid and payable to takaful contract holders and third parties and related loss adjustment expenses, net of other recoveries and are charged to statement of income as incurred. Provision for incurred but not reported claims is reflected in the statement of income.

The Company generally estimates its claims based on previous experience. Any difference between the provisions at the end of each reporting date and settlements in the following period is included in the underwriting account for that year.

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 relevant contract.

3.8 Policy acquisition costs

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are amortised over the terms of the policies as takaful contribution is earned.

3.9 Realised gains and losses

Realised gains and losses recorded in the statement of income on investments include gains and losses on financial assets. 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 General and administration expenses

Administration expenses are charged to the statement of income under shareholders' fund.

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. Significant accounting policies (continued)

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 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.

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

3.13 Receivables and payables related to Takaful contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and Takaful contract holders.

If there is objective evidence that the Takaful receivable is impaired, the Company reduces the carrying amount of the Takaful receivable accordingly and recognises that impairment loss in the statement of income.

3.14 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.

3.15 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 whilst maintaining the minimum reserve requirements required by the regulations relating to insurance companies. The proportion attributable to subsequent year is deferred as a provision for unearned contributions.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

3. Significant accounting policies (continued)

3.15 Takaful contract liabilities (continued)

(ii) Claims reported unsettled

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

(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 assurance fund

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. Adjustments to the balance of the fund are effected by charging to profit or loss.

(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. Refer to 3.24.3

3.16 Leases

The Company has no finance leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

3. Significant accounting policies (continued)

3.16 Leases (continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.17 Product classification

Takaful contracts are those contracts where a group of participants (the policyholders) mutually guarantee one another against prescribed uncertain future events of loss or damage, where the Company acts as a Wakil (agent) on their behalf in managing the Islamic insurance operations in consideration for a Wakalah fee. The contribution amounts paid net of the Wakalah fee are considered as funds available for the Company. The policyholders further donate their contribution to those other policyholders who suffer a prescribed event of loss or damage, payable per the policies of the Company, in its capacity as an agent. As a general guideline, the Company determines whether there is significant takaful risk, by comparing benefits paid with benefits payable if the insured event did not occur.

In case of deficit in policyholders operation, such deficit is funded by the shareholders as a Qard Hassan loan.

3.18 Property and equipment

The property and equipment are carried at cost less any accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of income.

Depreciation is calculated on a straight line basis over the estimated useful lives. Annual rates of depreciation used are as follows:

	%
Office equipment	20
Furniture and fixtures	20
Motor vehicles	20

Notes to the financial statements
for the year ended 31 December 2013 (continued)

3. Significant accounting policies (continued)

3.19 Investment property

Investment property, which is properties held to earn rentals and/or for capital appreciation, is stated at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in the statement of income.

3.20 Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.21 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL) and ‘other financial assets’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

‘Other financial assets ’comprise of: cash and bank balances, takaful and other receivables and investments carried at amortised cost.

The effective profit method is a method of calculating the amortised cost of a financial asset and of allocating profit income over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. Significant accounting policies (continued)

3.21 Financial assets (continued)

3.21.1 Cash and bank balances

Cash and bank balances comprise cash on hand and investment deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.21.2 Investments

Investments of the Company are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

3.21.2.1 Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

Investment linked components of insurance contracts are classified as at FVTPL. Any gains or losses arising on remeasurement of these assets and equivalent movements in reserves attributable to policyholders are offset within the statement of income.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the statement of income.

3.21.2.2 Investments carried at amortised cost

Debt instruments are measured at amortised cost if both of the following conditions are met:

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

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs (except if they are designated as at FVTPL). They are subsequently measured at amortised cost using the effective profit method less any impairment, with profit recognised on an effective yield basis.

The effective profit method is a method of calculating the amortised cost of a debt instrument and of allocating profit over the relevant period. The effective profit rate is the rate that exactly discounts the estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Company may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

3. Significant accounting policies (continued)

3.21 Financial assets (continued)

3.21.3 Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in profit or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties

For certain categories of financial assets, such as takaful receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective profit rate. For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of takaful receivables, where the carrying amount is reduced through the use of an allowance account. When a takaful receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in statement of income.

For financial assets measured at amortised cost, 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 previously recognised impairment loss is reversed through statement of income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.22 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained profit in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset.

3. Significant accounting policies (continued)

3.23 Equity instruments

3.23.1 Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

3.23.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

3.24 Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective profit rate method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company, and commitments issued by the Company to provide an Islamic financing at below market profit rate are measured in accordance with the specific accounting policies set out below.

3.24.1 Takaful, retakaful and other payables

Takaful, retakaful and other payables are initially measured at fair value, plus transaction costs and are subsequently measured at amortised cost using the effective profit method

3.24.2 Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held for trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective profit method. Profit expense that is not capitalised as part of costs of an asset is included in the statement of income.

The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other contributions or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.24.3 Financial liabilities designated as at FVTPL

Investment linked components of insurance contracts are designated as at FVTPL. Any gains or losses arising on remeasurement of these liabilities due to equivalent movements in remeasurement of assets attributable to policyholders are offset within the statement of income.

3. Significant accounting policies (continued)

3.24.4 Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments and are recognised in the statement of income.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

3.24.5 De-recognition of financial liabilities

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

3.25 Surplus/deficit in policyholders' fund

If the surplus in the policyholders' fund at the end of a year is sufficiently large, a percentage of the surplus shall be distributed between policyholders that have not made a claim, in proportion to their risk contributions to the fund after accounting for reserves. The distributions will be approved by the Company's Sharia'a Supervisory Board. Any remaining surplus after the distribution will remain in the policyholders' fund.

A deficiency in policyholders' fund is made good by a profit free loan (Qard Hassan) from the shareholders' fund. This loan is to be repaid from future surpluses arising from takaful operations on a priority basis. This loan is tested for impairment anuualy and the portion of the loan that is considered impaired is charged to the statement of income.

On liquidation of the fund, the accumulated surplus in the policyholders' fund, if any, after meeting all obligations (including repayment of the outstanding amount of profit free loan), will be dealt with after consulting with the Company's Sharia'a Supervisory Board. In case of an accumulated deficit, any profit free loan outstanding at the time of liquidation will not be repayable by the policyholders' fund and the shareholders' fund will forego such outstanding amount.

Any deficit in the policyholders' fund is financed by the shareholders through a Qard Hassan (a finance cost free loan with no repayment terms). The Company maintains a full provision against the Qard Hassan.

3.26 Employee benefits

3.26.1 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. Significant accounting policies (continued)

3.26 Employee benefits (continued)

3.26.2 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.

3.26.3 Provision for employees' end of service benefits

Provision is also made for the full amount of end of service benefit due to non-UAE national employees in accordance with the UAE Labour Law and is based on current remuneration and their period of service at the end of the reporting period.

The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service benefit is disclosed as a non-current liability.

3.27 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).

3.28 Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.29 Development properties

Development properties consists of property being developed principally for sale and is stated at the lower of cost or net realisable value. Cost comprises all direct costs attributable to the design and construction of the property including direct staff costs. Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs to complete and applicable variable selling expenses.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

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 of making a short term profit by the dealers. Other investments are classified as investments at amortised cost.

4.1.2 Classification of properties

In the process of classifying properties, management has made various judgments. Judgements are needed to determine whether a property qualifies as an investment property, property and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgement consistently in accordance with the definitions of investment property, property and equipment, property under development and property held for sale. In making its judgement, management has considered the detailed criteria and related guidance set out in IAS 2 – Inventories, IAS 16 – Property, Plant and Equipment, and IAS 40 – Investment Property, with regards to the intended use of the property.

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.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

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

4.2 Key sources of estimation uncertainty (continued)

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 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 Useful lives of property and equipment

Property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

4.2.4 Retakaful

The Company is exposed to disputes with, and possibility of defaults by, its retakaful providers. The Company monitors on a quarterly basis the evolution of disputes with and the financial strength of its retakaful providers and seeks legal opinion on such disputes as and when needed.

4.2.5 Impairment of takaful receivables

An estimate of the collectible amount of takaful receivables is made when collection of the full amount is no longer probable. This determination of whether the takaful receivables are impaired entails the Company evaluating, the credit and liquidity position of the policy holders and the takaful companies, historical recovery rates including detailed investigations carried out during 2013 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the statement of income. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the statement of income at the time of collection.

4.2.6 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.

4.2.7 Actuarial valuation of life takaful provision

Mortality and withdrawal rate assumptions used in actuarial valuation of life fund are based on experience and the most current industry standard mortality table.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

5. Cash and bank balances

	2013	2012
	AED	AED
Cash on hand	**38,537**	12,828
Bank balances		
Current accounts	**4,963,372**	9,709,091
Investment deposits	**-**	7,714,169
	5,001,909	17,436,088
Investment deposits with maturity over three months from the date of placements	**-**	(5,714,169)
Cash and cash equivalents	**5,001,909**	11,721,919

6. Statutory deposit

Statutory deposit is maintained in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of U.A.E. and are not available to finance the day to day operations of the Company.

7. Takaful and other receivables

	2013	2012
	AED	AED
Takaful receivables	**30,828,351**	53,129,258
Allowance for doubtful debts	**(1,260,616)**	-
	29,567,735	53,129,258
Staff receivables	**6,117,290**	2,270,763
Allowance for doubtful staff receivables	**(1,961,348)**	(732,193)
	33,723,677	54,667,828
Due from retakaful companies	**8,730,936**	8,048,315
Prepaid expenses and other receivables	**7,360,559**	5,696,829
	49,815,172	68,412,972

Notes to the financial statements
for the year ended 31 December 2013 (continued)

7. Takaful and other receivables (continued)

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.

Before accepting any new customer, the Company assesses the potential customers' credit quality and defines credit limits by customer. Takaful receivables include balances due from 3 customers amounting to AED 19,194,990 (2012: 25,734,286) which represent 62% (2012: 48%) of takaful receivables as at reporting date.

Aging of takaful receivables:

	2013 **AED**	2012 AED
Neither past due nor impaired	**20,341,475**	20,967,158
Past due but not impaired		
91-120 days	**6,755,374**	23,720,887
121 days and above	**2,470,886**	8,441,213
	9,226,260	32,162,100
Past due and impaired	**1,260,616**	-
Total takaful receivables	**30,828,351**	53,129,258

Movement in the allowance for doubtful debts:

	2013 **AED**	2012 AED
Balance at the beginning of the year	**-**	-
Allowance made during the year	**1,260,616**	-
Balance at the end of the year	**1,260,616**	-

Movement in the allowance for doubtful staff receivables:

	2013 **AED**	2012 AED
Balance at the beginning of the year	**732,193**	-
Allowance made during the year	**1,229,155**	732,193
Balance at the end of the year	**1,961,348**	732,193

Notes to the financial statements
for the year ended 31 December 2013 (continued)

8. 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:

	2013	2012
	AED	AED
Due from a related party		
Company under common management		
UNIQA Re AG-Austria, Switzerland	**2,413,743**	2,413,743

The amount outstanding is unsecured and will be settled in cash. No guarantees have been received.

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

	2013	2012
	AED	AED
Income from stop loss reinsurance	-	8,243,500
Retakaful contribution	**-**	1,000,000
Payment on account of development work-in-progress (Note 13)	**16,282,360**	**-**

Compensation of key management personnel

	2013	2012
	AED	AED
Short and long term benefits	**2,502,212**	3,756,000

Notes to the financial statements
for the year ended 31 December 2013 (continued)

9. Takaful contract liabilities and retakaful contract assets

	2013 AED	2012 AED
Gross takaful contract liabilities		
Claims reported unsettled	**5,632,562**	3,007,868
Claims incurred but not reported	**4,019,442**	664,000
Unearned contributions	**39,460,430**	58,635,417
Life takaful provision	**316,819**	196,396
Payable to policyholders of investment linked contracts	**9,660,820**	5,852,138
	59,090,073	68,355,819
Retakaful contract assets		
Claims reported unsettled	**2,112,932**	1,807,146
Claims incurred but not reported	**2,038,287**	398,400
Unearned contributions	**18,986,489**	37,502,509
	23,137,708	39,708,055
Net takaful contract liabilities		
Claims reported unsettled	**3,519,630**	1,200,722
Claims incurred but not reported	**1,981,155**	265,600
Unearned contributions	**20,473,941**	21,132,908
Life takaful provision	**316,819**	196,396
Payable to policyholders of investment linked contracts	**9,660,820**	5,852,138
	35,952,365	28,647,764

10. Investments at fair value through profit or loss

	2013 AED	2012 AED
Quoted equity securities	**16,129,529**	-
Mutual funds	**16,451,324**	30,811,235
	32,580,853	30,811,235

Movements during the year were as follows:

	2013 AED	2012 AED
Fair value at the beginning of the year	**30,811,235**	11,031,197
Purchases during the year	**57,653,904**	19,744,874
Disposals during the year	**(57,919,927)**	-
Increase in fair value during the year	**2,035,641**	35,164
Fair value at the end of the year	**32,580,853**	30,811,235

Notes to the financial statements
for the year ended 31 December 2013 (continued)

10. Investments at fair value through profit or loss (continued)

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

	2013 AED	2012 AED
Within U.A.E.	**16,205,629**	10,559,448
Outside U.A.E.	**16,375,224**	20,251,787
	32,580,853	30,811,235

11. Investments carried at amortised cost

	2013 AED	2012 AED
Debt securities	**6,713,816**	19,937,762

Movements during the year were as follows:

	2013 AED	2012 AED
Amortised cost at the beginning of the year	**19,937,762**	19,619,644
Disposals during the year	**(12,823,308)**	-
Effect of amortisation during the year	**427,259**	318,118
Impairment loss	**(827,897)**	-
	6,713,816	19,937,762

Investments at amortised cost comprise of the following:

	2013 AED	2012 AED
Within U.A.E.	**6,713,816**	19,937,762

Notes to the financial statements
for the year ended 31 December 2013 (continued)

12. Investment property

	2013 **AED**	2012 AED
Fair value at the end of the year	**10,500,000**	10,500,000

The investment property represents the fair value of the property located in U.A.E.

The Company has entered into a sale and purchase agreement with master developer for purchase of plot of land in prior years. The management of the Company is in the process of registering the title deed of the investment property.

13. Development work-in-progress

	2013 **AED**	2012 AED
Balance at the end of the year	**16,282,360**	-

Development work-in-progress represents payments 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., a related party.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

14. Property and equipment

	Office equipment AED	Furniture & fixtures AED	Motor vehicles AED	Total AED
Cost				
Balance at 31 December 2011	4,598,234	4,741,605	481,900	9,821,739
Additions during the year	4,005,683	2,423,648	-	6,429,331
Balance at 31 December 2012	8,603,917	7,165,253	481,900	16,251,070
Additions during the year	1,324,437	163,190	24,524	1,512,151
Disposals during the year	-	-	(385,824)	(385,824)
Balance at 31 December 2013	**9,928,354**	**7,328,443**	**120,600**	**17,377,397**
Accumulated depreciation				
Balance at 31 December 2011	966,683	3,197,043	105,063	4,268,789
Charged for the year	1,266,899	680,512	96,380	2,043,791
Balance at 31 December 2012	2,233,582	3,877,555	201,443	6,312,580
Charge for the year	1,906,638	867,125	67,306	2,841,069
Disposals during the year	-	-	(191,165)	(191,165)
Balance at 31 December 2013	**4,140,220**	**4,744,680**	**77,584**	**8,962,484**
Carrying amount				
Balance at 31 December 2013	**5,788,134**	**2,583,763**	**43,016**	**8,414,913**
Balance at 31 December 2012	6,370,335	3,287,698	280,457	9,938,490

Notes to the financial statements
for the year ended 31 December 2013 (continued)

14. Property and equipment (continued)

As at 31 December 2013, motor vehicles include Nil (2012: 2) motor vehicles amounting to AED Nil (2012: AED 348,900) registered in the name of the employees.

At 31 December 2013, the cost of fully depreciated property and equipment that was still in use amounted to AED 3,302,081 (2012: AED 3,094,072).

15. Takaful and other payables

	2013 AED	2012 AED
Takaful payables	**49,969**	1,660,007
Retakaful payables	**18,498,879**	41,683,621
Accrued expenses and other payables	**12,671,192**	5,899,007
	31,220,040	49,242,635

16. Provision for employees' end of service indemnity

Movements in the provision for employees' end of service indemnity during the year were as follows:

	2013 AED	2012 AED
Balance at the beginning of the year	**744,900**	359,674
Charge for the year	**392,418**	461,434
Paid during the year	**(143,306)**	(76,208)
Balance at the end of the year	**994,012**	744,900

17. Policyholders' fund

	2013 AED	2012 AED
Deficit in policy holders' fund		
Balance at beginning of year	**(8,701,793)**	(2,970,418)
Deficit for the year	**(20,269,861)**	(5,731,375)
Balance at the end of the year	**(28,971,654)**	(8,701,793)
Qard Hassan from shareholders		
Balance at beginning of year	**8,701,793**	2,970,418
Provision during the year	**20,269,861**	5,731,375
Balance at the end of the year	**28,971,654**	8,701,793
Total deficit in policy holders' fund	**-**	-

Notes to the financial statements
for the year ended 31 December 2013 (continued)

18. Share capital

	2013	2012
	AED	AED
Issued and fully paid:		
150,000,000 ordinary shares of AED 1 each		
(2012: 150,000,000 ordinary shares)	**150,000,000**	150,000,000

Notes to the financial statements
for the year ended 31 December 2013 (continued)

19. Net earned contributions

	31 December 2013			31 December 2012		
	Medical	**Life**	**Total**	Medical	Life	Total
	AED	**AED**	**AED**	AED	AED	AED
Gross contributions written	**81,080,448**	**10,884,389**	**91,964,837**	89,136,863	11,117,190	100,254,053
Change in unearned contributions and changes in payable to policyholders of investment linked contract	**19,747,217**	**(4,380,912)**	**15,366,305**	(52,680,667)	(6,129,242)	(58,809,909)
Takaful contributions earned	**100,827,665**	**6,503,477**	**107,331,142**	36,456,196	4,987,948	41,444,144
Retakaful contributions	**39,324,988**	**1,282,039**	**40,607,027**	57,148,940	1,523,156	58,672,096
Change in unearned contributions provision	**18,589,821**	**(73,801)**	**18,516,020**	(35,358,910)	(392,334)	(35,751,244)
Retakaful contributions ceded	**57,914,809**	**1,208,238**	**59,123,047**	21,790,030	1,130,822	22,920,852
Net earned contributions	**42,912,856**	**5,295,239**	**48,208,095**	14,666,166	3,857,126	18,523,292

Notes to the financial statements
for the year ended 31 December 2013 (continued)

20. Claims incurred

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	**36,783,150**	**138,794**	**36,921,944**	**(16,248,655)**	**(11,652)**	**(16,260,307)**	**20,534,495**	**127,142**	**20,661,637**
Movement in provision for claims reported unsettled	**2,624,694**	**-**	**2,624,694**	**(305,786)**	**-**	**(305,786)**	**2,318,908**	**-**	**2,318,908**
Movement in provision for claims incured 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	**42,763,286**	**138,794**	**42,902,080**	**(18,194,328)**	**(11,652)**	**(18,205,980)**	**24,568,958**	**127,142**	**24,696,100**

31 December 2012

	Gross			Retakaful			Net		
	Medical AED	Life AED	Total AED	Medical AED	Life AED	Total AED	Medical AED	Life AED	Total AED
Takaful claims paid	17,573,212	-	17,573,212	(9,567,847)	-	(9,567,847)	8,005,365	-	8,005,365
Movement in provision for claims reported unsettled	1,686,641	-	1,686,641	(1,344,716)	-	(1,344,716)	341,925	-	341,925
Movement in provision for claims insurred but not reported	254,980	-	254,980	(255,243)	-	(255,243)	(263)	-	(263)
Claims recorded in the statement of income	19,514,833	-	19,514,833	(11,167,806)	-	(11,167,806)	8,347,027	-	8,347,027

Notes to the financial statements
for the year ended 31 December 2013 (continued)

21. Wakalah fees

Wakalah fees for the year ended 31 December 2013 amounted to AED 30,574,046 (2012: AED 9,465,985). The fee is calculated at a maximum of 30% of takaful contribution earned for group medical policies and at a maximum of 60% of takaful donations for life takaful policies. Wakalah fee is charged to the statement of income when incurred.

22. Investment income - net

	2013 AED	2012 AED
Return on investment in fixed deposits	**120,521**	529,051
Effect of amortisation on investment carried at amortised cost	**427,259**	318,118
Gain on sale of investments at fair value through profit or loss	**3,862,178**	-
Unrealised gain on investments at fair value through profit or loss	**2,035,641**	35,164
Dividends received from investments at fair value through profit or loss	**-**	500,000
Gain on sale of investments carried at amortised cost	**660,893**	-
Profit on investments carried at amortised cost	**300,593**	701,078
Impairment loss on investments carried at amortised cost	**(827,897)**	-
	6,579,188	2,083,411

23. Other income-net

	2013 AED	2012 AED
Gain on sale of property and equipment	**39,265**	-
Allocation charge on life takaful policies and other charge – net	**935,616**	3,121,959
Income from stop loss reinsurance	**-**	8,243,500
Miscellaneous Income	**352,771**	203,019
	1,327,652	11,568,478

Notes to the financial statements
for the year ended 31 December 2013 (continued)

24. General and administrative expenses

	2013 AED	2012 AED
Salaries and other benefits	**17,674,782**	18,037,344
Rent	**1,730,290**	1,544,804
Legal fees	**1,882,260**	1,195,257
Remuneration of Sharia Supervisory Board	**154,135**	156,957
Depreciation	**2,841,069**	2,043,791
Third party administration fees (TPA) – medical insurance	**2,974,464**	1,970,697
Stop loss reinsurance contributions	**-**	1,000,000
Allowance for doubtful debts	**1,260,616**	-
Allowance for doubtful staff receivables	**1,229,155**	732,193
Miscellaneous expenses	**5,722,896**	6,563,824
	35,469,667	33,244,867

25. Basic and diluted loss per share

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

	2013	2012
Loss for the year attributable to shareholders (AED)	**(17,258,642)**	(15,858,368)
Weighted average number of shares outstanding during the year	**150,000,000**	150,000,000
Basic loss per share (AED)	**(0.12)**	(0.11)

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.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

28. 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.

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 2013						Year ended 31 December 2012					
	Underwriting			**Shareholders**			Underwriting			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	**100,827,665**	**6,503,477**	**107,331,142**	**6,579,188**	**1,327,652**	**7,906,840**	36,456,196	4,987,948	41,444,144	2,083,411	11,568,478	13,651,889
Segment result	**9,784,867**	**519,318**	**10,304,185**	**6,579,188**	**1,327,652**	**7,906,840**	3,992,056	(257,446)	3,734,610	2,083,411	11,568,478	13,651,889
Wakalah fees	**(29,979,707)**	**(594,339)**	**(30,574,046)**	**-**	**30,574,046**	**30,574,046**	(9,003,377)	(462,608)	(9,465,985)	-	9,465,985	9,465,985
Loss attributable to policy holders			**(20,269,861)**						(5,731,375)			
Unallocated costs						**(55,739,528)**						(38,976,242)
Net loss for the year						**(17,258,642)**						(15,858,368)

Notes to the financial statements
for the year ended 31 December 2013 (continued)

28. Segment information (continued)

Other information

	As at 31 December 2013						As at 31 December 2012					
	Underwriting			Shareholders		Total	Underwriting			Shareholders		Total
	Medical	Life	Total	Investments	Total		Medical	Life	Total	Investments	Total	
	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED	AED
Segment assets	**68,225,562**	**9,141,056**	**77,366,618**	**49,794,669**	**49,794,669**	**127,161,287**	106,628,953	7,905,817	114,534,770	68,963,166	68,963,166	183,497,936
Unallocated assets	**-**	**-**	**-**	**-**	**31,699,187**	**31,699,187**	-	-	-	-	19,660,409	19,660,409
Total assets	**68,225,562**	**9,141,056**	**77,366,618**	**49,794,669**	**81,493,856**	**158,860,474**	106,628,953	7,905,817	114,534,770	68,963,166	88,623,575	203,158,345
Segment liabilities	**79,054,572**	**11,255,541**	**90,310,113**	-	-	**90,310,113**	109,053,642	8,544,812	117,598,454	-	-	117,598,454
Unallocated liabilities	-	-	-	-	**994,012**	**994,012**	-	-	-	-	744,900	744,900
Total liabilities	**79,054,572**	**11,255,541**	**90,310,113**	-	**994,012**	**91,304,125**	109,053,642	8,544,812	117,598,454	-	744,900	118,343,354

29. 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 2013 and 2012.

(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.

30. 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.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

30. Financial instruments (continued)

(b) Categories of financial instruments

	2013 AED	2012 AED
Financial assets		
At amortised cost	**62,037,107**	109,695,998
At fair value	**32,580,853**	30,811,235
	94,617,960	140,507,233
Financial liabilities		
At amortised cost	**29,147,927**	46,702,555
At fair value	**9,660,820**	5,852,138
	38,808,747	52,554,693

31. 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.

(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.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

31. Risk management (continued)

(iii) Financial risk (continued)

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:

	2013	2012
	AED	AED
Statutory deposit	**4,000,000**	4,000,000
Takaful and other receivables	**43,907,639**	65,908,405
Bank balances	**4,963,372**	17,423,260
Retakaful share of claims	**2,112,932**	1,807,146
Investment carried at amortised cost	**6,713,816**	15,000,000
	61,697,759	104,138,811

(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.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

31. Risk management (continued)

(iii) Financial risk (continued)

(b) Liquidity risk *(continued)*

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 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
Due from a related party	2,413,743	-	-	2,413,743
Investments at FVTPL	32,580,853	-	-	32,580,853
Investments carried at amortised cost	-	-	6,713,816	6,713,816
Total	**55,737,593**	**28,166,551**	**10,713,816**	**94,617,960**
Financial liabilities				
Takaful and other payables	6,521,894	22,626,033	-	29,147,927
Investment linked contracts	9,660,820	-	-	9,660,820
Total	**16,182,714**	**22,626,033**	**-**	**38,808,747**

As at 31 December 2012:

	Less than three months AED	From 3 months to one year AED	Over 1 year AED	Total AED
Financial assets				
Cash and bank balances	11,000,053	6,436,035	-	17,436,088
Statutory deposit	-	-	4,000,000	4,000,000
Takaful and other receivables	34,711,925	31,196,480	-	65,908,405
Due from a related party	2,413,743	-	-	2,413,743
Investments at FVTPL	30,811,235	-	-	30,811,235
Investments carried at amortised cost	-	4,937,762	15,000,000	19,937,762
Total	78,936,956	42,570,277	19,000,000	140,507,233
Financial liabilities				
Takaful and other payables	68,503	46,634,052	-	46,702,555
Investment linked contracts	5,852,138	-	-	5,852,138
Total	5,920,641	46,634,052	-	52,554,693

31. 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 of risk that may be accepted by the Company is monitored on a regular basis by management.

(d) 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.

(e) 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.

Details of maturities of the major classes of profit generating financial instruments as at 31 December are as follows:

	Increase in basis points	**Effect on profit for the year AED**
2013		
Profit bearing assets	**+100**	86,099
2012		
Profit bearing assets	**+100**	222,790

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

The impact of changes in profit rate risk is not expected to be significant for the Company, as all financial assets and financial liabilities bears fixed profit rates.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

31. Risk management (continued)

(iii) Financial risk (continued)

(f) 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**
2013		
Equity securities	**6,516,171**	(6,516,171)
2012		
Equity securities	**6,162,247**	(6,162,247)

(g) 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.

32. 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.

Notes to the financial statements
for the year ended 31 December 2013 (continued)

32. Fair value measurements (continued)

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

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2012.

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. The following table gives information about how the fair values of these financial assets are determined;

Financial assets	**Fair value as at**					
	31 December 2013 AED	31 December 2012 AED	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
Financial assets at FVTPL						
Quoted equity securities	**16,129,529**	-	Level 1	Quoted bid prices in an active market.	None	N/A
Mutual funds	**16,451,324**	30,811,235	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value.

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).

Notes to the financial statements
for the year ended 31 December 2013 (continued)

32. 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
Financial assets				
31 December 2013				
Investments at FVTPL				
Quoted equities	**16,129,529**	**-**	**-**	**16,129,529**
Mutual funds	**-**	**-**	**16,451,324**	**16,451,324**
Investment property	**-**	**-**	**10,500,000**	**10,500,000**
	16,129,529	**-**	**26,951,324**	**43,080,853**
Financial liabilities				
Investment linked contract	**-**	**-**	**9,660,820**	**9,660,820**

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

The disclosure of comparative information in respect of the above is not made in these financial statements as IFRS 13 does not require to provide comparative information for period before initial application

33. Contingent liabilities and commitments

Contingent liabilities

	2013 AED	2012 AED
Letters of guarantee	**187,127**	262,272

Notes to the financial statements
for the year ended 31 December 2013 (continued)

33. Contingent liabilities and commitments (continued)

Commitments

The Company has lease agreements which are payable as follows:

	2013 AED	2012 AED
Less than one year	**1,308,126**	1,053,917
Between one and five years	**498,520**	92,436
	1,806,646	1,146,353

	2013 AED	2012 AED
Commitments towards purchase of property and equipment	**-**	251,850

34. Comparatives

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

	As previously reported at 31 December 2012 AED	Reclassifications AED	As restated at 31 December 2012 AED
Cash and bank balances (i)	21,436,088	(4,000,000)	17,436,088
Statutory deposit (i)	-	4,000,000	4,000,000
Post dated cheques received (ii)	2,014,768	(2,014,768)	-
Post dated cheques issued (ii)	1,146,353	(1,146,353)	-
Takaful and other receivables (ii)	67,544,557	868,415	68,412,972

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

(i) Reclassification was made to reflect the statutory deposit with bank and cash and bank balances.

(ii) Reclassification was made to reflect the post dated cheques received and issued by the Company and takaful and other receivables.

35. Approval of financial statements

The financial statements for the year ended 31 December 2013 were approved by the Board of Directors and authorised for issue on 16 March 2014.