Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)
Dubai - United Arab Emirates

Report and consolidated financial statements
for the year ended 31 December 2014

Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)

Contents

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INDEPENDENT AUDITOR'S REPORT

The Shareholders of
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)
Dubai
United Arab Emirates

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of **Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)** (the "Company") **and its Subsidiaries** (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), and for such internal control as management determined is necessary to enable the preparation of the consolidated financial statements that are free from material misstatements whether due to fraud or errors.

Auditor's Responsibility

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

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

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

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Deloitte.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC) and its Subsidiaries** as at 31 December 2014, and the Group's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Emphasis of matter

We draw attention to note 37 to the consolidated financial statements which explains that the Company entered into an agreement with the former Chief Executive Officer (CEO) on 9 July 2013 for the payment for and/or transfer of certain assets and investments that were held by him on trust and for the benefit of the Group. As of the date of this report, assets with a total carrying value of AED 20.85 million which are still in his name or owing from him, have not been yet transferred or paid to the Group. The Board of Directors is confident that this agreement will result in the realization of a minimum of the carrying value of assets and therefore no adjustments to the carrying value of the assets are required.

Our opinion is not qualified in respect of the above matter.

Report on Other Legal and Regulatory Requirements

Also, in our opinion, the Company has maintained proper books of account. We 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, and of the U.A.E. Federal Law No. 6 of 2007, concerning formation of Insurance Authority of U.A.E., or the Company's Articles of Association which might have materially affected the financial position of the Company or the results of its operations.

Deloitte & Touche (M.E.)

Musa Ramahi
Registration Number 872
30 March 2015

ديلويت اند توش
Deloitte & Touche

Consolidated statement of financial position
As at 31 December 2014

	Note	2014 AED	2013 AED
ASSETS			
Cash and cash equivalents	5	34,531,926	41,500,203
Investment deposits	6	35,000,000	35,000,000
Retakaful contract assets	7	215,450,357	151,513,721
Takaful receivables	8	68,370,485	78,158,888
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	9	114,506,374	115,767,630
Other financial assets measured at fair value through profit and loss (FVTPL)	9	21,795,800	13,046,013
Prepayments and other receivables	10	13,575,082	19,387,184
Due from related parties	29	7,441,904	97,000
Investment property	11	70,000,000	62,352,585
Furniture and equipment	12	3,605,335	4,297,714
Total Assets		584,277,263	521,120,938
LIABILITIES, POLICY HOLDERS' FUND AND EQUITY			
Liabilities			
Due to Bank	13	20,001,463	19,448,778
Trade and other payables	14	68,776,126	66,167,609
Takaful and Retakaful payables	15	57,683,516	59,401,357
Due to a related party	29	1,259,677	959,677
Takaful contract liabilities	7	303,872,373	253,961,889
Murabaha and Ijara payables	16	17,568,101	9,840,000
Amounts held under Retakaful treaties		3,760,605	3,188,892
Total liabilities		472,921,861	412,968,202
Policyholders' fund			
Deficit in policyholders' fund		(125,473,562)	(95,875,338)
Qard Hassan from shareholders		125,473,562	95,875,338
Proposed profit distribution to policyholders		-	1,765,346
Policyholders' investments revaluation reserve	9	(13,510,863)	(15,319,195)
Total deficit in policyholders' fund	17	(13,510,863)	(13,553,849)
Total Policyholders' Fund and Liabilities		459,410,998	399,414,353
Equity			
Share capital	18	225,750,000	225,750,000
Statutory reserve	19	18,729,615	18,004,919
General reserve	20	18,729,615	18,004,919
Investments revaluation reserve - FVTOCI	9	(59,637,987)	(63,768,809)
Accumulated losses		(69,926,025)	(69,254,375)
Equity attributable to shareholders of the Parent		133,645,218	128,736,654
Non-controlling interest		(8,778,953)	(7,030,069)
Total Equity		124,866,265	121,706,585
Total Liabilities, Policyholders' Fund and Equity		584,277,263	521,120,938

Jihad Faitrouni
Chief Executive Officer

Mohammed Omeir Yousef Almheiri
Chairman

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

Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)

Consolidated Income Statement
for the year ended 31 December 2014

	Note	2014 AED	2013 AED
Attributable to policyholders			
Takaful income			
Takaful contributions	21	**373,550,717**	344,835,854
Retakaful contributions ceded	21	**(231,022,219)**	(214,791,885)
Net Takaful contributions	21	**142,528,498**	130,043,969
Commission received on ceded Retakaful		**14,370,417**	10,579,198
Policy and survey fees		**14,028,240**	11,821,545
		170,927,155	152,444,712
Takaful expenses			
Gross claims incurred	22	**(225,676,479)**	(177,637,394)
Retakaful share of claims	22	**115,054,594**	51,282,510
Net claims incurred	22	**(110,621,885)**	(126,354,884)
Commissions paid		**(23,501,820)**	(23,847,348)
Excess of loss of Takaful contributions		**(8,396,349)**	(9,822,312)
		(142,520,054)	(160,024,544)
Net Takaful income/(loss)		**28,407,101**	(7,579,832)
Wakala fees	23	**(59,672,737)**	(52,839,247)
Net loss from Takaful operations		**(31,265,636)**	(60,419,079)
Investment income	24	**2,223,216**	1,166,130
Mudarib's share	23	**(555,804)**	(291,532)
Loss for the year		**(29,598,224)**	(59,544,481)
Attributable to shareholders			
Income			
Investment income	24	**9,908,674**	4,992,881
Wakala fees from policyholders	23	**59,672,737**	52,839,247
Mudarib's share from policyholders	23	**555,804**	291,532
Other income		**8,133,733**	4,214,965
		78,270,948	62,338,625
Expenses			
General and administrative expenses	25	**(48,178,037)**	(57,995,577)
Contribution of Qard Hassan to policyholders' fund		**(29,598,224)**	(59,544,481)
		(77,776,261)	(117,540,058)
Profit/(loss) for the year		**494,687**	(55,201,433)
Attributable to:			
Shareholders of the parent		**2,243,571**	(52,828,423)
Non-controlling interests		**(1,748,884)**	(2,373,010)
		494,687	(55,201,433)
Earnings/(loss) per share	26	**0.01**	(0.23)

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

Consolidated statement of comprehensive income
for the year ended 31 December 2014

	2014 AED	2013 AED
Profit/(loss) for the year	**494,687**	(55,201,433)
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets carried at fair value through other comprehensive income	**3,770,720**	35,534,830
Total comprehensive income/(loss) for the year	**4,265,407**	(19,666,603)
Attributable to:		
Shareholders of the parent	**6,014,291**	(17,293,593)
Non-controlling interests	**(1,748,884)**	(2,373,010)
	4,265,407	(19,666,603)

Consolidated statement of changes in equity for the year ended 31 December 2014

	Share capital AED	Statutory reserve AED	General reserve AED	Investments revaluation reserve - FVTOCI AED	Accumulated losses AED	Equity attributable to shareholders of the Parent AED	Non-controlling interests AED	Total AED
Balance at 31 December 2012	225,750,000	18,004,919	18,004,919	(99,303,639)	(15,377,384)	147,078,815	(4,657,059)	142,421,756
Loss for the year	-	-	-	-	(52,828,423)	(52,828,423)	(2,373,010)	(55,201,433)
Other comprehensive income	-	-	-	35,534,830	-	35,534,830	-	35,534,830
Total other comprehensive income/(loss) for the year	-	-	-	35,534,830	(52,828,423)	(17,293,593)	(2,373,010)	(19,666,603)
Zakat	-	-	-	-	(1,048,568)	(1,048,568)	-	(1,048,568)
Balance at 31 December 2013	225,750,000	18,004,919	18,004,919	(63,768,809)	(69,254,375)	128,736,654	(7,030,069)	121,706,585
Profit/(loss) for the year	-	-	-	-	2,243,571	2,243,571	(1,748,884)	494,687
Other comprehensive income for the year	-	-	-	3,770,720	-	3,770,720	-	3,770,720
Realized loss on sale of financial assets carried at fair value through other comprehensive income	-	-	-	360,102	(360,102)	-	-	-
Total other comprehensive income/(loss) for the year	-	-	-	4,130,822	1,883,469	6,014,291	(1,748,884)	4,265,407
Transfer to statutory reserve	-	724,696	-	-	(724,696)	-	-	-
Transfer to general reserve	-	-	724,696	-	(724,696)	-	-	-
Zakat	-	-	-	-	(1,105,727)	(1,105,727)	-	(1,105,727)
Balance at 31 December 2014	**225,750,000**	**18,729,615**	**18,729,615**	**(59,637,987)**	**(69,926,025)**	**133,645,218**	**(8,778,953)**	**124,866,265**

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

Consolidated statement of cash flows for the year ended 31 December 2014

	2014 AED	2013 AED
Cash flows from operating activities		
Profit/(loss) for the year	**494,687**	(55,201,433)
Adjustments for:		
Depreciation of furniture and equipment	**1,536,843**	1,602,813
Loss/(gain) on sale of investments measured at FVTPL, net	**2,455,018**	(5,944,084)
(Gain)/loss on revaluation of investment property	**(7,647,415)**	2,000,000
(Reversal)/allowance for doubtful receivables	**(1,700,000)**	7,900,000
Dividend income	**(6,060,575)**	(1,346,464)
Profit income	**(333,123)**	(361,201)
Provision for employees' end of service benefits	**1,304,038**	1,147,194
Changes in operating assets and liabilities:	**(9,950,527)**	(50,203,175)
(Increase)/decrease in Retakaful contract assets	**(63,936,636)**	10,207,089
Decrease in Takaful receivables	**11,488,403**	3,579,318
Decrease in prepayments and other receivables	**5,791,777**	3,872,216
Increase in Takaful contract liabilities	**49,910,484**	8,765,722
Increase/(decrease) in amounts held under Retakaful treaties	**571,713**	(120,546)
(Decrease)/increase in Takaful and Retakaful payables	**(1,717,841)**	11,378,589
(Decrease)/increase in trade and other payables	**(41,803)**	15,342,420
Increase in due to a related party	**300,000**	300,000
(Increase)/decrease in due from related parties	**(7,344,904)**	16,271
Cash (used in)/ generated from operations	**(14,929,334)**	3,137,904
Employees' end of service benefits paid	**(419,064)**	(321,851)
Net cash (used in)/from operating activities	**(15,348,398)**	2,816,053
Cash flows from investing activities		
Purchase of furniture and equipment	**(844,464)**	(1,642,059)
Proceeds from sale of furniture and equipment	**-**	458,536
Purchase of other financial assets measured at FVTPL	**(28,363,542)**	(8,848,515)
Proceeds from sale of other financial assets measured at FVTPL	**17,158,737**	21,636,849
Purchase of other financial assets measured at FVTOCI	**(2,721,305)**	-
Proceeds from sale of other financial assets measured at FVTOCI	**9,561,613**	-
Dividend income received	**6,060,575**	1,346,464
Profit income received	**353,448**	361,201
Net cash from investing activities	**1,205,062**	13,312,476
Cash flows from financing activities		
Repayment of Ijara payables	**(2,460,000)**	(3,280,000)
Receipts from Murabaha financing	**10,188,101**	-
Increase in due to bank	**552,685**	1,464,894
Zakat paid	**(1,105,727)**	(1,333,992)
Net cash from/(used in) financing activities	**7,175,059**	(3,149,098)
Net (decrease)/increase in cash and cash equivalents	**(6,968,277)**	12,979,431
Cash and cash equivalents at the beginning of the year	**41,500,203**	28,520,772
Cash and cash equivalents at the end of the year (Note 5)	**34,531,926**	41,500,203
Non-cash transaction:		
Profit distribution to policyholders	**1,765,346**	-

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

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

1. General information

Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC) is a public shareholding company and is registered under the Commercial Companies Law of 1984 (as amended). The Company carries out general Takaful (insurance) business in accordance with the principles of Islamic Sharia'a as interpreted by its Fatwa and Sharia Board. The Company is also licensed to engage in Retakaful and life Takaful business. The registered address of the Company is P.O. Box 157, Dubai, United Arab Emirates.

The Company obtained its commercial license on 12 March 2003 and commenced operations on 8 April 2003.

The Company mainly issues short term Takaful contracts in connection with motor, marine, fire and engineering, general accident risks and group life and medical risks (collectively known as general Takaful). The Company also invests in investment securities and properties.

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

The Company with its subsidiaries are together referred to as the "Group" in these consolidated financial statements. At 31 December 2014, the Company had the following subsidiaries:

Name of subsidiary	Place of incorporation (or registration) and operation	Beneficial of ownership profit %	Proportion of voting power held %	Principal activity
Nawat Investments L.L.C.	United Arab Emirates	100.00	100.00	Investment in commercial, industrial and agricultural enterprises and management.
Technik Auto Service Centre Co. L.L.C	United Arab Emirates	100.00	100.00	Vehicles' repair services
Amity Health L.L.C.	United Arab Emirates	51.00	51.00	Medical billing services

The former CEO (who resigned during 2013 - see Note 37) holds 1% of Nawat Investments L.L.C. and a related party holds 1% of Technik Auto Service Centre Co. L.L.C. on behalf and for the benefit of the Group.

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

2.1 New and revised IFRS applied with no material effect on the consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2014, have been adopted in these consolidated financial statements. The application of these revised and new IFRS 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 IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.

- Amendments to IAS 36 *Recoverable Amount Disclosures*
  The amendments restrict the requirements to disclose the recoverable amount of an asset or cash generating unit (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.

- 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.

- 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 IFRS.

2.2 New and revised IFRS in issue but not yet effective and not early adopted

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

New and revised IFRS	**Effective for annual periods beginning on or after**
• Finalised version of IFRS 9 (IFRS 9 *Financial Instruments* (2014)) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model. IFRS 9 (2009) and IFRS 9 (2010) were superseded by IFRS 9 (2013) and IFRS 9 (2010) also superseded IFRS 9 (2009). IFRS 9 (2014) supersedes all previous versions of the standard. 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 provided that the relevant date of the initial application is before 1 February 2015.	1 January 2018

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

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

New and revised IFRS	Effective for annual periods beginning on or after
• IFRS 15 *Revenue from Contracts with Customers*: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.	1 January 2017
• Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.	1 January 2016
• Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortization.	1 January 2016
• Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations.	1 January 2016
• Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	1 January 2016
• Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	1 January 2016
• Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	1 January 2016
• Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016
• Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	1 January 2016
• Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 38 and IAS 24.	1 July 2014
• Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	1 July 2014
• Amendments to IAS 19 *Employee Benefits* 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

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2015 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

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

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

The application of the finalised version of IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Group performs a detailed review.

3. Significant accounting policies

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards.

The articles of association of the Company require that separate accounts be maintained for Takaful operations on behalf of the policyholders. Accordingly, the directors have resolved to present the consolidated financial statements on that basis and comply with the Financial Accounting Standards issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) to the extent that these are compatible with International Financial Reporting Standards.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets, goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other that quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. Significant accounting policies (continued)

Basis of preparation (continued)

The consolidated financial statements are presented in Arab Emirates Dirham (AED).

The principal accounting policies are set out below.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group. Control is achieved where the Group has:

- power over an investee,
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the investor's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders and other parties;
- rights raising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns and previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the financial period are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss of each component of other comprehensive income is attributable to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. Significant accounting policies (continued)

Gross Takaful contributions

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. Contributions collected by intermediaries but not yet received, are assessed based on estimates from Takaful operations or past experience and are included in Takaful contributions.

Unearned contributions are those proportions of contributions written in a year that relate to periods of risk after the reporting date. Unearned contributions are calculated in accordance with Federal Law No.6 of 2007. The proportion attributable to subsequent periods is deferred as a provision for unearned contributions.

Claims

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

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate claims. 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 period.

Retakaful

The Group 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 Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the Retakaful can be measured reliably. The impairment loss is recorded in the consolidated income statement. Ceded Retakaful arrangements do not relieve the Group from its obligations to policyholders.

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 Retakaful 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 expired or when the contract is transferred to another party.

3. Significant accounting policies (continued)

Takaful contracts with a deposit component

Takaful contracts which contain both Takaful and deposit components are unbundled where Takaful component along with its associated rights and obligations are recorded in the consolidated income statement and where assets and liabilities pertaining to the deposit component of the Takaful contract are not recorded by the Group for the purpose described in Note 4 critical accounting judgments: Fiduciary/Wakeel activities.

Unbundling referred to above is required under IFRS 4 when:

1) The Group can measure the deposit component (including any embedded surrender options) separately (i.e. without considering the Takaful component).
2) The Group's accounting policies do not otherwise require it to recognize all obligations and rights arising from the deposit component.

Policy acquisition costs

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

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 Group reduces the carrying amount of the Takaful receivable accordingly and recognizes that impairment loss in the consolidated income statement.

Takaful contract liabilities

(i) Unearned contributions reserve

At the end of each year a proportion of net retained contributions of the general Takaful, medical and group life Takaful is reserved to cover portions of risks which have not expired at the reporting date. These reserves are calculated in accordance with the requirements of Federal Law No. 6 of 2007 relating to Takaful companies except medical and group life which are calculated on a daily pro-rata basis.

(ii) Outstanding claims

Retakaful contract liabilities are recognised when contracts are entered into and contributions are charged. These liabilities are known as the outstanding claims 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 expected value of salvage and 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.

3. Significant accounting policies (continued)

Takaful contract liabilities (continued)

(iii) Additional reserve

A provision is made for the estimated claims incurred but not reported at the reporting date and for potential shortfall in unearned contribution reserve as per the requirement of IFRS compared with minimum reserving requirements. The reserves represent management's best estimates on the basis of:

a) claims reported during the year;
b) delay in reporting these claims;
c) shortfall in the unearned contribution reserve by reference to the $1/8^{th}$ method; and
d) actuary estimate.

Product classification

Takaful contracts are those contracts where a group of participants (the policyholders) mutually cover one another against prescribed uncertain future events of loss or damage. The Group acts as an agent (Wakil) on their behalf in managing the Islamic Takaful operations, in consideration of a Wakala fee. Wakala fee is charged on gross Takaful contributions where the Group retained significant risk on such contributions. No Wakala fee is charged on those Takaful contributions where they retain insignificant risk. The Takaful amounts (contributions) paid net of the Wakala fee are considered as Mudaraba capital, where the Group acts as Mudarib, investing these funds in consideration of a pre-agreed share of the realised profit or loss, if any. The policyholders further donate their contributions (tabarru) to those other policyholders who suffer a prescribed event of loss or damage, payable per the policies of the Group, in its capacity as an agent.

Once a contract has been classified as a Takaful contract, it remains as a Takaful contract for the remainder of its lifetime, even if the Takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Deficit in policyholders' fund

Any deficit in the policyholders' fund, except for deficits arising from a decline in the fair value of securities, is financed by the shareholders through a Qard Hassan (a finance cost free loan with no repayment terms). The Group maintains a full provision against the Qard Hassan.

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.

Rental income from investment property which is leased under an operating lease is recognised on a straight-line basis over the term of the lease.

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. Significant accounting policies (continued)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

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.

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.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognised immediately in the consolidated income statement.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

Debt instruments, including receivables related to Takaful contracts, 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.

All other financial assets are subsequently measured at fair value.

Amortised cost and effective profit method

The effective profit method is a method of calculating the amortised cost of a debt instrument and of allocating profit income over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts (including all fees and 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.

Income is recognised on an effective profit basis for debt instruments (other than those financial assets designated as FVTPL) are measured subsequently at amortised cost. Profit income is recognised in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, in banks and deposits in banks with original maturity not more than three months from the date of placement.

Takaful, Retakaful and other receivables

Takaful, Retakaful and other receivables that have fixed or determinable payments are measured at amortised cost using the effective profit rate method, less any impairment.

Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through other comprehensive income (FVTOCI) (continued)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not transferred to consolidated income statement, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in the consolidated income statement when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

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

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

Debt instruments that do not meet the amortised cost criteria (as described above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement is included in the 'net investment income' line item in the consolidated income statement. Fair value is determined in the manner described in Note 34 to the consolidated financial statements.

Profit income on debt instruments as at FVTPL is included in the net gain or loss described above and is included in the 'net investment income' line item.

Dividend income on investments in equity instruments at FVTPL is recognised in the consolidated income statement when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue and is included in the net gain or loss described above.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in the consolidated income statement; and
- for financial assets that are designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments 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 financial assets and are recognised in the consolidated income statement.

Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for 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 assets, the estimated future cash flows of the asset have been affected.

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
- the disappearance of an active market for that financial asset because of financial difficulties.

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 reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective profit rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

De-recognition of financial assets

The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained profit in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised financing for the proceeds received.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated income statement.

On de-recognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to the consolidated income statement, but is reclassified to retained earnings.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group 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.

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 Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at 'FVTPL' or 'Other financial liabilities'.

Other financial liabilities, including takaful, retakaful and other payables, ijara and murabaha payable and due to banks are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective profit method, with profit expense recognized on an effective yield basis.

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 premiums 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. Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

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 consolidated income statement.

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.

De-recognition of financial liabilities

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

Furniture and equipment

Furniture and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement when incurred.

Depreciation is charged so as to write off the cost, over their estimated useful lives, using the straight-line method, as follows:

Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	4 years

The gain or loss arising on the disposal or retirement of an item of furniture and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated income statement.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the period in which the investment property is derecognised.

3. Significant accounting policies (continued)

Impairment of tangible assets

At the end of each reporting period, the Group 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 Group 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 consolidated income statement, 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 consolidated income statement, 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.

Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Foreign currencies

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

3. Significant accounting policies (continued)

Foreign currencies (continued)

Transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on 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.

Exchange differences are recognized in consolidated income statement in the year in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to finance costs on foreign currency financings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

Zakat

Zakat as approved by the Group's Sharia'a Supervisory Board is computed on the following basis:

- Zakat on shareholders' equity is deducted from retained earnings and is computed on their Zakat Pool (Statutory Reserve, General Reserve, Retained Earnings and employees' end of service benefits).
- Zakat is distributed by a committee appointed by the Board of Directors and operating as per the by-law set by the Board.
- Zakat on paid up capital and proposed dividend is not included in the Zakat computation and is payable directly by the shareholders themselves.

Provision for employees' end of service indemnity

Provision for employees' end of service indemnity is made in accordance with the Group's policy which meets the requirements of U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the reporting date.

Defined contribution plan

U.A.E. National employees in the United Arab Emirates are members of the Government-managed retirement pension and social security benefit scheme established pursuant to U.A.E. Federal Labour Law No. 7 of 1999. The Group is required to contribute 12.5% of the "contribution calculation salary" to the retirement benefit scheme to fund the benefits. These employees are also required to contribute 5% of the "contribution calculation salary" to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the consolidated income statement.

4. Critical accounting judgements and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in Note 3, management has made judgments that have the most significant effect on the amounts recognized in the consolidated financial statements and applied certain assumptions concerning the future, and other key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below:

Critical judgements in applying accounting policies

Valuation of unquoted equity investments

Valuation of unquoted equity investments is based on net book value (NBV) of the underlying investment. Management believes that the fair value using NBV approximates the fair value if valuation models were applied, as these investments are held in entities operating in the financial services industry where majority of the assets and liabilities are held at fair value.

Additional reserve

Management assesses the additional reserve for different Takaful classes as mentioned below:

a) For life Takaful, the management appointed an external actuary to calculate the required technical reserve taking into consideration of mortality rates and other probabilities which might vary from actuals once incurred;
b) Medical Takaful additional reserve is calculated on daily pro-rata basis; and
c) For other Takaful classes, based on past experience, uses the industry standard "1/8th method" to assess any potential shortfall in the unearned contribution reserve when compared with minimum reserving requirements. The additional reserve also includes provision for claims incurred but not recorded (IBNR) which is mentioned in the below judgement.

Provision for outstanding claims, whether reported or not

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

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

Critical judgements in applying accounting policies (continued)

Fiduciary/Wakeel activities

When assessing the recognition of certain financial assets relating to unit-linked life takaful products and their corresponding asset backed liabilities, management has determined that these financial assets along with their corresponding asset backed liabilities should not be recorded on the consolidated statement of financial position of the Group under IFRS as they are fiduciary activities as disclosed in Note 36.

Management's judgement for the above treatment is determined based on the following critical considerations:

- it is not probable that these financial assets will generate a future economic benefit for the Group;
- the Group does not have any exposure to risk and rewards of such financial assets, such risks and rewards accrue wholly to the customers;
- the assets are managed by an independent third party fund manager who has the ultimate discretion over the assets under management; and
- the Group only acts as a pass through vehicle for the investment proceeds received and redemptions requested from or by customers.

Key sources of estimation uncertainty

Useful lives of furniture and equipment

Furniture 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.

Impairment losses on Takaful receivables

The Group reviews its Takaful receivables on a regular basis to assess whether a provision for impairment should be recorded in the consolidated income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant Takaful receivables, the Group also makes a collective impairment provision against Takaful receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for Takaful receivables within each grade and is adjusted to reflect current economic changes.

Liability adequacy test

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

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

Key sources of estimation uncertainty (continued)

Retakaful

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

5. Cash and cash equivalents

	2014	2013
	AED	AED
Cash on hand	**1,113,467**	25,625
Bank current accounts	**33,418,459**	41,474,578
	34,531,926	41,500,203

6. Investment deposits

	2013	2012
	AED	AED
Restricted deposits	**10,000,000**	10,000,000
Fixed deposits	**25,000,000**	25,000,000
	35,000,000	35,000,000

Restricted deposits, which have fixed maturity of one year, represent the amounts that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with the U.A.E. Federal Law No. 6 of 2007.

Fixed deposits have a fixed maturity of three months to one year from the date of deposit and carry an average expected rate of return between 1.5% to 2% (2013: 2% to 5%). All fixed deposits are held by Islamic Banks.

7. Retakaful contract assets and Takaful contract liabilities

	Contract Liabilities		Contract Assets		Net	
	2014	2013	**2014**	2013	**2014**	2013
	AED	AED	**AED**	AED	**AED**	AED
Unearned contributions	**125,662,875**	115,830,199	**80,837,417**	71,883,180	**44,825,458**	43,947,019
Additional reserve	**23,280,586**	27,689,133	-	-	**23,280,586**	27,689,133
Outstanding claims	**154,928,912**	110,442,557	**134,612,940**	79,630,541	**20,315,972**	30,812,016
	303,872,373	253,961,889	**215,450,357**	151,513,721	**88,422,016**	102,448,168

Outstanding claims

	Contract Liabilities		Contract Assets		Net	
	2014	2013	**2014**	2013	**2014**	2013
	AED	AED	**AED**	AED	**AED**	AED
Balance at the beginning of the year	**110,442,557**	98,896,581	**79,630,541**	75,375,073	**30,812,016**	23,521,508
Movement during the year (Note 22)	**44,486,355**	11,545,976	**54,982,399**	4,255,468	**(10,496,044)**	7,290,508
Balance at the end of the year	**154,928,912**	110,442,557	**134,612,940**	79,630,541	**20,315,972**	30,812,016

Additional reserve

	2014	2013
	AED	AED
Balance at beginning of the year	**27,689,133**	13,245,010
Movement during the year (Note 21)	**(4,408,547)**	14,444,123
Balance at end of the year	**23,280,586**	27,689,133

8. Takaful receivables

	2014	2013
	AED	AED
Due from Takaful policy holders and brokers	**36,324,500**	44,841,338
Amounts due from Takaful and Retakaful companies	**42,245,985**	45,217,550
Less: Allowance for doubtful Takaful receivables	**(10,200,000)**	(11,900,000)
	68,370,485	78,158,888

Further details of credit risk on Takaful receivables are disclosed in Note 33(B) to the consolidated financial statements.

9. Other financial assets measured at fair value

	2014 AED	2013 AED
Financial assets measured at fair value through other comprehensive income (FVTOCI) (A)		
- Listed	**66,908,249**	68,371,412
- Unlisted	**47,598,125**	47,396,218
	114,506,374	115,767,630
Financial assets measured at fair value through profit and loss (FVTPL) (B)		
Financial assets measured at FVTPL	**21,795,800**	13,046,013
Total other financial assets measured at fair value (A+B)	**136,302,174**	128,813,643

Investments by geographic concentration are as follows:

	2014 AED	2013 AED
- Within U.A.E.	**69,785,105**	67,094,070
- Outside U.A.E.	**66,517,069**	61,719,573
	136,302,174	128,813,643

i. FVTOCI listed and unlisted securities are carried at a value of AED 114,506,374 (2013: AED 115,767,630), with a decline in their fair value from original acquisition cost amounting to AED 73,148,850 (2013: AED 79,088,004). Of this amount, AED 59,637,987 (2013: AED 63,768,809) is deducted from shareholders' equity and AED 13,510,863 (2013: AED 15,319,195) is deducted from policyholders' fund in accordance with the allocation of investment losses to the shareholders and policyholders as approved by the Group's Fatwa and Sharia'a Supervisory Board.

ii. Unlisted securities carried at a fair value of AED 47,598,125 (2013: AED 47,396,218) mainly represent the Group's investments in shares of companies registered in Dubai, Algeria, Kuwait and certain other international markets.

iii. The Group owns shares of Al Salam Bank - Bahrain and Al Salam Bank - Algeria which are held by the former CEO (who resigned during 2013 - see Note 37) on behalf and for the benefit of the Group [Note 29(a)].

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

10. Prepayments and other receivables

	2014 AED	2013 AED
Advances for acquisition of investment property	**3,000,000**	3,000,000
Less: Allowance for doubtful debts	**(2,000,000)**	(2,000,000)
	1,000,000	1,000,000
Prepayments	**3,920,431**	5,302,765
Other receivables	**8,654,651**	13,084,419
	13,575,082	19,387,184

11. Investment property

	2014 AED	2013 AED
Balance at beginning of the year	**62,352,585**	64,352,585
Gain/(loss) on revaluation of investment property	**7,647,415**	(2,000,000)
Balance at end of the year	**70,000,000**	62,352,585

The investment property comprises a plot of land purchased in 2007. The Group used the fair value model permitted under IAS 40 for determining the carrying value of the investment property. The property is subject to a facility from a local Islamic bank and is mortgaged as security against the Ijara payable. The valuation, which conforms to international valuation standards, was arrived at by reference to market evidence of transaction prices for comparable properties, and was determined by Real Estate Regulatory Authority (RERA).

Fair value hierarchy of the Group's investment properties are as follows:

At 31 December 2014

	Level 1 AED	**Level 2 AED**	**Level 3 AED**	**Total AED**
Investment property	-	-	**70,000,000**	**70,000,000**

At 31 December 2013

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Investment property	-	-	62,352,585	62,352,585

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

12. Furniture and equipment

	Motor vehicles AED	Furniture and fixtures AED	Office equipment AED	Total AED
Cost				
At 1 January 2013	624,435	6,879,736	6,866,047	14,370,218
Additions	476,135	422,833	743,091	1,642,059
Disposals	(476,135)	(22,092)	-	(498,227)
At 31 December 2013	624,435	7,280,477	7,609,138	15,514,050
Additions	271,578	341,891	230,995	844,464
At 31 December 2014	**896,013**	**7,622,368**	**7,840,133**	**16,358,514**
Accumulated depreciation				
At 1 January 2013	499,168	4,775,137	4,378,909	9,653,214
Charge for the year	138,762	729,165	734,886	1,602,813
Eliminated on disposals	(39,691)	-	-	(39,691)
At 31 December 2013	598,239	5,504,302	5,113,795	11,216,336
Charge for the year	57,224	757,290	722,329	1,536,843
At 31 December 2014	**655,463**	**6,261,592**	**5,836,124**	**12,753,179**
Net carrying amount				
At 31 December 2014	**240,550**	**1,360,776**	**2,004,009**	**3,605,335**
At 31 December 2013	26,196	1,776,175	2,495,343	4,297,714

13. Due to bank

The Group obtained a Sharia Compliant secured overdraft facility with a total limit of AED 20 million (2013: AED 20 million) from an Islamic bank in the U.A.E. to meet business requirements at commercial profit rates. The facility is secured by lien over fixed deposits based on a Mudarabah financing structure of AED 20 million (2013: AED 20 million) as margin in favor of the bank and mortgage of investment property under Ijara Muntahiya Bittamlik facility.

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

14. Trade and other payables

	2014 AED	2013 AED
Trade payables and accruals	**61,925,610**	60,261,294
Employees' end of service benefits	**5,742,277**	4,857,303
Zakat payable	**1,108,239**	1,049,012
Balance at end of the year	**68,776,126**	66,167,609

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

	2014 AED	2013 AED
Balance at beginning of the year	**4,857,303**	4,031,960
Amounts charged during the year	**1,304,038**	1,147,194
Amounts paid during the year	**(419,064)**	(321,851)
Balance at end of the year	**5,742,277**	4,857,303

15. Takaful and Retakaful payables

	2014 AED	2013 AED
Amount due to Takaful and Retakaful companies	**57,683,516**	59,401,357

16. Murabaha and Ijara payables

	2014 AED	2013 AED
Murabaha payable [Note 16(a)]	**10,188,101**	-
Ijara payable [Note 16(b)]	**7,380,000**	9,840,000
	17,568,101	9,840,000

(a) The Group has obtained a Murabaha finance from an Islamic bank in U.A.E during the year which carries a profit rate of 12 months EIBOR + 3% per annum with a minimum rate of 4.5% per annum. The facility is payable in one bullet payment at maturity in March 2015.

(b) The Group had obtained an Ijara finance of AED 16.4 million from an Islamic bank in the U.A.E which carries a profit rate of 3 months EIBOR + 2.5% per annum with a minimum rate of 7% per annum. The facility is payable over twenty quarterly payments ending on December 2016. The Ijara finance is secured by legal mortgage over the investment property.

17. Policyholders' Fund

	2014 AED	2013 AED
Deficit in Policyholders' Fund:		
Beginning balance of deficit in policyholders' fund	**(95,875,338)**	(36,330,857)
Loss for the year	**(29,598,224)**	(59,544,481)
Ending balance of deficit in policyholders' fund	**(125,473,562)**	(95,875,338)
Qard Hassan from shareholders (i)	**125,473,562**	95,875,338
Proposed profit distribution to policyholders (ii)	**-**	1,765,346
Investment revaluation reserve FVTOCI (iii)	**(13,510,863)**	(15,319,195)
Total deficit in policyholders' fund	**(13,510,863)**	(13,553,849)

(i) The shareholders finance the policyholders' deficit excluding loss related to negative fair value movements of investments in accordance with the Group's policy, through a Qard Hassan (a profit free loan with no repayment terms charged to consolidated income statement).

(ii) The Group started distribution of the profit to the policyholders in 2008 as approved by the Fatwa and Sharia'a Supervisory Board. The Group during the year has transferred the proposed distribution to the policyholders amounting AED 1,765,346 to other payables after obtaining approval from the Fatwa and Sharia'a Supervisory Board.

(iii) During the current year, the Group transferred to the policyholders their share of investment revaluation reserve FVTOCI of AED 13,510,863 (2013: AED 15,319,195) from the shareholders' equity in the same ratio as the policyholders share of investment losses.

18. Share capital

	2013 AED	2012 AED
Issued and fully paid: 225,750,000 ordinary shares of AED 1 each (2013: 225,750,000 ordinary shares)	**225,750,000**	225,750,000

19. Statutory reserve

In accordance with United Arab Emirates Federal Commercial Companies Law number 8 of 1984, as amended, the Group has established a statutory reserve by appropriation of 10% of the profit of the Parent Company for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law.

20. General reserve

The Group is required to transfer 10% of the profit of the Parent Company for the year to a general reserve in accordance with its Articles of Association. The reserve is available for distribution by a resolution of the shareholders of the Group at an ordinary general meeting, on the recommendation of the Board of Directors.

21. Takaful contributions earned

Year 2014	**Gross AED**	**Retakafuls' share AED**	**Net AED**
Takaful contracts contributions	**378,974,846**	**239,976,456**	**138,998,390**
Movement in provision for unearned contributions	**(9,832,676)**	**(8,954,237)**	**(878,439)**
Movement in additional reserve (Note 7)	**4,408,547**	**-**	**4,408,547**
Takaful contributions	**373,550,717**	**231,022,219**	**142,528,498**
Unearned contributions at reporting date (Note 7)	**125,662,875**	**80,837,417**	**44,825,458**

Year 2013	Gross AED	Retakafuls' share AED	Net AED
Takaful contracts contributions	342,055,600	200,329,328	141,726,272
Movement in provision for unearned contributions	17,224,377	14,462,557	2,761,820
Movement in additional reserve (Note 7)	(14,444,123)	-	(14,444,123)
Takaful contributions	344,835,854	214,791,885	130,043,969
Unearned contributions at reporting date (Note 7)	115,830,199	71,883,180	43,947,019

22. Takaful claims

	2014			2013		
	Gross AED	***Retakafuls' share AED***	***Net AED***	*Gross AED*	*Retakafuls' share AED*	*Net AED*
Takaful claims paid in the year	**181,190,124**	**60,072,195**	**121,117,929**	166,091,418	47,027,042	119,064,376
Changes in provision for outstanding claims (Note 7)	**44,486,355**	**54,982,399**	**(10,496,044)**	11,545,976	4,255,468	7,290,508
Claims recorded in income statement	**225,676,479**	**115,054,594**	**110,621,885**	177,637,394	51,282,510	126,354,884

23. Wakala fees and Mudarib's share

The Group manages the Takaful operations for the policyholders and charges 25% of the gross Takaful contributions net of gross unearned contribution as Wakala fees (2013: 25%). During the year, no Wakala fee was charged on gross Takaful contributions amounting to AED 140,283,897 (2013: AED 130,698,612) as the Group retained insignificant risk on such contributions and commission income from such business was significantly lower than the normal commission. Management therefore decided not to charge Wakala fee on these Takaful contributions. The Wakala fee was charged on a total gross contribution of AED 238,690,949 (2013: AED 211,356,988).

Wakala fee is calculated as follows:

	2014 AED	2013 AED
Gross Takaful contributions	**504,637,721**	457,885,799
Less: Unearned contribution (Note 7)	**(125,662,875)**	(115,830,199)
Net Takaful contributions	**378,974,846**	342,055,600
Less: Takaful contributions not subject to Wakala fee	**(140,283,897)**	(130,698,612)
	238,690,949	211,356,988
Percentage	**25%**	25%
Wakala fee for the year	**59,672,737**	52,839,247

The Group also manages the policyholders' investment funds and is entitled to 25% of net investment income earned by the policyholders' investment funds as the Mudarib's share. The Mudarib's share was AED 555,804 for the year (2013: AED 291,532).

24. Investment income

	2014 AED	2013 AED
Gain/(loss) on revaluation of investment property	**7,647,415**	(2,000,000)
(Loss)/gain on investments measured at FVTPL, net	**(2,455,018)**	5,944,084
Other investment income		
Income from investment deposits	**237,897**	222,537
Dividend income	**6,060,575**	1,346,464
Rental income	**479,770**	443,820
Other income	**161,251**	202,106
Distributable income	**12,131,890**	6,159,011

24. Investment income (continued)

	2014 **AED**	2013 AED
Allocated to:		
Policyholders	**2,223,216**	1,166,130
Shareholders	**9,908,674**	4,992,881
	12,131,890	6,159,011

Investment income and losses are allocated amongst the shareholders and the policyholders on a pro rata basis. This allocation to policyholders is approved by the Group's Fatwa and Sharia'a Supervisory Board on an annual basis.

25. General and administrative expenses

	2014 **AED**	2013 AED
Salaries and benefits	**31,071,641**	32,224,396
Rent	**4,440,249**	4,380,086
Legal and professional fees	**2,752,438**	3,979,053
Workshop charges	**1,776,904**	1,393,860
Depreciation (Note 12)	**1,536,843**	1,602,813
Communication	**1,298,535**	1,374,388
Repairs and maintenance	**960,893**	1,059,212
Printing and stationary	**809,972**	797,396
Travelling and conveyance	**318,903**	328,315
Advertising	**54,474**	264,321
Allowance for doubtful receivables [Note 33(b)]	**-**	7,900,000
Other	**3,157,185**	2,691,737
	48,178,037	57,995,577

26. Basic and diluted earnings per share

Earnings/(loss) per share are calculated by dividing profit/(loss) attributable to the shareholders for the year, by weighted average number of shares outstanding during the year.

	2014	2013
Profit/(loss) for the year attributable to shareholders of the parent *(In AED)*	**2,243,571**	(52,828,423)
Weighted average number of shares outstanding during the year	**225,750,000**	225,750,000
Earnings/(loss) per share *(In AED)*	**0.01**	(0.23)

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

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

27. Operating lease commitments

Operating leases relate to offices with a lease term of 1 year, with an option to extend. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

	2014 AED	2013 AED
Minimum lease payments under operating leases recognised as an expense during the year (Note 25)	**4,440,249**	4,380,086

At the end of the reporting date, the Group had no outstanding commitments under operating leases.

28. Fatwa and Sharia'a supervisory board

The Group's business activities are subject to the supervision of its Fatwa and Sharia'a Supervisory Board consisting of nine members appointed by the shareholders. The Fatwa and Sharia'a Supervisory Board perform a supervisory role in order to determine whether the operations of the Group are conducted in accordance with Sharia'a rules and principles.

29. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24: *Related Parties*. 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.

The significant balances outstanding at reporting date in respect of related parties included in the consolidated financial statements are as follows:

	31 December 2014			31 December 2013		
	Major shareholders AED	**Other related parties AED**	**Total AED**	Major shareholders AED	Other related parties AED	Total AED
Investment deposits	**-**	**5,000,000**	**5,000,000**	-	5,000,000	5,000,000
Carrying value of investments in ordinary shares [Note 29(a)]	**-**	**40,715,230**	**40,715,230**	-	44,006,063	44,006,063
Contributions receivable/(payable)	**897,189**	**-**	**897,189**	1,520,906	(477,480)	1,043,426
Cash and cash equivalents	**-**	**4,570,312**	**4,570,312**	-	5,856,455	5,856,455
Due from related parties [Note 29(b)]	**-**	**7,441,904**	**7,441,904**	-	97,000	97,000
Due to a related party	**-**	**1,259,677**	**1,259,677**	-	959,677	959,677

29. Related party transactions (continued)

(a) A major shareholder, who is a member of the Board of Directors, is also a Board Member of Al Salam Bank - Algeria and Al Salam Bank - Bahrain. The Group has equity investments in Al Salam Bank - Algeria and Al Salam Bank - Bahrain amounting to AED 40.7 million (31 December 2013: AED 44 million). The acquisition price of these transactions was approved by the Board of Directors at the time of the transactions.

Out of the total shareholding at the reporting date, 106,530 shares amounting AED 11 million of Al Salam Bank - Algeria were held by the previous CEO (who resigned during 2013 and no longer qualifies as a related party) on trust and for the benefit of the Group and the total shares of Al Salam Bank - Bahrain (5,476,149 shares amounting AED 6.79 million) are held by a company controlled by the former CEO (who resigned during 2013 and no longer qualifies as a related party), in trust and for the benefit of the Group. Refer to note 37 for further details

(b) Due from related parties represents the following:

	2014 AED	2013 AED
Entities owned by the Chairman of the Board of Directors		
Fast Rent A Car LLC, United Arab Emirates	**2,860,844**	-
Emirates Cab LLC, United Arab Emirates	**770,045**	-
Emirates Taxi LLC, United Arab Emirates	**3,713,081**	-
Fast Service Centre LLC, United Arab Emirates	**934**	-
Shareholder of a subsidiary		
Agility Global Health Solutions (Pty) Ltd, United Arab Emirates	**97,000**	97,000
Total	**7,441,904**	97,000

The income and expenses in respect of related parties included in the consolidated financial statements are as follows:

	2014			2013		
	Major shareholders AED	**Other related parties AED**	**Total AED**	Major shareholders AED	Other related parties AED	Total AED
Gross contributions	**1,743,967**	**16,040,073**	**17,784,040**	1,072,090	-	1,072,090
Gross claims	**807,936**	**18,539,842**	**19,347,778**	293,780	1,184,758	1,478,538
Profit share on investment deposits	**-**	**150,000**	**150,000**	-	221,107	221,107

Compensation of key management personnel is as follows:

	2014 AED	2013 AED
Short term employee benefits	**1,227,464**	1,894,211
End of service benefits	**39,900**	81,521
Total compensation paid to key management personnel	**1,267,364**	1,975,732

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

30. Segmental information

Operating Segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's management in order to allocate resources to the segment and to assess its performance. Information reported to the Group's Board of Directors for the purpose of resource allocation and assessment of performance is based on following strategic business activities:

- **Takaful activities** include the general, life and medical Takaful business undertaken by the Group.
- **Investment activities** represent investment and cash management for the Group's own account.

The following table presents segment information for the years ended 31 December 2014 and 31 December 2013.

	2014		2013		**Total**	
	Attributable to		Attributable to			
	Policyholders AED	**Shareholders AED**	Policyholders AED	Shareholders AED	**2014 AED**	2013 AED
Takaful						
Underwriting income	**170,927,155**	**-**	152,444,712	-	**170,927,155**	152,444,712
Underwriting expenses	**(142,520,054)**	**-**	(160,024,544)	-	**(142,520,054)**	(160,024,544)
Net underwriting income/(loss)	**28,407,101**	**-**	(7,579,832)	-	**28,407,101**	(7,579,832)
Wakala fees	**(59,672,737)**	**59,672,737**	(52,839,247)	52,839,247	**-**	-
	(31,265,636)	**59,672,737**	(60,419,079)	52,839,247	**28,407,101**	(7,579,832)
Investment						
Investment gain	**2,223,216**	**9,908,674**	1,166,130	4,992,881	**12,131,890**	6,159,011
Unallocated income and expenses	**-**	**(40,044,304)**	-	(53,780,612)	**(40,044,304)**	(53,780,612)
Mudarib fees	**(555,804)**	**555,804**	(291,532)	291,532	**-**	-
(Loss)/profit attributable to policyholders	**(29,598,224)**	**30,092,911**	(59,544,481)	4,343,048	**494,687**	(55,201,433)
Write off of Qard Hassan to policyholders' fund		**(29,598,224)**		(59,544,481)	**-**	-
Profit/(loss) for the year		**494,687**		(55,201,433)	**494,687**	(55,201,433)

**Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)**

30. Segmental information (continued)

Other information

	Takaful		Investment		Total	
	2014 AED	2013 AED	**2014 AED**	2013 AED	**2014 AED**	2013 AED
Segment assets	**341,975,089**	293,954,710	**242,302,174**	227,166,228	**584,277,263**	521,120,938
Segment liabilities	**441,842,897**	389,574,353	**17,568,101**	9,840,000	**459,410,998**	399,414,353
Capital expenditure	**844,464**	1,642,059	**-**	-	**844,464**	1,642,059
Depreciation	**1,536,843**	1,602,813	**-**	-	**1,536,843**	1,602,813

30. Segmental information (continued)

Secondary segment information

Takaful receivables comprise a large number of customers and Takaful companies mainly within the United Arab Emirates. Retakaful receivables are from the Retakaful companies based mainly in Europe and the Middle East.

The Group's financial position can be analysed by the following geographical regions:

	2014			2013		
	Assets AED	***Liabilities and equity AED***	***Contingent liabilities and commitments AED***	*Assets AED*	*Liabilities and equity AED*	*Contingent liabilities and commitments AED*
United Arab Emirates	**501,676,959**	**558,852,015**	**637,105**	413,117,491	498,331,221	589,855
Other Middle Eastern countries	**36,163,290**	**10,056,981**	**-**	33,115,344	10,412,958	-
Europe	**11,042,135**	**14,704,147**	**-**	26,723,899	8,752,793	-
Rest of the world	**35,394,879**	**664,120**	**-**	48,164,204	3,623,966	-
Total	**584,277,263**	**584,277,263**	**637,105**	521,120,938	521,120,938	589,855

31. Capital management

(i) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of 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 Group's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with delegated authorities and responsibilities from the board of directors to the Chief Executive Officers and other senior managers.

The board of directors meets regularly to approve any commercial, regulatory and organisational decisions. The board of directors defines the Group'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.

31. Capital management (continued)

(ii) Capital management framework

The primary objective of the Group'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 Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group has fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

(iii) Regulatory framework

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

The operations of the Group are also subject to regulatory requirements within the 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.

32. 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 recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

(b) Categories of financial instruments

	2014 **AED**	2013 AED
Financial assets		
At amortized cost	**153,998,966**	167,840,510
At fair value	**136,302,174**	128,813,643
	290,301,140	296,654,153
Financial liabilities		
At amortized cost	**163,308,210**	154,149,010

(c) Fair value of financial instruments

The fair values of the financial assets and financial liabilities at year-end approximate their carrying amounts in the consolidated statement of financial position.

33. Risk management

(i) Asset liability management (ALM) framework

Financial risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages these positions to achieve long-term investment returns in excess of its obligations under Takaful contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from Takaful contracts by reference to the type of benefits payable to contract holders.

The Group's management actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from Takaful contracts.

The Group's management regularly monitors the financial risks associated with the Group's other financial assets and liabilities not directly associated with Takaful liabilities.

The risks faced by the Group and the way these risks are mitigated by management are summarised below.

33A Takaful risk

The principal risk the Group 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 the Group is to ensure that sufficient reserves are available to cover these liabilities.

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

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly property, motor, marine, medical and group life. These are regarded as short-term Takaful contracts, as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate Takaful risk.

Property

Property Takaful is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the actual loss caused by the inability to use the insured properties.

For property Takaful contracts the main risks are fire and business interruption. In recent years the Group has targeted policies for properties containing fire detection and/or fire fighting equipment

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Group has Retakaful cover for such damage to limit losses for any individual claim to AED 350,000 (2013: AED 300,000).

33. Risk management (continued)

33A Takaful risk (continued)

Frequency and amounts of claims (continued)

Motor

Motor Takaful is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Group has Retakaful cover for such claims to limit losses for any individual claim to AED 250,000 (2013: AED 300,000)

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

Marine

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

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

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Group has Retakaful to limit losses for any individual claim to AED 350,000 (2013: AED 300,000).

Medical, group life and personal accident

Medical Takaful is designed to compensate the contract holders for medical costs. Group life and personal accident Takaful entitles the contract holders or their beneficiaries to specified amounts in case of death or permanent or partial disability.

For medical Takaful, the main risks are illness and related healthcare costs. For group life and personal accident the main risks are claims from death and permanent or partial disability. The Group generally does not offer medical Takaful to walk-in customers. Medical, group life and personal accident Takaful are generally offered to corporate customers with large population to be covered under the policy. The Group has Retakaful cover for such claims to limit losses for any individual claim to AED 500,000 (2013: AED 500,000) per annum per person for medical.

Geographical concentration of risks

The Takaful risk arising from Takaful contracts is concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to prior year.

33. Risk management (continued)

33A Takaful risk (continued)

Retakaful risk

In common with other Takaful companies, in order to minimise financial exposure arising from large Takaful claims, the Group, 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 effected under treaty, facultative and excess of loss Retakaful contracts.

To minimise its exposure to significant losses from Retakaful insolvencies, the Group evaluates the financial condition of its Retakaful and ensure diversification of Retakaful providers. The Group deals with Retakaful approved by the Board of Directors.

33B Financial risk

The Group's principal financial instruments are financial investments, receivables arising from Takaful and Retakaful contracts, investment deposits and cash and cash equivalents.

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

The Group does not enter into any derivative transactions.

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 Group, the maximum exposure to credit risk to the Group is the carrying value as disclosed in the consolidated statement of financial position.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- The Group only enters into Takaful and Retakaful contracts with recognised, credit worthy third parties. It is the Group'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 Group's exposure against defaults.

- The Group seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

- The Group's investments are managed in accordance with the guidance and the supervision of the Board of Directors.

- The Group's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

33. Risk management (continued)

33B Financial risk (continued)

Credit risk (continued)

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

	Notes	***2014*** ***AED***	*2013* *AED*
Cash and cash equivalents	5	**34,531,926**	41,500,203
Investment deposits	6	**35,000,000**	35,000,000
Takaful receivables	8	**68,370,485**	78,158,888
Other receivables	10	**8,654,651**	13,084,419
Due from related parties	29	**7,441,904**	97,000
		153,998,966	167,840,510

For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been made to the specific notes.The following table provides an age analysis of Takaful receivables arising from Takaful and Retakaful contracts:

	Neither past due nor impaired	*Past due but not impaired*				
	Up to 90 days AED'000	*90 to 120 days AED'000*	*Above 120 days AED'000*	*Sub-total AED'000*	*Past due and impaired AED'000*	*Total AED'000*
2014	**17,670**	**27,924**	**22,776**	**68,370**	**10,200**	**78,570**
2013	40,311	14,658	23,190	78,159	11,900	90,059

The average credit period for customers is 90 days. No profit on the past due receivables. The Group has provided for receivables based on the estimated irrecoverable amounts, determined by reference to past default experience and management's assessment of current economic conditions as to the future recoverability of these balances. All the past due and impaired Takaful receivables are above 1 year.

At the reporting date, there is no significant concentration of credit risk that will result in a loss to the Group. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. There are no significant concentrations of credit risk to receivables outside the industry in which the Group operates.

33. Risk management (continued)

33B Financial risk (continued)

Credit risk (continued)

Movement in the allowance for doubtful debts:

	2014 ***AED***	*2013* *AED*
At 1 January	**11,900,000**	4,000,000
Charge for the year (Note 25)	**-**	7,900,000
Reversal during the year	**(1,700,000)**	-
At 31 December	**10,200,000**	11,900,000

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with its financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The table below summarizes the maturity of the financial liabilities of the Group based on remaining discounted contractual obligations:

31 December 2014	***1 to 12 months AED***	***1 to 5 years AED***	***Over 5 years AED***	***Total AED***
Liabilities				
Due to Bank	**20,001,463**	**-**	**-**	**20,001,463**
Trade and other payables	**63,033,849**	**-**	**-**	**63,033,849**
Takaful and Retakaful payables	**57,683,516**	**-**	**-**	**57,683,516**
Murabaha and ijara payables	**13,468,101**	**4,100,000**	**-**	**17,568,101**
Amounts held under Retakaful treaties	**3,760,605**	**-**	**-**	**3,760,605**
Due to a related party	**1,259,677**	**-**	**-**	**1,259,677**
	159,207,211	**4,100,000**	**-**	**163,307,211**

31 December 2013	*1 to 12 months AED*	*1 to 5 years AED*	*Over 5 years AED*	*Total AED*
Liabilities				
Due to Bank	19,448,778	-	-	19,448,778
Trade and other payables	61,310,306	-	-	61,310,306
Takaful and Retakaful payables	59,401,357	-	-	59,401,357
Ijara payables	3,280,000	6,560,000	-	9,840,000
Amounts held under Retakaful treaties	3,188,892	-	-	3,188,892
Due to a related party	959,677	-	-	959,677
	147,589,010	6,560,000	-	154,149,010

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 Group is monitored on a regular basis by the Board of Directors.

Notes to the consolidated financial statements for the year ended 31 December 2014 (continued)

33. Risk management (continued)

33B Financial risk (continued)

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 Group 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.

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 Group to cash flow risk. The Group is exposed to profit rate risk on certain of its investments and investment deposits. The Group 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:

2014	*Less than 1 years AED*	*1 to 5 years AED*	*Over 5 years AED*	*Total AED*	*Effective profit rate*
Assets:					
Investment deposits	**35,000,000**	-	-	**35,000,000**	**1.5% to 2%**
Liabilities:					
Ijara payables	**3,280,000**	**4,100,000**	-	**7,380,000**	**Minimum 7% commercial profit rates**
Murabaha payables	**10,188,101**	-	-	**10,188,101**	**Minimum 4.5% commercial profit rates**
Due to bank	**20,001,463**	-	-	**20,001,463**	**Nil**
	33,469,564	**4,100,000**	-	**37,569,564**	
2013					
Assets:					
Investment deposits	35,000,000	-	-	35,000,000	2% to 5%
Liabilities:					
Ijara payables	3,280,000	6,560,000	-	9,840,000	Minimum 7% commercial profit rates
Due to bank	19,448,778	-	-	19,448,778	Nil
	22,728,778	6,560,000	-	29,288,778	

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

33. Risk management (continued)

33B Financial risk (continued)

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio.

The following table shows the sensitivity of fair values to 10% increase or decrease as at 31 December:

	Reflected in income statement		Reflected in other comprehensive income	
	Favourable change AED	Unfavourable change AED	Favourable change AED	Unfavourable change AED
2014				
Other financial assets measured at fair value	**2,179,580**	**(2,179,580)**	**11,450,637**	**(11,450,637)**
2013				
Other financial assets measured at fair value	1,304,601	(1,304,601)	11,576,763	(11,576,763)

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 Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

34. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Differences can therefore arise between book value under historical cost method and fair value estimates.

(a) Fair value of financial instruments measured at amortised cost

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

34. Fair value of financial instruments (continued)

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

Valuation of financial instruments recorded at fair value, is based on quoted market prices and other valuation techniques.

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

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

Fair value of the financial assets that are measured at fair value on a recurring basis

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

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
2014				
Other financial assets FVTOCI	**66,908**	-	**47,598**	**114,506**
Other financial assets FVTPL	**21,796**	-	-	**21,796**
	88,704	-	**47,598**	**136,302**
2013				
Other financial assets FVTOCI	68,372	-	47,396	115,768
Other financial assets FVTPL	13,046	-	-	13,046
	81,418	-	47,396	128,814

There were no transfers between level 1 and 2 during the years ended 31 December 2014 and 2013.

34. Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurement of other financial assets measured at FVTOCI:

	2014 AED'000	2013 AED'000
At 1 January	**47,396**	47,400
Additions during the year	**2,721**	-
Changes in fair value	**-**	(4)
Disposals during the year	**(2,519)**	-
At 31 December	**47,598**	47,396

The investments classified under Level 3 category have been fair-valued based on information available for each investment. Based on the information available the valuation has been carried on net asset value or valuation provided by the portfolio managers.

35. Contingencies

(a) At reporting date, the Group has contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business amounting AED 0.64 million (31 December 2013: AED 0.59 million).

(b) During the Company's Annual General Meeting (AGM) held on 25 April 2013, all members of the Board of Directors resigned and were not absolved from their liability for the consolidated financial statements for the year ended on 31 December 2012 by the shareholders. During the meeting, the shareholders requested the Emirates Securities and Commodities Authority (ESCA) to assemble an independent committee to investigate certain transactions executed during the term of the resigned Board of Directors. The new Board of Directors appointed on 29 July 2013 is confident that the outcome of such investigation will be in the Group's favour and therefore, no contingency provisions have been recorded by the Group.

36. Fiduciary/Wakeel activities

Financial assets held by the Group in Wakala (trust), where the Group is acting in a Wakeel (agent/ trustee) capacity on behalf of its customers relating to unit-linked life takaful products which are not recorded on the consolidated statement of financial position of the Group. Such financial assets held in a fiduciary capacity under Wakala arrangements as a Wakeel amounted to AED 466.69 million (2013: AED 437.14 million). The life takaful components of the unit-linked takaful products to which the Group has an insurance risk, has been unbundled and recorded as takaful contracts in the Group's consolidated financial statements in accordance with International Financial Reporting Standard 4 (IFRS 4: Insurance contracts).

Notes to the consolidated financial statements
for the year ended 31 December 2014 (continued)

37. Significant events

The former CEO of the Group resigned on 10 July 2013. The Company entered into an agreement with the former CEO on 9 July 2013 for the payment and/or transfer of certain assets and investments that were held by him or by entities controlled by him on trust and for the benefit of the Group. The Board of Directors is confident that this arrangement agreed will result in the realization of a minimum of the carrying value of assets due from him or held by him on trust and for the benefit of the Group and therefore no adjustments to the carrying value of the assets are required.

The settlement agreement referred to above contains the following 3 clauses:

(a) The advance of AED 5,358,581 to invest in a real estate project in the Emirate of Ajman will be returned to the Company.

(b) Transfer of shares of Al Salam Bank - Bahrain (currently held under the name of Leader Capital) together with the payment of any associated dividends due, to the Company's name.

(c) Transfer of legal ownership of Al Salam Bank - Algeria shares held by the previous CEO to the Company's name.

The Company has received an amount of AED 2.3 million during the previous year against the advance mentioned in clause (a) above, in addition to receiving dividends of Al Salam Bank - Bahrain pertaining to previous years amounting to AED 0.46 million.

38. Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation for the current year. These changes have been made to improve the quality and comparability of information presented. Such reclassification does not affect previously reported net profit or equity and accordingly, a 3 year consolidated statement of financial position has not been presented. The table below summarises the reclassification for the line items affected in the consolidated financial statements:

	As reported previously 2013 AED	**Reclassification AED**	**As currently reported in 2013 AED**
Consolidated income statement			
Attributable to policyholders			
Takaful contributions	506,279,091	(161,443,237)	344,835,854
Retakaful contributions ceded	(376,235,122)	161,443,237	(214,791,885)

39. Approval of consolidated financial statements

The consolidated financial statements for the year ended 31 December 2014 were approved by the Board of Directors and authorized for issue on 30 March 2015.