Dar Al Takaful PJSC

**Independent auditor's report
and financial statements
for the year ended 31 December 2014**

Dar Al Takaful PJSC

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Deloitte.

Deloitte & Touche (M.E.)
Building 3, Level 6
Emaar Square
Downtown Dubai
P.O. Box 4254
Dubai, United Arab Emirates

Tel: +971(0) 4 376 8888
Fax: +971(0) 4 376 8899
www.deloitte.com/middleeast

INDEPENDENT AUDITOR'S REPORT

The Shareholders
Dar Al Takaful PJSC
Dubai
United Arab Emirates

Report on the financial statements

We have audited the accompanying financial statements of **Dar Al Takaful PJSC (the "Company")**, which comprise the statement of financial position as at 31 December 2014, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Dar Al Takaful PJSC** as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

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

Deloitte & Touche (M.E.)

Musa Ramahi
Registration No. 872
29 March 2015

Statement of financial position
at 31 December 2014

	Notes	2014 AED	2013 AED
ASSETS			
Takaful operations' assets			
Investment in securities	5	**290,263**	364,784
Deferred policy cost	6	**7,567,652**	5,126,229
Retakaful assets	7	**31,578,266**	23,343,555
Takaful and other receivables	8	**71,787,584**	51,017,991
Cash and cash equivalents	9	**3,234,558**	2,437,049
Total takaful operations' assets		**114,458,323**	82,289,608
Shareholders' assets			
Property and equipment	10	**13,410,810**	11,330,358
Intangible assets	11	**465,133**	237,280
Investment properties	12	**41,798,936**	13,750,000
Investment in securities	5	**15,218,452**	20,891,882
Restricted deposits	13	**6,000,000**	6,000,000
Wakala deposits	14	**16,567,875**	15,000,000
Due from participants		**11,441,012**	8,892,065
Prepayments and other receivables	15	**18,617,976**	1,706,272
Cash and cash equivalents	9	**6,324,479**	25,611,396
Total shareholders' assets		**129,844,673**	103,419,253
Total assets		**244,302,996**	185,708,861

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

Statement of financial position
at 31 December 2014 (continued)

	Notes	2014 AED	2013 AED
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations' liabilities			
Deferred discount		**4,568,082**	2,037,083
Takaful contract liabilities	7	**121,632,906**	92,267,759
Takaful payables	16	**41,037,949**	26,396,813
Due to shareholders		**11,441,012**	8,892,065
Total takaful operations' liabilities		**178,679,949**	129,593,720
Takaful operations' deficit			
Qard Hassan against deficit in participants' fund	17(i)	**(63,931,382)**	(47,090,846)
Less: Provision against Qard Hassan to participants' Fund	17(ii)	**63,931,382**	47,090,846
Available-for-sale investments reserve	28	**(287,746)**	(213,266)
Total deficit from takaful operations		**(287,746)**	(213,266)
Total takaful operations' liabilities and deficit		**178,392,203**	129,380,454
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Other liabilities	18	**9,466,995**	2,686,739
Total shareholders' liabilities		**9,466,995**	2,686,739
Shareholders' equity			
Share capital	20	**100,000,000**	100,000,000
Statutory reserve	21	**540,483**	84,072
Accumulated losses		**(42,477,530)**	(46,585,232)
Available-for-sale investments reserve	28	**(1,619,155)**	142,828
Total shareholders' equity		**56,443,798**	53,641,668
Total shareholders' liabilities and equity		**65,910,793**	56,328,407
Total takaful operations' liabilities and deficit, shareholders' liabilities and equity		**244,302,996**	185,708,861

Abdul Aziz Al Bannai
Chairman

Saleh Al Hashimi
Managing Director

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

Statement of income
for the year ended 31 December 2014

	Notes	2014 AED	2013 AED
Attributable to participants'			
Underwriting income			
Gross contribution written	22	**151,378,910**	106,410,861
Movement in unearned contributions	22	**(26,728,329)**	(5,305,478)
Takaful contributions revenue		**124,650,581**	101,105,383
Retakaful share of contributions	22	**(48,858,770)**	(30,015,581)
Movement in retakaful share of unearned contributions	22	**9,108,197**	10,875,327
Net retakaful share of contributions		**(39,750,573)**	(19,140,254)
Net takaful revenue	22	**84,900,008**	81,965,129
Policy and other fees		**619,471**	372,251
Discount received on retakaful contributions		**6,085,828**	3,280,343
Total underwriting income		**91,605,307**	85,617,723
Underwriting expenses			
Claims incurred	23	**(85,849,096)**	(71,876,715)
Retakaful share of claims incurred	23	**29,551,571**	13,062,376
Net claims incurred	23	**(56,297,525)**	(58,814,339)
Policy acquisition cost		**(13,671,984)**	(10,571,385)
Excess of loss retakaful		**(2,571,705)**	(1,621,342)
Other underwriting expenses		**(708,445)**	(495,490)
Total underwriting expenses		**(73,249,659)**	(71,502,556)
Net underwriting income		**18,355,648**	14,115,167
Wakala fees	24	**(32,772,032)**	(24,492,812)
Expenses allocated to participants	25	**(2,431,760)**	(2,175,198)
Net deficit from takaful operations		**(16,848,144)**	(12,552,843)
Investment income	26	**10,128**	99,702
Mudarib's fee	24	**(2,520)**	(1,655)
Deficit for the year attributable to participants'		**(16,840,536)**	(12,454,796)

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

Statement of income
for the year ended 31 December 2014 (continued)

	Notes	2014 AED	2013 AED
Attributable to Shareholders			
Income			
Wakala fees from participants'	24	**32,772,032**	24,492,812
Mudarib's fee	24	**2,520**	1,655
Investment income	26	**13,739,857**	8,848,835
		46,514,409	33,343,302
Expenses			
General and administrative expenses	25	**(25,109,760)**	(20,047,788)
Profit for the year before Qard Hassan		**21,404,649**	13,295,514
Provision against Qard Hassan to participants'		**(16,840,536)**	(12,454,796)
Profit for the year attributable to shareholders'		**4,564,113**	840,718
Earnings per share	27	**0.046**	0.008

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

Statement of comprehensive income
for the year ended 31 December 2014

	2014 AED	2013 AED
Attributable to participants		
Loss for the year	**(16,840,536)**	(12,454,796)
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss		
Unrealized (loss)/gain on available-for-sale-investments	**(74,480)**	51,740
Other comprehensive (loss)/income for the year	**(74,480)**	51,740
Total comprehensive loss for the year attributable to participants	**(16,915,016)**	(12,403,056)
Attributable to Shareholders		
Profit for the year	**4,564,113**	840,718
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss		
Unrealized (loss)/gain on available-for-sale-investments	**(1,739,883)**	58,579
Transfer from equity on sale of available for sale investments	**(22,100)**	(110,111)
Other comprehensive loss for the year	**(1,761,983)**	(51,532)
Total comprehensive income for the year attributable to shareholders	**2,802,130**	789,186

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

Statement of changes in equity
for the year ended 31 December 2014

	Share capital AED	Statutory reserve AED	Accumulated losses AED	Available-for-sale investments reserve AED	Total AED
Balance at 1 January 2013	100,000,000	-	(47,341,878)	194,360	52,852,482
Profit for the year	-	-	840,718	-	840,718
Other comprehensive loss for the year	-	-	-	(51,532)	(51,532)
Total comprehensive income for the year	-	-	840,718	(51,532)	789,186
Transfer to statutory reserve	-	84,072	(84,072)	-	-
Balance at 31 December 2013	100,000,000	84,072	(46,585,232)	142,828	53,641,668
Profit for the year	-	-	4,564,113	-	4,564,113
Other comprehensive loss for the year	-	-	-	(1,761,983)	(1,761,983)
Total comprehensive income for the year	-	-	4,564,113	(1,761,983)	2,802,130
Transfer to statutory reserve	-	456,411	(456,411)	-	-
Balance at 31 December 2014	**100,000,000**	**540,483**	**(42,477,530)**	**(1,619,155)**	**56,443,798**

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

Statement of cash flows
for the year ended 31 December 2014

	2014 AED	2013 AED
Cash flows from operating activities		
Profit for the year	**4,564,113**	840,718
Adjustments for:		
Depreciation of property and equipment	**1,325,285**	1,575,948
Amortisation	**97,817**	6,045
Write off of property and equipment	**109,740**	-
Provision for doubtful receivables	**1,185,639**	816,872
Changes in the fair value of financial assets carried at FVTPL	**1,535,146**	(2,179,209)
Change in fair value of investment properties	**(4,879,436)**	(2,905,275)
Realised gain on sale of available-for-sale investments	**(385,363)**	(120,230)
Realised gain on sale of financial assets carried at FVTPL	**(7,577,404)**	(1,647,985)
Income from wakala deposits	**(222,251)**	(862,956)
Income from debt securities	**(219,505)**	(172,962)
Dividend income on securities	**(404,517)**	(57,967)
Rental income	**(1,577,284)**	(727,114)
Provision against qard hassan to participants' fund	**16,840,536**	12,454,796
Provision for employees' end of service benefits	**497,267**	343,299
Operating cash flows before changes in operating assets and liabilities	**10,889,783**	7,363,980
Increase in takaful and other receivables	**(21,955,232)**	(15,048,231)
Increase in prepayments and other receivables	**(16,911,704)**	(130,519)
Increase in deferred policy costs	**(2,441,423)**	(26,542)
Increase in retakaful assets	**(8,234,711)**	(11,573,328)
Increase in deferred discount received	**2,530,999**	1,242,078
Increase in takaful contract liabilities	**29,365,147**	13,184,224
Increase in takaful payables	**14,641,136**	13,468,427
Qard hassan to participants' fund	**(16,840,536)**	(12,454,796)
Increase/(decrease) in other liabilities	**6,455,219**	(444,088)
Cash used in operations	**(2,501,322)**	(4,418,795)
End of service benefits paid	**(172,230)**	(123,159)
Net cash used in operating activities	**(2,673,552)**	(4,541,954)
Cash flows from investing activities		
Purchase of property and equipment	**(3,627,517)**	(1,136,589)
Acquisition of intangible assets	**(213,630)**	(25,690)
Purchase of investment properties	**(23,169,500)**	(10,844,725)
Purchase of investment securities	**(46,312,615)**	(16,322,989)
Proceeds from sale of investment securities	**56,651,724**	4,464,140
Income received on Wakala deposits	**222,251**	1,004,213
Income received from debt securities	**219,505**	153,074
Dividend income received	**404,517**	57,967
Wakala deposits (made)/encashed during the year - net	**(1,567,875)**	18,000,000
Rental income	**1,577,284**	727,114
Net cash used in investing activities	**(15,815,856)**	(3,923,485)
Net decrease in cash and cash equivalents	**(18,489,408)**	(8,465,439)
Cash and cash equivalents at the beginning of the year	**28,048,445**	36,513,884
Cash and cash equivalents at the end of the year (Note 9)	**9,559,037**	28,048,445

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

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

1. General information

Dar Al Takaful PJSC (the "Company") is incorporated as a public joint stock company in accordance with the Federal Law No. 8 of 1984 (as amended) relating to commercial companies in the U.A.E. The Company carries out general takaful (Insurance), retakaful (reinsurance) and investments in accordance with the teachings of Islamic Shari'a and within the provisions of U.A.E. Federal Law no. 6 of 2007 relating to takaful companies and takaful agents and the Memorandum and Articles of Association of the Company. The address of the Company is PO Box 235353, Dubai, United Arab Emirates.

The Company obtained its commercial license on 23 July 2008 and commenced operations on 1 September 2008.

The Company mainly issues short term takaful contracts in connection with non-life takaful such as motor, marine, fire, engineering, medical and general accident risks (collectively known as general takaful). The Company also invests its funds in investment securities.

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

2.1 New and revised IFRS applied with no material effect on the 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 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.

New and revised IFRS	Effective for annual periods beginning on or after
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• 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.	1 January 2014
• 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.	1 January 2014

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

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

New and revised 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. A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.	1 January 2018
• IFRS 14 *Regulatory Deferral Accounts* issued in January 2014 specifies the financial reporting requirements for 'regulatory deferral account balance' that arise when an entity provides good or services to customers at a price or rate that is subject to rate regulation.	1 January 2016
• 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 IFRS 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7 and IAS 19.	1 January 2016
• Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortisation.	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

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
• 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 IFRS 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 IFRS 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 Company's 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 financial statements of the Company in the period of initial application.

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

3. Significant accounting policies

Statement of compliance

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

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 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.

Presentation

The statements of income and comprehensive income of the Company present separately the profit and loss, and the comprehensive income attributable to the participants and to shareholders.

The statement of financial position presents separately participants' fund and shareholders' fund assets and liabilities

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 period of risk after the reporting date. Unearned contribution is calculated as the higher of the amount determined on a daily prorate basis or "1/365" method and the requirements of UAE regulations on insurance companies as stated in the policy for takaful contract liabilities. The proportion attributable to subsequent year is deferred as a provision for unearned contributions.

Retakaful contribution

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

Gross retakaful contribution on life are recognised as an expense on the earlier of the date when contribution are payable or when the policy becomes effective.

3. Significant accounting policies (continued)

Discounts earned

Discounts earned are recognised at the time policies are written. Discount earned on outwards retakaful contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

Wakala fees

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

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 statement of income.

The Company 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 year.

Retakaful share of claims incurred

Retakaful share of claims are recognised when the related gross claim is recognised according to the terms of the relevant contract.

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.

Realised gains and losses

Realised gains and losses recorded in the statement of income on investments include gains and losses on financial assets. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying amount and are recorded on occurrence of the sale transaction.

General and administration expenses

Administration expenses are charged to the statement of income of shareholders's fund. Expenses related to participants are allocated to statement of income of participant's fund on the basis of guidelines issued by the Sharia'a and Supervisory board.

3. Significant accounting policies (continued)

Liability adequacy test

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

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

Retakaful

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

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

Ceded retakaful arrangements do not relieve the Company from its obligations to participants

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

Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.
Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Receivables and payables related to Takaful contracts

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

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

3. Significant accounting policies (continued)

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.

Leases

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

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

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.

Product classification

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

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

The Company does not have any investment contracts or any takaful contracts with Discretionary Participation Features (DPF).

3. Significant accounting policies (continued)

Surplus/deficit in policyholders' fund

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

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

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

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 Hasan (a finance cost free loan with no repayment terms). The Company maintains a full provision against the Qard Hasan.

Financial instruments

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

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

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

Financial assets

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

'Other financial assets 'comprise of: cash and cash equivalents, takaful and other receivables.

3. Significant accounting policies (continued)

Financial assets (continued)

Cash and cash equivalent

Cash and cash equivalent include cash on hand and deposits held with banks (excluding deposits held under lien) with original maturities of three months or less.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or profit earned on the financial asset and is included in the statement of comprehensive income.

Available-for-sale' (AFS) financial assets

The Company has investments that are not traded in an active market and are classified as AFS financial assets and stated at fair value because management considers that fair value can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative change in fair values with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair values is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

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

3. Significant accounting policies (continued)

Financial assets (continued)

Other financial assets

Other financial assets are measured at amortised costs using the effective profit method, less any impairment. Profit income is recognised by applying the effective profit rate, except for short-term receivables when the recognition of profit would be immaterial.

Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

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

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

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

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to statement of income in the period.

3. Significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

3. Significant accounting policies (continued)

Financial liabilities and equity instruments (continued)

Takaful, retakaful and other payables

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

Financial liabilities subsequently measured at amortised cost

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

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.

Foreign exchange gains and losses

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

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

De-recognition of financial liabilities

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

Property and equipment

Property and equipment, including owner-occupied property, is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Capital work-in-progress (CWIP) is not depreciated.

Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:

• Building	40 years
• Furniture and fixtures	4 years
• Office equipment	3 years
• Vehicles	5 years

3. Significant accounting policies (continued)

Property and equipment (continued)

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate at each financial year end.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognised.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other expenditure is recognised in the statement of income as the expense is incurred.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are amortised over the useful economic life of three years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the statement of income.

Amortisation is calculated on a straight line basis over the estimated useful lives of the assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of income when the asset is derecognised.

Takaful contract liabilities

(i) Unearned contributions reserve

Unearned contributions are those proportions of contributions written in a year that relate to period of risk after the reporting date. Unearned contribution is calculated as the higher of the amount determined on a daily pro-rata basis ("1/365" method) and 40% of annual contributions earned net of retakaful for all classes of Takaful except marine which is calculated at 25%.

The proportion attributable to a subsequent period is deferred as a provision for unearned contributions.

(ii) Claims reported unsettled

Contract liabilities are recognised when contracts are entered into and contributions are charged. These liabilities are known as the claims reported unsettled provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, after reduction for the 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) Claims incurred but not reported

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

The reserves represent management's best estimates on the basis of:

a) claims reported during the year
b) delay in reporting these claims

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is stated at its fair value at the end of each reporting period. Gains or losses arising from changes in the fair value of investment property are included in the statement of income.

Impairment of tangible and intangible assets

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

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

3. Significant accounting policies (continued)

Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the 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.

Foreign currencies

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

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

All foreign exchange differences are taken to the statement of income, except when it relates to items where gains or losses are recognised directly in comprehensive income. The gain or loss is then recognised net of the exchange component in other comprehensive income.

Provision for employees' end of service indemnity

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service year. The expected costs of these benefits are accrued over the year of employment.

With respect to its national employees and employees from other GCC countries, the Company makes contributions to the Government Social Insurance Scheme calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of financial assets

The Company determines whether AFS financial assets are impaired when there has been a decline in their fair value below cost. In making this judgment and to record whether impairment occurred, the Company evaluates among other factors, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

Provision for claims unsettled, 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)

Key sources of estimation uncertainty

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

Fair value of investment properties

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

Useful lives of property and equipment

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

Impairment losses on Takaful receivables

The Company reviews its Takaful receivables on a regular basis to assess whether a provision for impairment should be recorded in the statement of income. 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 Company 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.

Retakaful

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

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

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

Key sources of estimation uncertainty (continued)

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- Recent arms length market transactions;
- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for the items and with similar terms and risk characteristics; or
- Other valuation models

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Company calibrates the valuation techniques periodically and tests them for validity using either prices from observable current market transactions in the same instrument or from other available observable market data.

Liability adequacy test

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

5. Investment in securities

a) Available-for-sale investments

Available-for-sale investments comprise the following:

	2014 AED	2013 AED
Quoted equity securities in U.A.E.	**6,707,291**	3,501,369
Quoted debt securities in U.A.E.	**3,680,683**	3,680,683
Unquoted debt securities in U.A.E.	**4,003,600**	2,016,190
(A)	**14,391,574**	9,198,242

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

5. Investment in securities (continued)

b) Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprises the following:

	2014 AED	2013 AED
Quoted equity securities outside U.A.E.	-	1,872,609
Quoted equity securities in U.A.E.	**1,117,141**	10,185,815
(B)	**1,117,141**	12,058,424

		2014 AED	2013 AED
Attributable to:			
Participants		**290,263**	364,784
Shareholders		**15,218,452**	20,891,882
	(A + B)	**15,508,715**	21,256,666

Available-for-sale investments with fair value of AED 5.74 million (31 December 2013: AED 2.93 million) are registered in the name of a related party in trust and for the benefit of the Company.

	Available-for-sale AED	Fair value through profit or loss AED	Total AED
At 1 January 2014	**9,198,242**	**12,058,424**	**21,256,666**
Purchases during the year	**9,750,324**	**36,562,291**	**46,312,615**
Sold during the year	**(2,742,629)**	**(45,968,428)**	**(48,711,057)**
Fair value loss recorded in the statement of Income	-	**(1,535,146)**	**(1,535,146)**
Fair value loss recorded in the statement of comprehensive income	**(1,814,363)**	-	**(1,814,363)**
At 31 December 2014	**14,391,574**	**1,117,141**	**15,508,715**

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

5. Investment in securities (continued)

	Available-for-sale AED	Fair value through profit or loss AED	Total AED
At 1 January 2013	2,813,185	2,637,000	5,450,185
Purchases during the year	6,615,829	9,707,160	16,322,989
Sold during the year	(341,091)	(2,464,945)	(2,806,036)
Fair value gain recorded in the statement of income	-	2,179,209	2,179,209
Fair value gain recorded in the statement of comprehensive income	110,319	-	110,319
At 31 December 2013	9,198,242	12,058,424	21,256,666

6. Deferred policy cost

	2014 AED	2013 AED
At 1 January	**5,126,229**	5,099,687
Booked during the year	**16,113,407**	10,597,927
Charged to statement of income	**(13,671,984)**	(10,571,385)
	7,567,652	5,126,229

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

7. Takaful contract liabilities and retakaful assets

	2014 AED	2013 AED
Gross		
Takaful contract liabilities:		
Unearned contribution	**82,164,334**	55,436,005
Claims reported unsettled	**32,470,585**	31,763,593
Claims incurred but not reported	**6,997,987**	5,068,161
Total takaful contract liabilities, gross	**121,632,906**	92,267,759
Recoverable from retakaful		
Retakaful contract assets:		
Unearned contribution	**24,639,305**	15,531,108
Claims reported unsettled	**6,938,961**	7,812,447
Total retakaful share of takaful liabilities	**31,578,266**	23,343,555
Net		
Unearned contribution	**57,525,029**	39,904,897
Claims reported unsettled	**25,531,624**	23,951,146
Claims incurred but not reported	**6,997,987**	5,068,161
	90,054,640	68,924,204

8. Takaful and other receivables

	2014 AED	2013 AED
Contributions receivable	**63,328,952**	37,725,448
Receivable from reinsurance and other insurance companies	**13,145,810**	16,794,082
	76,474,762	54,519,530
Less: Provisions for doubtful receivables	**(4,687,178)**	(3,501,539)
	71,787,584	51,017,991

All of the above amounts are due within twelve months of the reporting date. The amounts due from retakaful are settled on a quarterly basis.

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

8. Takaful and other receivables (continued)

As at 31 December 2014, contribution and takaful companies' balances receivable at nominal value of AED 4.7 million (2013: AED 3.5 million) were impaired. Movements in provision for doubtful receivable was as follows:

	2014 **AED**	2013 AED
As at 1 January	**3,501,539**	2,684,667
Charge for the year (Note 25)	**1,185,639**	816,872
	4,687,178	3,501,539

9. Cash and cash equivalents

	2014 **AED**	2013 AED
Cash on hand	**47,540**	445,067
Bank balances		
Current accounts	**2,572,761**	1,895,305
Call accounts	**6,938,736**	6,208,073
Wakala deposits with maturity less than three months	**-**	19,500,000
	9,559,037	28,048,445
Attributable to:		
Participants	**3,234,558**	2,437,049
Shareholders	**6,324,479**	25,611,396
	9,559,037	28,048,445

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

10. Property and equipment

	Building AED	Furniture and fixtures AED	Office equipment AED	Vehicles AED	Capital work in progress AED	Total AED
Cost						
At 1 January 2013	10,226,500	4,513,268	2,067,969	-	224,405	17,032,142
Additions	-	92,980	141,564	300,000	602,045	1,136,589
Transfers	-	339,845	103,637	-	(443,482)	-
Transfer to intangible assets	-	-	-	-	(217,635)	(217,635)
At 31 December 2013	10,226,500	4,946,093	2,313,170	300,000	165,333	17,951,096
Additions	-	7,731	230,254	558,500	2,831,032	3,627,517
Transfer to intangible assets	-	-	-	-	(112,040)	(112,040)
Write off	-	(527,952)	-	-	-	(527,952)
At 31 December 2014	**10,226,500**	**4,425,872**	**2,543,424**	**858,500**	**2,884,325**	**20,938,621**
Accumulated depreciation						
At 1 January 2013	1,001,340	2,299,487	1,743,963	-	-	5,044,790
Charge for the year	255,672	1,047,365	242,911	30,000	-	1,575,948
At 31 December 2013	1,257,012	3,346,852	1,986,874	30,000	-	6,620,738
Charge for the year	255,672	754,811	204,702	110,100	-	1,325,285
Write off	-	(418,212)	-	-	-	(418,212)
At 31 December 2014	**1,512,684**	**3,683,451**	**2,191,576**	**140,100**	-	**7,527,811**
Carrying amount						
At 31 December 2014	**8,713,816**	**742,421**	**351,848**	**718,400**	**2,884,325**	**13,410,810**
At 31 December 2013	8,969,488	1,599,241	326,296	270,000	165,333	11,330,358

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

11. Intangible assets

	2014 AED	2013 AED
Cost		
At the beginning of the year	**1,969,150**	1,725,825
Additions during the year	**213,630**	25,690
Transfer from property and equipment	**112,040**	217,635
At 31 December	**2,294,820**	1,969,150
Accumulated amortization		
At the beginning of the year	**1,731,870**	1,725,825
Amortisation during the year	**97,817**	6,045
At 31 December	**1,829,687**	1,731,870
Net carrying amount	**465,133**	237,280

Intangible assets represent an ERP solution acquired by the Company for its takaful business.

12. Investment properties

	2014 AED	2013 AED
Balance at 1 January	**13,750,000**	-
Additions during the year	**23,169,500**	10,844,725
Increase in fair value during the year	**4,879,436**	2,905,275
Balance at 31 December	**41,798,936**	13,750,000

The investment properties represent the fair value of the properties located in U.A.E.

The fair value of the Company's investment properties as at 31 December 2014 and 2013 has been arrived at on the basis of valuations carried on the respective dates by independent valuers who are not related to the Company and have appropriate qualification and recent market experience in the valuation of properties in the United Arab Emirates. The fair value is mainly based on unobservable inputs (i.e. level 3).

The fair value was determined based on the market comparable approach that reflects recent transactions prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

12. Investment properties (continued)

The property rental income earned by the Company from its investment properties which are leased under operating leases and the direct operating expenses arising in the management of investment properties were as follows:

	2014 AED	2013 AED
Rental income	**2,313,773**	894,471
Direct operating expenses	**(736,489)**	(167,357)
Income from investment property (Note 26)	**1,577,284**	727,114

13. Restricted deposits

Wakala deposits held as restricted deposits are maintained in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of U.A.E. and are not available to finance the day to day operations of the Company.

These deposits have a fixed maturity of one year from the date of deposit and yield a profit rate of 0.65 % pa (2013: 1.10% pa).

14. Wakala deposits

Wakala deposits have a fixed maturity of 6 months and yield a profit rate of 0.75% p.a to 0.80% p.a (2013: 2.25% p.a to 2.40 % p.a).

15. Prepayments and other receivables

	2014 AED	2013 AED
Deposits	**414,925**	561,901
Prepaid expenses	**1,257,600**	1,026,063
Brokerage	**14,690,953**	-
Advance	**2,000,000**	-
Other receivables	**254,498**	118,308
	18,617,976	1,706,272

16. Takaful payables

	2014 AED	2013 AED
Due to insurance companies, garages and other third parties	**25,805,904**	15,252,440
Due to retakaful companies	**13,860,510**	10,313,415
Accrued expenses	**713,643**	501,218
Other payables	**657,892**	329,740
	41,037,949	26,396,813

17. Qard Hassan

	2014 AED	2013 AED
(i) Qard Hassan:		
As at 1 January	**(47,090,846)**	(34,636,050)
Deficit during the year	**(16,840,536)**	(12,454,796)
As at 31 December	**(63,931,382)**	(47,090,846)
(ii) Provision against Qard Hassan		
As at 1 January	**47,090,846**	34,636,050
Provision during the year	**16,840,536**	12,454,796
As at 31 December	**63,931,382**	47,090,846

The shareholders have funded the deficit in the participants' fund in accordance with the Company's policy through a Qard Hassan (free of finance charge with no repayment terms). During the current year the participant fund reported a deficit amounting to AED 16,840,536 (2013: deficit of AED 12,454,796).

18. Other liabilities

	2014 AED	2013 AED
Trade and other payables	**7,676,042**	1,332,295
End of service benefits (Note 19)	**1,130,855**	805,818
Accrued leave salary	**660,098**	548,626
	9,466,995	2,686,739

19. End of service benefits

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	**805,818**	585,678
Amounts charged during the year	**497,267**	343,299
Amounts paid during the year	**(172,230)**	(123,159)
Balance at end of the year	**1,130,855**	805,818

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

20. Share capital

	2014 AED	2013 AED
Issued and fully paid:		
100,000,000 ordinary shares of AED 1 each (31 December 2013: 100,000,000 ordinary shares)	**100,000,000**	100,000,000

21. Statutory reserve

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the law. For the year ended 31 December 2014, AED 456,411 (2013: AED 84,072) was transferred to statutory reserve.

22. Net contributions

	31 December 2014		
	Gross AED	**Retakaful share AED**	**Net AED**
Takaful contracts: Gross contributions written	**151,378,910**	**(48,858,770)**	**102,520,140**
Movement in unearned contributions	**(26,728,329)**	**9,108,197**	**(17,620,132)**
Takaful contributions revenue	**124,650,581**	**(39,750,573)**	**84,900,008**

	31 December 2013		
	Gross AED	Retakaful share AED	Net AED
Takaful contracts: Gross contributions written	106,410,861	(30,015,581)	76,395,280
Movement in unearned contributions	(5,305,478)	10,875,327	5,569,849
Takaful contributions revenue	101,105,383	(19,140,254)	81,965,129

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

23. Claims incurred

	31 December 2014		
	Gross AED	**Retakaful share AED**	**Net AED**
Takaful claims paid	**83,212,278**	**(30,425,057)**	**52,787,221**
Movement in provision for claims reported unsettled	**706,992**	**873,486**	**1,580,478**
Movement in provision for claims incurred but not reported	**1,929,826**	**-**	**1,929,826**
Claims recorded in the statement of income	**85,849,096**	**(29,551,571)**	**56,297,525**

	31 December 2013		
	Gross AED	Retakaful share AED	Net AED
Takaful claims paid	60,166,445	(8,532,851)	51,633,594
Movement in provision for claims reported unsettled	9,534,346	(4,529,525)	5,004,821
Movement in provision for claims incurred but not reported	2,175,924	-	2,175,924
Claims recorded in the statement of income	71,876,715	(13,062,376)	58,814,339

24. Wakala fees and Mudarib's fee

Wakala fees

Wakala fee for the year ended 31 December 2014 amounted to AED 32,772,032 (2013: AED 24,492,812). The fee is calculated at maximum of 30% of gross contribution of AED 151,378,910 (2013: AED 106,410,861) without any deduction of policy acquisition cost. Wakala fee is charged to the statement of income when incurred.

Mudarib's fee

The shareholders also manage the participants' investment funds and charge Mudarib's fee. Mudarib fee is charged at 50% of realised investment income. During the year, Mudarib's fee amounted to AED 2,520 (2013: AED 1,655) and was charged on total realised investment income amounting to AED 5,040 (2013: AED 3,310).

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

25. General and administrative expenses

	2014 AED	2013 AED
Staff cost	**19,327,323**	14,904,829
Marketing expenses	**500,003**	200,783
Administrative expenses	**4,738,926**	4,542,159
Depreciation and amortisation	**1,423,102**	1,581,993
Provision for doubtful debts	**1,185,639**	816,872
Other expenses	**366,527**	176,350
	27,541,520	22,222,986

	2014 AED	2013 AED
Allocated to:		
Shareholders	**25,109,760**	20,047,788
Participants	**2,431,760**	2,175,198
	27,541,520	22,222,986

26. Investment income

	31 December 2014		
	Participant AED	**Shareholders AED**	**Total AED**
Fair value (losses)/gains			
Financial assets carried at FVTPL	**(41)**	**(1,535,105)**	**(1,535,146)**
Fair value gain on investment properties (Note 12)	-	**4,879,436**	**4,879,436**
Realised gains			
Gain on sale of financial assets carried at FVTPL	-	**7,577,404**	**7,577,404**
Gain on sale of AFS investments	-	**385,363**	**385,363**
Other investment income			
Income from Wakala deposits	-	**222,251**	**222,251**
Dividend income	**5,040**	**399,477**	**404,517**
Income from debt securities	-	**219,505**	**219,505**
Rental income from investments properties (Note 12)	-	**1,577,284**	**1,577,284**
Other income	**5,129**	**14,242**	**19,371**
	10,128	**13,739,857**	**13,749,985**

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

26. Investment income (continued)

	31 December 2013 Participant AED	Shareholders AED	Total AED
Fair value gains			
Financial assets carried at FVTPL	77,584	2,101,625	2,179,209
Fair value gain on investment properties (Note 12)	-	2,905,275	2,905,275
Realised gains			
Gain on sale of financial assets carried at FVTPL	-	1,647,985	1,647,985
Gain on sale of AFS investments	-	120,230	120,230
Other investment income			
Income from Wakala deposits	-	862,956	862,956
Dividend income	3,310	54,657	57,967
Income from debt securities	-	172,962	172,962
Rental income from investments properties (Note 12)	-	727,114	727,114
Other income	18,808	256,031	274,839
	99,702	8,848,835	8,948,537

Investment income has been allocated to the shareholders and participants on the basis of investments held by each fund.

27. Earnings per share

Earnings per share are calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year as follows:

	2014	2013
Profit for the year attributable to shareholders (in AED)	**4,564,113**	840,718
Weighted average number of shares outstanding during the year	**100,000,000**	100,000,000
Basic and diluted earnings per share (in AED)	**0.046**	0.008

Diluted earnings per share as of 31 December 2014 and 31 December 2013 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

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

28. Available-for-sale investments reserve

This reserve records gains and losses arising from changes in fair value of available-for-sale investments (AFS).

29. Related party transactions

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

Related parties represent the major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

a) Balances with related parties

Balances with related parties included in the statement of financial position are as follows:

	2014 **AED**	2013 AED
Wakala deposit		
Major Shareholders	-	15,000,000
Takaful and other receivables		
Major Shareholders	**101,830**	321,971
Takaful and other payables		
Major Shareholders	**90,390**	116,942

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

29. Related party transactions (continued)

b) Transactions with related parties

Transactions with related parties included in the financial statements are as follows:

	2014 AED	2013 AED
Income from wakala deposits		
Major Shareholders	-	340,312
Contributions earned		
Major Shareholders	643,875	200,018
Other related parties	4,369,591	4,536,921
	5,013,466	4,736,939
Claims paid		
Major Shareholders	567,068	-
Other related parties	4,078,846	2,711,699
	4,645,914	2,711,699
Management charges paid		
Major Shareholders	396,000	360,000

c) Compensation of key management personnel

	2014 AED	2013 AED
Short-term benefits	4,498,812	3,683,183
Employees' end of service benefits	244,890	179,580
	4,743,702	3,862,763

Outstanding balances at the year-end arise in the normal course of business. For the years ended 31 December 2014 and 31 December 2013, the Company has not recorded any impairment of amounts owed by related parties.

30. Fatwa and Sharia'a supervisory board

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

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

31. Zakat

Zakat as approved by the Company's Sharia'a Supervisory Board amounted to AED 0.01256 per share (2013: 0.01669 per share).

The Management has opted to communicate the amount of Zakat payable to each shareholder, requiring them to pay their share of Zakat directly.

32. Segmental information

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

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

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

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

32. Segmental information (continued)

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

	2014			2013		
	Attributable to participants AED	**Attributable to shareholders AED**	**Total AED**	Attributable to participants AED	Attributable to shareholders AED	Total AED
Takaful						
Total underwriting income	**91,605,307**	**-**	**91,605,307**	85,617,723	-	85,617,723
Total underwriting expenses	**(73,249,659)**	**-**	**(73,249,659)**	(71,502,556)	-	(71,502,556)
Net underwriting income	**18,355,648**	**-**	**18,355,648**	14,115,167	-	14,115,167
Wakala fees	**(32,772,032)**	**32,772,032**	**-**	(24,492,812)	24,492,812	-
Expenses allocated to participants	**(2,431,760)**	**-**	**(2,431,760)**	(2,175,198)	-	(2,175,198)
	(16,848,144)	**32,772,032**	**15,923,888**	(12,552,843)	24,492,812	11,939,969
Investment						
Investment income	**10,128**	**13,739,857**	**13,749,985**	99,702	8,848,835	8,948,537
Unallocated other income and expenses	**-**	**(25,109,760)**	**(25,109,760)**	-	(20,047,788)	(20,047,788)
Mudarib's fees	**(2,520)**	**2,520**	**-**	(1,655)	1,655	-
Profit for the year	**(16,840,536)**	**21,404,649**	**4,564,113**	(12,454,796)	13,295,514	840,718

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

32. Segmental information (continued)

Other information

	Takaful		Investment		Total	
	2014 AED	2013 AED	**2014 AED**	2013 AED	**2014 AED**	2013 AED
Segment assets	**114,458,323**	82,289,608	**129,844,673**	103,419,253	**244,302,996**	185,708,861
Segment liabilities	**178,679,949**	129,593,720	**9,466,995**	2,686,739	**188,146,944**	132,280,459
Capital expenditure	-	-	**3,841,147**	1,162,279	**3,841,147**	1,162,279
Depreciation and amortisation	-	-	**1,423,102**	1,581,993	**1,423,102**	1,581,993

33. Capital management

(i) Governance framework

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

The Company'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 Managing director.

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

(ii) Capital management framework

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

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

(iii) Regulatory framework

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

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

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

34. Financial instruments

(a) Significant accounting policies

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

(b) Categories of financial instruments

	2014 AED	2013 AED
Financial assets		
At amortized cost	**119,274,872**	100,746,645
At fair value	**15,508,715**	21,256,666
	134,783,587	122,003,311
Financial liabilities		
At amortized cost	**48,000,348**	27,227,890

35. 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 Company manages these positions to achieve long-term investment returns in excess of its obligations under Takaful contracts. The principal technique of the Company'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 Managing Director actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from Takaful contracts.

The Managing Director regularly monitors the financial risks associated with the Company's other financial assets and liabilities not directly associated with Takaful liabilities.

The risks faced by the Company and the way these risks are mitigated by management are summarised as follows.

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

35. Risk management (continued)

35A Takaful risk

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

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

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly property, motor, marine, fire and medical risks. 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.

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 Company has retakaful cover for such claims to limit losses for any individual claim to AED 350,000 (2013: AED 350,000).

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.

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. The Company's policies aim careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

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 Company has retakaful cover for such damage to limit losses for any individual claim to AED 350,000 (2013: AED 350,000)

35. Risk management (continued)

35A Takaful risk (continued)

Frequency and amounts of claims (continued)

Liability

For miscellaneous accident classes of insurance such as loss of money, infidelity of employees, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten. The Company has retakaful to limit losses for any individual claim to AED 350,000 (2013: AED 350,000).

Medical

Medical takaful is designed to compensate the contract holders for medical costs. Personal accident insurance 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. The Company generally does not offer medical takaful to walk-in customers and is mainly offered to corporate customers with large population to be covered under the policy. The Company has retakaful to limit losses for any individual claim to 75%-80% of the claim amount.

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 Company has retakaful to limit losses for any individual claim to AED 350,000 (2013: AED 350,000).

Fire

Fire takaful is designed to compensate contract holders for damage and liability arising through loss or damage to the insured assets.

The Company's policies aim careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements. The Company has retakaful to limit losses for any individual claim to AED 350,000 (2013: AED 350,000).

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

35. Risk management (continued)

35A Takaful risk (continued)

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.

The table below sets out the concentration of contract liabilities by type of contract:

31 December 2014

	Gross liabilities AED	Retakaful share of liabilities AED	Net liabilities AED
Motor	**26,562,439**	**(2,162,495)**	**24,399,944**
Engineering	**3,569,090**	**(3,307,213)**	**261,877**
Fire	**2,060,533**	**(1,339,833)**	**720,700**
Liability	**216,175**	**(77,228)**	**138,947**
Others	**62,348**	**(52,192)**	**10,156**
Total	**32,470,585**	**(6,938,961)**	**25,531,624**

31 December 2013

	Gross liabilities AED	Retakaful share of liabilities AED	Net liabilities AED
Motor	24,122,184	(1,435,681)	22,686,503
Engineering	2,715,990	(2,541,057)	174,933
Fire	4,294,034	(3,526,435)	767,599
Liability	217,260	(13,933)	203,327
Others	414,125	(295,341)	118,784
Total	31,763,593	(7,812,447)	23,951,146

Retakaful risk

As general industry practice and in order to minimise financial exposure arising from large Takaful claims, the Company, in the normal course of business, enters into arrangements with other parties for retakaful purposes. Such retakaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the retakaful is effected under treaty, facultative and excess of loss retakaful contracts.

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

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

35. Risk management (continued)

35B Financial risk

The Company's principal financial instruments are investment securities, wakala deposits, takaful receivables, other receivables and cash and cash equivalents.

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

The Company does not enter into any derivative transactions.

Credit risk

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

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

- The Company only enters into Takaful and retakaful contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from Takaful and retakaful contracts are monitored on an ongoing basis in order to reduce the Company's exposure against defaults.
- The Company 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 Company's investments are managed by the Managing Director in accordance with the guidance of the investment committee and the supervision of the Board of Directors.
- The Company's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

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

	2014 **AED**	2013 AED
Financial instruments - Debt securities	**7,684,283**	5,696,873
Restricted deposits	**6,000,000**	6,000,000
Wakala deposits	**16,567,875**	15,000,000
Takaful receivables	**71,787,584**	51,017,991
Other receivables	**15,360,376**	680,209
Bank balances and wakala deposits	**9,511,497**	27,603,378
Retakaful share of claims	**6,938,961**	7,812,447
	133,850,576	113,810,898

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

35. Risk management (continued)

35B Financial risk (continued)

Credit risk (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit rating of counterparties.

31 December 2014

	Unimpaired				
	High grade AED	Standard grade (satisfactory) AED	Sub-standard grade (unsatisfactory) AED	Post due and impaired AED	Total AED
Investment securities	7,684,283	-	-	-	7,684,283
Takaful receivable	-	71,787,584	-	4,687,178	76,474,762
Retakaful share of claims	-	6,938,961	-	-	6,938,961
Deposits and advance	15,105,878	-	-	-	15,105,878
Other receivables	-	254,498	-	-	254,498
Restricted deposits	6,000,000	-	-	-	6,000,000
Wakala deposits	16,567,875	-	-	-	16,567,875
Bank balances	9,511,497	-	-	-	9,511,497
	54,869,533	78,981,043	-	4,687,178	138,537,754
Less: Impairment provision (Note 8)					(4,687,178)
					133,850,576

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

35. Risk management (continued)

35B Financial risk (continued)

Credit risk (continued)

31 December 2013

	Unimpaired				
	High grade AED	Standard grade (satisfactory) AED	Sub-standard grade (unsatisfactory) AED	Post due and impaired AED	Total AED
Investment securities	5,696,873	-	-	-	5,696,873
Takaful receivable	-	51,017,991	-	3,501,539	54,519,530
Retakaful share of claims	-	7,812,447	-	-	7,812,447
Deposits	561,901	-	-	-	561,901
Other receivables	-	118,308	-	-	118,308
Restricted deposits	6,000,000	-	-	-	6,000,000
Wakala deposits	15,000,000	-	-	-	15,000,000
Bank balances	27,603,378	-	-	-	27,603,378
	54,862,152	58,948,746	-	3,501,539	117,312,437
Less: Impairment provision (Note 8)					(3,501,539)
					113,810,898

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 the UAE and some of the retakaful payable in Europe (rest of the world).

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***		***Unimpaired***		
	Up to 60 days AED	***60 to 120 days AED***	***Above 120 days AED***	***Total AED***	***Past due and impaired AED***	***Total AED***
31 December 2014	**23,970,428**	**14,586,668**	**33,230,488**	**71,787,584**	**4,687,178**	**76,474,762**
31 December 2013	19,104,087	6,361,131	25,552,773	51,017,991	3,501,539	54,519,530

35. Risk management (continued)

35B Financial risk (continued)

Credit risk (continued)

For assets to be classified as 'past due and impaired' contractual payments in arrears are more than 180 days and impairment adjustment is recorded in the statement of income. When the credit exposure is adequately secured or when the management is confident of recovery, arrears more than 180 days might still be classified as 'past due but not impaired', with no impairment adjustment recorded.

There are no significant concentrations of credit risk to receivables outside the industry in which the Company operates.

Impaired financial assets

At 31 December 2014 there are impaired contribution receivables and retakaful receivable of AED 4,687,178 (2013: AED 3,501,539). The Company records impairment allowances in a separate impairment allowance account.

Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Collateral is mainly obtained in the form of post dated cheques and guarantees.

(a) Financial instruments - investments

Investments in financial assets represent investments in quoted and unquoted equity and debt instruments of companies incorporated in the United Arab Emirates, and outside United Arab Emirates (Note 5).

(b) Cash and cash equivalents

Cash and cash equivalents of the Company are with Banks and other financial institutions registered and operate in the United Arab Emirates.

Liquidity risk

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

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

35. Risk management (continued)

35B Financial risk (continued)

Liquidity risk (continued)

31 December 2014

	Less than one year AED	**More than one year AED**	**No Term AED**	**Total AED**
Assets				
Investment securities	-	**1,000,000**	**14,508,715**	**15,508,715**
Restricted deposits	-	-	**6,000,000**	**6,000,000**
Wakala deposits	**16,567,875**	-	-	**16,567,875**
Takaful receivables	**71,787,584**	-	-	**71,787,584**
Other assets	**15,360,376**	-	-	**15,360,376**
Cash and cash equivalents	**9,559,037**	-	-	**9,559,037**
	113,274,872	**1,000,000**	**20,508,715**	**134,783,587**
Liabilities				
Takaful payables	**40,324,306**	-	-	**40,324,306**
Other liabilities	**7,676,042**	-	-	**7,676,042**
	48,000,348	-	-	**48,000,348**

31 December 2013

	Less than one year AED	More than one year AED	No term AED	Total AED
Assets				
Investment securities	-	1,000,000	20,256,666	21,256,666
Restricted deposits	-	-	6,000,000	6,000,000
Wakala deposits	15,000,000	-	-	15,000,000
Takaful receivables	51,017,991	-	-	51,017,991
Other assets	680,209	-	-	680,209
Cash and cash equivalents	28,048,445	-	-	28,048,445
	94,746,645	1,000,000	26,256,666	122,003,311
Liabilities				
Takaful payables	25,895,595	-	-	25,895,595
Other liabilities	1,332,295	-	-	1,332,295
	27,227,890	-	-	27,227,890

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

35. Risk management (continued)

35B Financial risk (continued)

Market risk

Market risk arises from fluctuations in foreign exchange rates, profit rates and equity prices. The value of risk that may be accepted by the Company is monitored on a regular basis by management.

Foreign currency risk

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

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

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

Profit rate risk

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

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

The sensitivity analysis below have been determined based on the exposure to interest rates for interest-bearing financial assets assuming the amount of assets at the end of the reporting period were outstanding for the whole year:

	Increase in basis points	**Effect on profit for the year AED**
2014		
Profit bearing assets	**+100**	**302,522**
2013		
Profit bearing assets	+100	461,969

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

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

35. Risk management (continued)

35B Financial risk (continued)

Equity price risk

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

The Company has no significant concentration of price risk. The price risk is managed by outsourcing the trading of securities held by the company to professional brokers. However the activities of brokers are also monitored and supervised by the management.

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

	Reflected in profit or loss		Reflected in other comprehensive income	
	Favorable change AED	Unfavorable change AED	Favorable change AED	Unfavorable change AED
2014				
Equity securities	**223,428**	**(223,428)**	**1,341,458**	**(1,341,458)**
2013				
Equity securities	2,411,685	(2,411,685)	700,274	(700,274)

Operational risk

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

36. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

36. Fair value measurements (continued)

Fair value of financial instruments carried at amortised cost

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

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

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2013.

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

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

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

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

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

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

Financial assets	**Fair value as at 31 December 2014 AED**	31 December 2013 AED	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
Available for sale						
Quoted equity securities	**6,707,291**	3,501,369	Level 1	Quoted bid prices in an active market.	None	N/A
Quoted debt securities	**3,680,683**	3,680,683	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted debt securities	**4,003,600**	2,016,190	Level 2	Discounted cash flow method	None	N/A

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

36. Fair value measurements (continued)

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

Financial assets	Fair value as at 31 December 2014 AED	31 December 2013 AED	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Financial assets at FVTPL						
Quoted equity securities	**1,117,141**	12,058,424	Level 1	Quoted bid prices in an active market.	None	N/A

There were no transfers between each of level during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

37. Contingencies and commitments

Commitments

The Company has the following capital expenditure commitment at the reporting date:

	2014 AED	2013 AED
Software development	**79,803**	94,577

Guarantees

As at 31 December 2014, the Company has bank guarantees against labour and third party commitments for AED 281,020 (2013: AED 234,000).

Legal claims

The Company is subject to litigation in the normal course of its business. Based on independent legal advice, the management does not believe that the outcome of these court cases will have a material impact on the Company's income or financial position.

38. Approval of financial statements

The financial statements for the year ended 31 December 2014 were approved by the Board of Directors and authorised for issue on 29 March 2015.