Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance (Formerly Arabian Scandinavian Insurance Company P.L.C.)

Independent auditor's report and financial statements for the year ended 31 December 2015

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance

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Directors' report

The Board of Directors has pleasure in submitting their report and the audited financial statements for the year ended 31 December 2015.

Incorporation and registered offices

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance - Dubai (the "Company") is a public shareholding company and was registered in 1992 under U.A.E. Federal Commercial Companies Law No. 2 of 2015 (as amended) relating to commercial companies in U.A.E. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E under registration number 6. The address of the Company's registered office is P.O. Box 1993, Dubai, United Arab Emirates.

Principal activities

The Company started issuing short term takaful contracts from 1 February 2015 in connection with non-life takaful such as motor, marine, fire, engineering, medical and general accident risks (collectively known as general takaful) and the name of the Company was changed to Arabian Scandinavian Insurance Company P.L.C. - Takaful ASCANA Insurance. The Company only operates in U.A.E., through its Dubai and Abu Dhabi office

Financial position and results

The financial position and results of the Company for the year ended 31 December 2015 are set out in the accompanying financial statements.

Dividend

The Directors recommend the distribution of a 7% cash dividend in respect of the year ended 31 December 2015.

Directors

The following were the Directors of the Company for the year ended 31 December 2015:

H.H. Sheikh Butti Bin Maktoum Bin Juma Al Maktoum
Mr. Khaled Habib Mohammed Al Redha
Mr. Majid Mohammed Amin Al Kazim
Mr. Ahmad Mohammed Amin Al Kazim
Mr. Faisal Aqeel Mohammed Al Bastaki
Mr. Mahmoud Mohammed Hadi Hassan
Dr. Mohammad Salim Ahmad Al Olama
Mr. Mohammed Yousef Majid Al Muhairi

Auditors

The financial statements for the year ended 31 December 2015 have been audited by Deloitte & Touche (M.E.) and, being eligible, offer themselves for reappointment.

By order of the Board of Directors

Managing Director

21 February 2016

Deloitte.

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Independent auditor's report to the shareholders of Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance

Report on the financial statements

We have audited the accompanying financial statements of **Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance** which comprise the statement of financial position as at 31 December 2015 and the income statement, 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 notes.

Management's responsibility for the financial statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and its preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, 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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Deloitte.

Independent auditor's report to the shareholders of Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance (continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance** as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) We have obtained all the information we considered necessary for the purposes of our audit;

ii) The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) The Company has maintained proper books of account;

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

v) As disclosed in Note 8 to the financial statements, the Company has purchased or invested in shares during the financial year ended 31 December 2015;

vi) Note 9 to the financial statements reflects material related party transactions, and the terms under which they were conducted;

vii) Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2015 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2015; and

viii) Note 37 to the financial statements reflects the social contributions made during the year.

Further, as required by the U.A.E. Federal Law No. 6 of 2007 and the related Financial Regulations for Insurance Companies, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

Deloitte & Touche (M.E.)

Musa Ramahi
Partner
Registration Number 872
21 February 2016

Statement of financial position
at 31 December 2015

	Notes	Shareholders 2015 AED'000	Shareholders 2014 AED'000	Policyholders 2015 AED'000	Policyholders 2014 AED'000	Total 2015 AED'000	Total 2014 AED'000
ASSETS							
Cash and bank balances	5	**23,536**	28,117	**26,754**	-	**50,290**	28,117
Statutory deposits	6	**10,000**	10,000	**-**	-	**10,000**	10,000
Retakaful/re-insurance contract assets	13	**-**	20,197	**19,360**	-	**19,360**	20,197
Takaful/insurance and retakaful/reinsurance receivables	7	**-**	14,675	**16,834**	-	**16,834**	14,675
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	8	**2,729**	2,770	**-**	-	**2,729**	2,770
Other financial assets measured at fair value through profit and loss (FVTPL)	8	**43,203**	61,103	**-**	-	**43,203**	61,103
Prepayments and other receivables		**1,450**	5,464	**1,644**	-	**3,094**	5,464
Due from related parties	9	**-**	3,448	**5,446**	-	**5,446**	3,448
Investment properties	10	**266,733**	268,020	**-**	-	**266,733**	268,020
Due from shareholders	40	**-**	-	**19,861**	-	**19,861**	-
Property and equipment	11	**248**	360	**-**	-	**248**	360
Total assets		**347,899**	414,154	**89,899**	-	**437,798**	414,154

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

Statement of financial position
at 31 December 2015 (continued)

	Notes	Shareholders 2015 AED'000	Shareholders 2014 AED'000	Policyholders 2015 AED'000	Policyholders 2014 AED'000	Total 2015 AED'000	Total 2014 AED'000
LIABILITIES, POLICYHOLDERS' FUND AND EQUITY							
Liabilities							
Provision for employees' end of service indemnity	12	**1,834**	1,790	**-**	-	**1,834**	1,790
Takaful/insurance contract liabilities	13	**-**	58,264	**66,087**	-	**66,087**	58,264
Takaful/insurance and retakaful/reinsurance payables	14	**-**	18,972	**24,809**	-	**24,809**	18,972
Other liabilities	15	**7,726**	12,986	**5,016**	-	**12,742**	12,986
Due to policyholders	40	**19,861**	-	**-**	-	**19,861**	-
Due to related parties	9	**-**	1	**5**	-	**5**	1
Total liabilities		**29,421**	92,013	**95,917**	-	**125,338**	92,013
Policyholders' fund							
Deficit in policyholders' fund	16(i)	**-**	-	**(6,018)**	-	**(6,018)**	-
Qard Hassan from shareholders	16(ii)	**6,018**	-	**-**	-	**6,018**	-
Total policyholders' fund		**6,018**	-	**(6,018)**	-	**-**	-
Liabilities and policyholders' fund		**35,439**	92,013	**89,899**	-	**125,338**	92,013
Equity							
Share capital	17	**154,000**	154,000	**-**	-	**154,000**	154,000
Statutory reserve	18	**57,955**	56,609	**-**	-	**57,955**	56,609
General reserves	19	**50,064**	48,718	**-**	-	**50,064**	48,718
Investments revaluation reserve - FVTOCI	20	**(444)**	(403)	**-**	-	**(444)**	(403)
Retained earnings		**50,885**	63,217	**-**	-	**50,885**	63,217
Total equity		**312,460**	322,141	**-**	-	**312,460**	322,141
Total liabilities, policyholders' fund and equity		**347,899**	414,154	**89,899**	-	**437,798**	414,154

Managing Director

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

Statement of income
for the year ended 31 December 2015

	Notes	2015 AED'000	2014 AED'000
Attributable to policyholders			
Takaful income			
Gross contribution written	21	100,291	-
Movement in unearned contributions	21	(6,582)	-
Takaful contributions revenue		93,709	-
Retakaful contributions ceded	21	(29,063)	-
Movement in retakaful share of unearned contributions	21	1,569	-
Retakaful share of contributions		(27,494)	-
Net takaful revenue	21	66,215	-
Discount received on retakaful contributions		7,007	-
Policy fees		305	-
Total takaful income		73,527	-
Takaful expenses			
Gross claims incurred	22	(70,850)	-
Retakaful share of claims incurred	22	19,053	-
Net claims incurred		(51,797)	
Other underwriting expenses		(170)	
Total takaful expenses		(51,967)	-
Net takaful income		21,560	
Other income		176	-
Wakala fees	23	(27,754)	-
Deficit for the year attributable to policyholders		(6,018)	-

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

Statement of income
for the year ended 31 December 2015 (continued)

	Notes	2015 AED'000	2014 AED'000
Attributable to shareholders			
Gross insurance premium	21	-	80,851
Insurance premium ceded to re-insurers	21	-	(24,753)
Net insurance premium		-	56,098
Gross claims incurred	22	-	(46,269)
Insurance claims recovered from re-insurers	22	-	11,673
Net claims incurred		-	(34,596)
Gross commission earned		-	5,195
Less: commission incurred		-	(7,428)
Net commission incurred		-	(2,233)
Underwriting profit			19,269
Investment income	25	**18,568**	30,283
Other income		**902**	48
Wakala fees from policyholders	23	**27,754**	-
Policy acquisition cost		**(9,657)**	-
General and administrative expenses	24	**(16,874)**	(18,534)
Income for the year before Qard Hassan and Zakat		**20,693**	31,066
Provision against Qard Hassan to policyholders		**(6,018)**	-
Income for the year before Zakat		**14,675**	31,066
Zakat expenses	28	**(1,215)**	-
Profit for the year attributable to shareholders		**13,460**	31,066
Earnings per share	26	**0.087**	0.202

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

Statement of comprehensive income
for the year ended 31 December 2015

	2015 AED'000	2014 AED'000
Attributable to shareholders		
Profit for the year	**13,460**	31,066
Other comprehensive loss		
Items that will not be reclassified subsequently to profit or loss		
Net fair value loss on investments at FVTOCI	**(41)**	(403)
Board of directors' remuneration (Note 38)	**-**	(2,000)
Other comprehensive loss for the year	**(41)**	(2,403)
Total comprehensive income for the year attributable to shareholders	**13,419**	28,663

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

Statement of changes in equity
for the year ended 31 December 2015

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Investment revaluation reserve - FVTOCI AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2014	140,000	53,502	45,611	-	82,365	321,478
Profit for the year	-	-	-	-	31,066	31,066
Other comprehensive loss for the year	-	-	-	(403)	(2,000)	(2,403)
Total comprehensive income for the year	-	-	-	(403)	29,066	28,663
Transfer to statutory reserve	-	3,107	-	-	(3,107)	-
Transfer to general reserve	-	-	3,107	-	(3,107)	-
Dividend paid (Note 39)	-	-	-	-	(28,000)	(28,000)
Bonus share issued during the year	14,000	-	-	-	(14,000)	-
Balance at 31 December 2014	154,000	56,609	48,718	(403)	63,217	322,141
Profit for the year	-	-	-	-	13,460	13,460
Other comprehensive loss for the year	-	-	-	(41)	-	(41)
Total comprehensive income for the year	-	-	-	(41)	13,460	13,419
Transfer to statutory reserve	-	1,346	-	-	(1,346)	-
Transfer to general reserve	-	-	1,346	-	(1,346)	-
Dividend paid (Note 39)	-	-	-	-	(23,100)	(23,100)
Balance at 31 December 2015	**154,000**	**57,955**	**50,064**	**(444)**	**50,885**	**312,460**

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

Statement of cash flows
for the year ended 31 December 2015

	2015 AED'000	2014 AED'000
Cash flows from operating activities		
Profit for the period before Zakat	**14,675**	31,066
Adjustments for:		
Depreciation of property and equipment	**147**	158
Unrealized loss on other financial assets at FVTPL	**285**	20,864
Allowance for doubtful debt	**-**	345
Fair value loss/(gain) on investment properties	**2,993**	(29,847)
Other investment income	**(22,108)**	(18,181)
Realized gain on sale of other financial assets at FVTPL	**(1,090)**	(2,930)
Profit on wakala deposits	**(341)**	(189)
Board of Directors' remuneration	**800**	-
Provision for employees' end of service benefits	**180**	173
Operating cash flows before changes in operating assets and liabilities	**(4,459)**	1,459
Decrease in retakaful/reinsurance contract assets	**837**	7,773
(Increase)/decrease in takaful/insurance and retakaful/reinsurance receivables	**(2,159)**	1,724
Increase in due from related parties	**(1,998)**	(100)
Decrease in prepayments and other receivables	**2,370**	-
Increase/(decrease) in takaful/insurance contract liabilities	**7,823**	(5,674)
Increase in takaful/insurance and retakaful/reinsurance payables	**5,837**	5,575
Decrease in other liabilities	**(1,459)**	-
Increase/(decrease) in due to related parties	**4**	(68)
Cash generated from operations	**6,796**	10,689
Employee's end of service benefits paid	**(136)**	(5)
Net cash generated from operating activities	**6,660**	10,684
Cash flows from investing activities		
Purchase of property and equipment	**(35)**	(28)
Purchase of investments properties	**(1,706)**	(11,609)
Purchase of other financial assets	**(8,517)**	(98,987)
Decrease in wakala deposit with banks under lien	**-**	3,130
Proceeds from sale of other financial assets	**27,222**	41,649
Rental income received	**18,806**	14,874
Profit received on wakala deposit	**341**	188
Dividend received	**3,302**	3,307
Decrease in wakala deposits with maturity over 3 months	**-**	11,391
Net cash generated from/(used in) investing activities	**39,413**	(36,085)
Cash flows from financing activities		
Board of Directors' remuneration paid	**(800)**	(2,000)
Dividend paid	**(23,100)**	(28,000)
Net cash used in financing activities	**(23,900)**	(30,000)
Net increase/(decrease) in cash and cash equivalents	**22,173**	(55,401)
Cash and cash equivalents at the beginning of the year	**18,117**	73,518
Cash and cash equivalents at the end of the year (Note 27)	**40,290**	18,117

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

Notes to the financial statements
for the year ended 31 December 2015

1. General information

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance - Dubai (the "Company") is a public shareholding company and was registered in 1992 under U.A.E. Federal Commercial Companies Law No. 2 of 2015 (as amended) relating to commercial companies in U.A.E. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E under registration number 6. The address of the Company's registered office is P.O. Box 1993, Dubai, United Arab Emirates.

The Shareholders Extraordinary General Assembly Meeting held on 19 March 2014 approved conversion of the Company's business from conventional insurance to Takaful insurance. The Board of Directors appointed a Fatwa and Sharia'a Supervisory Board for overseeing the compliance with Sharia'a.

The Company started issuing short term takaful contracts from 1 February 2015 in connection with non-life takaful such as motor, marine, fire, engineering, medical and general accident risks (collectively known as general takaful) and the name of the Company was changed to Arabian Scandinavian Insurance Company P.L.C. - Takaful ASCANA Insurance. The Company only operates in U.A.E., through its Dubai and Abu Dhabi offices.

As the Company transitioned to takaful insurance during the period, the Company's Fatwa and Sharia'a Supervisory Board is responsible for ensuring the appropriate allocation of the financial impact of the legacy conventional insurance business between the shareholders and policyholders.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2015, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Annual Improvements to IFRSs 2010 - 2012 Cycle that includes amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.

- Annual Improvements to IFRSs 2011 - 2013 Cycle that includes amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.

- Amendments to IAS 19 *Employee Benefits* to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

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 yet early applied the following new standard, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 14 *Regulatory Deferral Accounts.*	1 January 2016
Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative.	1 January 2016
Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations.	1 January 2016
Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation.	1 January 2016
Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* relating to bearer plants.	1 January 2016
Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.	1 January 2016
Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities.	1 January 2016
Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, IFRS 7 *Financial Instruments: Disclosures*, and IAS 19 *Employee Benefits*.	1 January 2016
Finalised version of IFRS 9 *Financial Instruments* (IFRS 9 *Financial Instruments (2014)*) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and de-recognition. 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

Notes to the financial statements
for the year ended 31 December 2015 (continued)

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 IFRSs	Effective for annual periods beginning on or after
IFRS 15 *Revenue from Contracts with Customers*: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.	1 January 2018

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements for the period beginning 1 January 2016 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 *Financial Instruments*, may have no material impact on the financial statements of the Company in the period of initial application.

The application of the finalised version of IFRS 9 *Financial Instruments* 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. Summary of significant accounting policies

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of United Arab Emirates laws.

The UAE Federal Law No. 2 of 2015 ("Companies Law") has come into force on 1 July 2015. The Company has twelve months from the effective date of the Companies Law to comply with its provisions (the "transitional provisions") and the Company has availed of these transitional provisions 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 from the date the Company started the Takaful operation and without restating prior year financial statements. 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 policyholders and to shareholders.

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

Notes to the financial statements
for the year ended 31 December 2015 (continued)

3. Summary of significant accounting policies (continued)

Basis of preparation

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

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

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

The financial statements are presented in Arab Emirates Dirham (AED) since that is the currency in which the majority of the Company's transactions are denominated. All values are rounded to the nearest thousands dirhams, except when otherwise indicated.

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 in accordance with Federal Law No.6 of 2007. 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 Takaful 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.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

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 policyholders for a wakala fee which is recognised on an accrual basis. A similar amount is shown as expense statement of income attributable to policyholders.

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.

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.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

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 policyholders

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

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

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.

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.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

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 policyholders (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 Takaful insurance operations in consideration for a Wakala fee. The Takaful amounts (contributions) 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 policyholders further donate their contribution to those other policyholders who suffer a prescribed event of loss or damage, payable per the policies of the Company, in its capacity as an agent. As a general guideline, the Company determines whether there is significant takaful risk, by comparing benefits paid with benefits payable if the insured event did not occur.

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

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

Surplus/deficit in policyholders' fund

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

A deficiency in policyholders' fund is made good by a profit free loan (Qard Hasan) 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 policyholders' fund, if any, after meeting all obligations (including repayment of the outstanding amount of profit free loan), will be dealt with after consulting with the Company's 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 policyholders' 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.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

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 end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting 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.

Exchange differences are recognised in statement of income in the year in which they arise.

Employee benefits

Defined contribution plan

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

Provision for employees' end of service benefits

Provision for employees' end of service indemnity is made in accordance with the U.A.E. labour laws, and is based on current remuneration and cumulative years of service at the end of the reporting period.

Property and equipment

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

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

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

The useful life considered in the calculation of depreciation of all the assets is 4 years.

Notes to the financial statements for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of income in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of income in the period of retirement or disposal.

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Fair value is determined by open market values based on valuations performed by independent surveyors and consultants or broker's quotes.

Impairment of tangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in 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.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

Impairment of tangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in 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.

Provisions

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

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

Financial assets

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

Financial assets of the Company are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), at fair value through other comprehensive income (FVTOCI) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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.

Cash and cash equivalents

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

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

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

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

Dividend income on investments in equity instruments at FVTPL is recognised in statement of income when the Company's right to receive the dividends is established in accordance with IAS 18 *Revenue*.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

Financial assets (continued)

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

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

A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss will not be reclassified to statement of income on disposal of the investments, but reclassified to retained earnings.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI.

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

Takaful and other receivables

Takaful receivables, other receivables and statutory deposits are measured at amortised cost 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 are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where 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 asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest 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.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For certain categories of financial asset, such as insurance 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance receivables, where the carrying amount is reduced through the use of an allowance account. When an insurance 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.

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

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or 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 interest in the asset and an associated liability for amounts it may have to pay.

Financial liabilities and equity instruments issued by the Company

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement, and the definition of a financial liability and equity instruments.

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 recorded at the proceeds received, net of direct issue costs.

Financial liabilities

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

Notes to the financial statements
for the year ended 31 December 2015 (continued)

3. Significant accounting policies (continued)

Financial liabilities and equity instruments issued by the Company (continued)

Other financial liabilities

Insurance and other payables and due to related parties are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective Profit method, with Profit expense recognised on an effective yield basis, except for short term payable when the recognition of Profit would be immaterial.

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 through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

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. These reserves are calculated in accordance with the requirements of Federal Law No.6 of 2007 relating to Takaful companies.

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.

(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

Notes to the financial statements
for the year ended 31 December 2015 (continued)

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.

4.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimates (see 4.2), that management has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

4.1.1 Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at FVTOCI or FVTPL. In judging whether investments in securities are as at FVTOCI or FVTPL, Management has considered the detailed criteria for determination of such classification as set out in IFRS 9 - Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

4.1.2 Classification of properties

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

4.2 Key sources of estimation uncertainty

4.2.1 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.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

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

4.2 Key sources of estimation uncertainty (continued)

4.2.2 Retakaful

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

4.2.3 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.

4.2.4 Valuation of unquoted equity instruments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, management estimates the fair value of these instruments using expected cash flows discounted at current rates for similar instruments or other valuation models.

5. Cash and bank balances

	2015 AED'000	2014 AED'000
Cash on hand	**44**	9
Bank balances:		
Wakala deposits	**10,000**	15,000
Call accounts	**-**	168
Current accounts	**40,246**	12,940
	50,290	28,117
Attributable to:		
Shareholders	**23,536**	28,117
Policyholders	**26,754**	-
	50,290	28,117

The profit rates on the Wakala deposits with banks range from 0.75% to 1.00% (2014: 0.75% to 1.00%).

Wakala deposits amounting to AED 10 million (2014: AED 10 million) with a maturity more than three months.

Notes to the financial statements for the year ended 31 December 2015 (continued)

5. Cash and bank balances (continued)

Cash and bank balances represents:

	2015 AED'000	2014 AED'000
Within U.A.E.	**50,290**	27,945
Outside U.A.E.	**-**	172
	50,290	28,117

6. Statutory deposits

Statutory deposit represents a Wakala deposit under lien against the guarantees issued in favor of Insurance Authority of U.A.E. in accordance with Article 42 of United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations.

7. Takaful /insurance and retakaful/reinsurance receivables

	2015 AED'000	2014 AED'000
Takaful receivable	**12,814**	12,564
Receivables from takaful/insurance companies	**4,183**	3,362
Receivables from retakaful/reinsurance companies	**1,273**	321
	18,270	16,247
Less: Provisions for doubtful receivables	**(1,436)**	(1,572)
	16,834	14,675

The Company has adopted a policy of dealing with credit worthy counter parties. Adequate credit assessment is made before accepting a takaful contract from any counter party. The average credit period on takaful receivable is 90 days. The takaful receivables outstanding between 90 days and 180 days are monitored by the Company for recoverability. The takaful receivables outstanding greater than 180 days are provided for based on estimated irrecoverable amounts determined by reference to past default experience in addition to specific provision made on identified customers.

Ageing of takaful/insurance and retakaful /reinsurance receivables:

	2015 AED'000	2014 AED'000
Neither past due nor impaired	**9,329**	9,743
Past due but not impaired:		
90 to 365 days	**7,190**	4,917
More than 365 days	**315**	15
	7,505	4,932
Past due and impaired	**1,436**	1,572
Total	**18,270**	16,247

Notes to the financial statements
for the year ended 31 December 2015 (continued)

7. Takaful /insurance and retakaful/reinsurance receivables (continued)

Movement in the allowance for doubtful debts:

	2015 AED'000	2014 AED'000
Balance at the beginning of the year	**1,572**	1,227
Allowance made during the year	**-**	345
Written off during the year	**(136)**	-
Balance at the end of the year	**1,436**	1,572

In determining the recoverability of a takaful receivable, the Company considers any change in the credit quality of the takaful receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that no further provision is required in excess of the allowance for doubtful debts that has been provided for as of 31 December 2015.

8. Other financial assets

The Company's other financial assets at the end of reporting year are detailed below:

	2015 AED'000	2014 AED'000
Other financial assets measured at fair value through other comprehensive income		
Quoted U.A.E. equity securities	**306**	347
Unquoted U.A.E. equity securities	**2,423**	2,423
	2,729	2,770
Other financial assets measured at fair value through profit and loss		
Quoted U.A.E. equity securities	**42,688**	60,588
Unquoted U.A.E. equity securities	**515**	515
	43,203	61,103

Notes to the financial statements
for the year ended 31 December 2015 (continued)

8. Other financial assets (continued)

The movement in other financial assets are as follows:

	At fair value through other comprehensive income		At fair value through profit or loss	
	2015	2014	**2015**	2014
	AED'000	AED'000	**AED'000**	AED'000
Fair value, at the beginning of the year	**2,770**	3,173	**61,103**	21,700
Purchased during the year	**-**	-	**8,517**	98,986
Sold during the year	**-**	-	**(26,132)**	(38,719)
Change in fair value	**(41)**	(403)	**(285)**	(20,864)
Fair value, at the end of the year	**2,729**	2,770	**43,203**	61,103

9. Due from/to related parties

At the reporting date, amounts due from/to related parties were as follows:

	2015	2014
	AED'000	AED'000
Due from related parties:		
Al Redah Insurance Brokers (LLC), Dubai	**5,440**	3,447
Other	**6**	1
	5,446	3,448
Due to related parties:		
Other	**5**	1
	5	1

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the year for bad or doubtful debts in respect of the amounts owed by related parties.

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 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.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

9. Due from/to related parties (continued)

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

	2015 AED'000	2014 AED'000
Contribution written for related parties	**530**	548
Management expenses (net)	**776**	135
Contribution written through a related party broker	**14,673**	13,020
Policy acquisition cost paid	**2,034**	1,789
Claims paid	**74**	96
Claims paid through related party broker	**75**	678

Transaction with related parties were carried out on terms agreed with the management.

Compensation of board of directors/ key management personnel

	2015 AED'000	2014 AED'000
Short-term benefits	**1,360**	2,950
Long-term benefits	**991**	75
Board of Directors' remuneration	**800**	2,000

10. Investment properties

	Land AED'000	Property under construction AED'000	Other real estate AED'000	Total AED'000
Balance at 1 January 2015	**25,647**	**14,028**	**228,345**	**268,020**
Additions during the year	**338**	**1,368**	**-**	**1,706**
Transfer during the period	**(11,175)**	**(15,396)**	**26,571**	**-**
Change in fair value during the year (Note 25)	**(3,007)**	**-**	**14**	**(2,993)**
Balance at 31 December 2015	**11,803**	**-**	**254,930**	**266,733**
Balance at 1 January 2014	22,602	2,419	201,543	226,564
Additions during the year	-	11,609	-	11,609
Change in fair value during the year (Note 25)	3,045	-	26,802	29,847
Balance at 31 December 2014	25,647	14,028	228,345	268,020

The fair value of the Company's investment properties as at 31 December 2015 and 2014 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 qualifications 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.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

10. Investment properties (continued)

The property under construction is stated at cost as fair value is not reliably determinable. However, management expects that the fair value of the investment property to be reliably determinable when construction is completed.

Investment property amounting to AED 5.60 million (2014: AED 8.04 million) is registered in the name of related parties in trust and for the benefit of the Company.

All investment properties are located in U.A.E.

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

	2015 AED'000	2014 AED
Rental income	**19,970**	16,295
Direct operating expenses	**(1,164)**	(1,421)
Income from investment properties (Note 25)	**18,806**	14,874

11. Property and equipment

	Furniture and fixtures AED'000	Motor vehicles AED'000	Total AED'000
Cost			
Balance at 31 December 2013	3,140	376	3,516
Additions during the year	28	-	28
Balance at 31 December 2014	3,168	376	3,544
Additions during the year	20	15	35
Disposal during the year	-	(12)	(12)
Balance at 31 December 2015	**3,188**	**379**	**3,567**
Accumulated depreciation			
Balance at 31 December 2013	2,992	34	3,026
Charge for the year	67	91	158
Balance at 31 December 2014	3,059	125	3,184
Charge for the year	54	93	147
Eliminated on disposal	-	(12)	(12)
Balance at 31 December 2015	**3,113**	**206**	**3,319**
Carrying amount			
Balance at 31 December 2015	**75**	**173**	**248**
Balance at 31 December 2014	109	251	360

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

Notes to the financial statements
for the year ended 31 December 2015 (continued)

12. Provision for employees' end of service indemnity

	2015 AED'000	2014 AED'000
Balance at the beginning of the year	**1,790**	1,622
Charged during the year	**180**	173
Paid during the year	**(136)**	(5)
Balance at the end of the year	**1,834**	1,790

13. Takaful/insurance contract liabilities and retakaful/reinsurance contract assets

	2015 AED'000	2014 AED'000
Gross		
Takaful/insurance contract liabilities:		
Unearned contribution	**41,505**	34,923
Claims reported unsettled	**18,082**	17,741
Claims incurred but not reported	**6,500**	5,600
Total takaful/insurance contract liabilities, gross	**66,087**	58,264
Recoverable from retakaful/reinsurance		
Retakaful/reinsurance contract assets:		
Unearned contribution	**10,843**	9,274
Claims reported unsettled	**8,517**	10,923
Total retakaful/reinsurance share of takaful/insurance liabilities	**19,360**	20,197
Net		
Unearned contribution	**30,662**	25,649
Claims reported unsettled	**9,565**	6,818
Claims incurred but not reported	**6,500**	5,600
	46,727	38,067

14. Takaful/insurance and retakaful/reinsurance payables

	2015 AED'000	2014 AED'000
Payable arising from takaful/insurance activities	**8,973**	4,876
Due to takaful/insurance companies	**5,936**	4,512
Due to retakaful/reinsurance companies	**9,900**	9,584
	24,809	18,972

The average credit period is 90 days. The Company has financial risk management policies in place to ensure that all payables are paid within credit time frame.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

15. Other liabilities

	2015 AED AED'000	2014 AED AED'000
Accrued expenses	1,603	1,465
Deferred rental income	2,844	2,473
Premium reserve withheld	4,638	4,532
Zakat payable	1,215	-
Other	2,442	4,516
	12,742	12,986
Attributable to:		
Shareholders	7,726	12,986
Policyholders	5,016	-
	12,742	12,986

16. Qard Hasan

	2015 AED AED'000	2014 AED AED'000
(i) Deficit in policyholders' fund:		
As at 1 January	-	-
Deficit during the year	(6,018)	-
As at 31 December	(6,018)	-
(ii) Qard Hasan from shareholders		
As at 1 January	-	-
Provision during the year	6,018	-
As at 31 December	6,018	-

The shareholders have funded the deficit in the policyholders' fund in accordance with the Company's policy through a Qard Hasan (free of finance charge with no repayment terms). During the current year the policyholders fund reported a deficit amounting to AED 6 million (2014: Nil).

17. Share capital

	2015 AED'000	2014 AED'000
Authorised and issued and fully paid:		
154,000,000 ordinary shares of AED 1 each (2014: 154,000,000)	154,000	154,000

Notes to the financial statements
for the year ended 31 December 2015 (continued)

18. Statutory reserve

In accordance with U.A.E. Federal Commercial Companies Law, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law. For the year ended 31 December 2015, AED 1.35 million (2014: AED 3.11 million) was transferred to statutory reserve.

19. General reserve

In accordance with the Company's Articles of association, an amount equal to 10% of profit for the year is transferred to a general reserve. This reserve can be used for specific purposes to be decided upon by the Company's Shareholders based on the recommendations of the board of directors. Transfers to this reserve are required to be made until such time as it equals 50% of the Company's paid up capital. For the year ended 31 December 2015, AED 1.35 million (2014: AED 3.11 million) was transferred to general reserve.

20. Investment revaluation reserve - FVTOCI

This reserve records gains and losses arising from changes in fair value of other financial assets measured at fair value through other comprehensive income (FVTOCI).

21. Net contributions

Year 2015	**Gross AED'000**	**Retakaful share AED'000**	**Net AED'000**
Takaful contracts: Gross contributions written	**100,291**	**(29,063)**	**71,228**
Movement in unearned contributions	**(6,582)**	**1,569**	**(5,013)**
Takaful contributions revenue	**93,709**	**(27,494)**	**66,215**

Year 2014	Gross AED'000	Reinsurance share AED'000	Net AED'000
Insurance contracts: Gross premiums	84,545	(24,904)	59,641
Movement in unearned contributions	(3,694)	151	(3,543)
Insurance premium revenue	80,851	(24,753)	56,098

Notes to the financial statements
for the year ended 31 December 2015 (continued)

22. Claims incurred

Year 2015	**Gross AED'000**	**Retakaful share AED'000**	**Net AED'000**
Takaful claims paid	**69,609**	**(21,459)**	**48,150**
Movement in provision for claims reported unsettled	**341**	**2,406**	**2,747**
Movement in provision for claims incurred but not reported	**900**	**-**	**900**
Claims recorded in the statement of income	**70,850**	**(19,053)**	**51,797**

Year 2014	Gross AED AED'000	Reinsurance share AED AED'000	Net AED AED'000
Claims paid	55,637	(19,597)	36,040
Movement in provision for claims reported unsettled	(9,368)	7,924	(1,444)
Claims recorded in the statement of income	46,269	(11,673)	34,596

23. Wakala fees

Wakala fee for the year ended 31 December 2015 amounted to AED 27.8 million (2014: Nil) the fee is calculated at maximum of 30% of gross contribution of AED 92.67 million (2014: Nil) without any deduction of policy acquisition cost. Wakala fee is charged to the statement of income when incurred.

24. General and administrative expenses

	2015 AED AED'000	2014 AED AED'000
Staff cost	**10,168**	12,724
Administrative expenses	**2,488**	2,477
Board of directors remuneration (Note 38)	**800**	-
Rent	**740**	733
Marketing expenses	**370**	259
End of service benefits	**180**	173
Pension	**177**	177
Depreciation	**147**	158
Other expenses	**1,804**	1,833
	16,874	18,534

Notes to the financial statements
for the year ended 31 December 2015 (continued)

25. Investment income

	2015 AED'000	2014 AED'000
Profit on disposal of other financial assets at FVTPL	**1,090**	2,930
Unrealized loss on other financial assets at FVTPL	**(285)**	(20,864)
Profit on wakala deposit	**341**	189
Dividends from other financial assets:		
measured at FVTOCI	**-**	149
measured at FVTPL	**3,302**	3,158
Fair value (loss)/gain on investment properties (Note 10)	**(2,993)**	29,847
Income from investment properties (Note 10)	**18,806**	14,874
Expenses allocated to investment	**(1,693)**	-
	18,568	30,283

26. Earnings per share

Earnings per share are calculated by dividing the profit for the year by the number of ordinary shares outstanding as of the end of the year as follows:

	2015	2014
Profit for the year (in AED'000)	**13,460**	31,066
Number of ordinary shares outstanding	**154,000,000**	154,000,000
Basic and diluted earnings per share (in AED)	**0.087**	0.202

Diluted earnings per share as of 31 December 2015 and 31 December 2014 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

27. Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents include cash and bank balances net of wakala deposits in banks with maturity over three months. Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2015 AED'000	2014 AED'000
Cash and bank balances (Note 5)	**50,290**	28,117
Wakala deposits with maturity over 3 months	**(10,000)**	(10,000)
	40,290	18,117

Notes to the financial statements
for the year ended 31 December 2015 (continued)

28. Zakat

Zakat on behalf of shareholders is accounted as per the Articles and Memorandum of Associations of the Company and is approved by the Company Fatwa and Sharia'a Supervisory Boards amounted to AED 1.2 million (2014: not applicable).

29. 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 Policyholders. Investment comprises investment and cash management for the Company's own account. No operating segments have been aggregated to form the above reportable operating segments.

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

Except for Wakala 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.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

29. Segmental information (continued)

The following table presents segment information for the years ended 31 December 2015 and 31 December 2014.

	2015			2014		
	Attributable to policyholders AED AED'000	**Attributable to shareholders AED AED'000**	**Total AED AED'000**	Attributable to policyholders AED AED'000	Attributable to shareholders AED AED'000	Total AED AED'000
Takaful						
Total takaful/underwriting income	**73,527**	**-**	**73,527**	-	56,098	56,098
Total takaful/underwriting expenses	**(51,967)**	**(9,657)**	**(61,624)**	-	(36,829)	(36,829)
Net takaful/underwriting income	**21,560**	**(9,657)**	**11,903**	-	19,269	19,269
Wakala fees	**(27,754)**	**27,754**	**-**	-	-	-
Other income	**176**	**-**	**176**	-	-	-
	(6,018)	**18,097**	**12,079**	-	19,269	19,269
Investment						
Investment income	**-**	**18,568**	**18,568**	-	30,283	30,283
Other income	**-**	**902**	**902**	-	48	48
Unallocated other income and expenses	**-**	**(16,874)**	**(16,874)**	-	(18,534)	(18,534)
Profit for the year before Zakat	**(6,018)**	**20,693**	**14,675**	-	31,066	31,066

Notes to the financial statements
for the year ended 31 December 2015 (continued)

29. Segmental information (continued)

Other information

	Takaful		Investment		Total	
	2015 AED AED'000	2014 AED AED'000	**2015 AED AED'000**	2014 AED AED'000	**2015 AED AED'000**	2014 AED AED'000
Segment assets	**89,899**	-	**347,899**	414,154	**437,798**	414,154
Segment liabilities	**89,899**	-	**35,439**	92,013	**125,338**	92,013
Capital expenditure	-	-	**35**	28	**35**	28
Depreciation and amortisation	-	-	**147**	158	**147**	158

Notes to the financial statements
for the year ended 31 December 2015 (continued)

30. Capital risk management

The Company's objectives when managing capital are:

- to comply with the takaful capital requirements required by UAE Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its operations. The Company manages its capital on a basis of its minimum regulatory capital position presented in the table below:
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing takaful contracts commensurately with the level of risk.

In U.A.E., the local takaful regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its takaful liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year.

The table below summarises the minimum required capital of the Company and the total capital held.

	2015 AED	2014 AED
Minimum regulatory capital	**100,000,000**	100,000,000
Share capital held	**154,000,000**	154,000,000

The UAE Insurance Authority has issued Resolution No. 42 for 2009 setting the minimum subscribed or paid up capital of AED 100 million for establishing takaful firms and AED 250 million for re-insurance firms. The resolution also stipulates that at least 75 percent of the capital of the takaful companies established in the UAE should be owned by UAE or GCC national individuals or corporate bodies. The Company is in compliance with the minimum capital requirements.

31. Financial instruments

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, retakaful assets and takaful liabilities. In particular, the key financial risk is that the in the long-term its investment proceeds are not sufficient to fund the obligations arising from its takaful contracts. The most important components of this financial risk are profit rate risk, equity price risk, foreign currency risk and credit risk.

These risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and financial liabilities are profit rate risk and equity price risk.

(a) Significant accounting policies

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

Notes to the financial statements
for the year ended 31 December 2015 (continued)

31. Financial instruments (continued)

(b) Categories of financial instruments

	2015 AED'000	2014 AED'000
Financial assets		
Other financial assets measured at FVTOCI	**2,729**	2,770
Other financial assets measured at FVTPL	**43,203**	61,103
Statutory deposits	**10,000**	10,000
Takaful/insurance and retakaful/reinsurance receivables	**18,991**	19,238
Due from related parties	**5,446**	3,448
Cash and bank balances	**50,290**	28,117
Total financial assets	**130,659**	124,676
Financial liabilities		
Takaful/insurance and retakaful/reinsurance payables	**24,809**	18,972
Due to related parties	**5**	1
Total financial liabilities	**24,814**	18,973

Management considers that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

32. Risk management

32.1 Takaful risk

The risk under any one takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an takaful contract, this risk is random and therefore unpredictable.

For a portfolio of takaful contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its takaful contracts is that the actual claims and benefit payments exceed the carrying amount of the takaful liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insured events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar takaful contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its takaful underwriting strategy to diversify the type of takaful risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company manages risks through its underwriting strategy, adequate retakaful arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

32. Risk management (continued)

32.1 Takaful risk (continued)

32.1.1 Frequency and severity of claims

The Company has the right not to renew individual policies, re-price the risk, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Takaful contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

Property takaful contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. Property takaful contracts are subdivided into four risk categories: fire, business interruption, weather damage and theft. The takaful risk arising from these contracts is not concentrated in any of the territories in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

The retakaful arrangements include excess and catastrophe coverage. The effect of such retakaful arrangements is that the Company should not suffer net takaful losses of a set limit of AED 200,000, AED 2,500 and AED 400,000 in any one policy for motor, medical and other non-motor respectively. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually every year and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

32.1.2 Sources of uncertainty in the estimation of future claim payments

Claims on takaful contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty compared to the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the takaful company until many years after the event that gave rise to the claims. For some takaful contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Company considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

32. Risk management (continued)

32.1 Takaful risk (continued)

32.1.2 Sources of uncertainty in the estimation of future claim payments (continued)

The amount of takaful claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Takaful contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of reporting period.

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation. The initial estimate of the loss ratios used for the current year (before retakaful) are analyzed below by type of risk where the insured operates for current and prior year contribution earned.

Type of risk	2015	2014
Motor	**90%**	105%
Non motor	**52%**	33%

32.1.3 Process used to decide on assumptions

The risks associated with these takaful contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual takaful contracts carried out at the reporting date to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same class of business.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

32. Risk management (continued)

32.1 Takaful risk (continued)

32.1.4 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 2015

	Gross liabilities AED AED'000	Retakaful share of liabilities AED AED'000	Net liabilities AED AED'000
Motor	**8,922**	**(1,380)**	**7,542**
Non-Motor	**9,160**	**(7,137)**	**2,023**
Total	**18,082**	**(8,517)**	**9,565**

31 December 2014

	Gross liabilities AED	Reinsurance share of liabilities AED	Net liabilities AED
Motor	4,823	(826)	3,997
Non- Motor	12,918	(10,097)	2,821
Total	17,741	(10,923)	6,818

32.1.5 Retakaful risk

In common with other takaful companies, in order to minimise financial exposure arising from large takaful claims, the Company, in the normal course of business, enters into arrangement with other parties for retakaful purposes.

To minimise its exposure to significant losses from retakaful insolvencies, the Company evaluates the financial condition of its retakaful companies and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the retakaful. Retakaful ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the retakaful agreements.

32.2 Financial risk

32.2.1 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, profit rates and equity price risk.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

32. Risk management (continued)

32.2 Financial risk (continued)

32.2.2 Foreign currency risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams, other G.C.C. currencies or US Dollars to which the Dirham is fixed.

32.2.3 Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company.

Key areas where the Company is exposed to credit risk are:

- retakaful' share of takaful liabilities;
- amounts due from retakaful in respect of claims already paid;
- amounts due from takaful contract holders; and
- amounts due from takaful intermediaries;

The Company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Retakaful is used to manage takaful risk. This does not, however, discharge the Company's liability as primary policyholder. If a retakaful fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of retakaful company is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the management includes details of provisions for impairment on takaful receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for retakaful is carried out by the Company.

Takaful receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of takaful receivable.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristic, other than takaful receivables at the end of reporting period amounting to AED 461,146 (2014: AED 523,687). The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 10% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks registered in the United Arab Emirates.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

Notes to the financial statements
for the year ended 31 December 2015 (continued)

32. Risk management (continued)

32.2 Financial risk (continued)

32.2.4 Liquidity risk

Ultimate responsibility for liquidity risk management rests with management, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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 end of the reporting period 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:

31 December 2015

	Less than 90 days AED	91-180 days AED	181-365 days AED	Above 365 days AED	Total AED
Financial assets					
At fair value through OCI	-	-	-	2,729	2,729
At fair value through profit or loss	43,203	-	-	-	43,203
Statutory deposits	-	-	-	10,000	10,000
Takaful and retakaful receivables	11,484	4,403	2,751	353	18,991
Due from related parties	5,446	-	-	-	5,446
Cash and bank balances - profit bearing	10,000	10,000	-	-	20,000
Cash and bank balances - non-profit bearing	30,290	-	-	-	30,290
	100,423	14,403	2,751	13,082	130,659
Financial liabilities					
Takaful and retakaful payables	7,151	1,454	4,519	11,685	24,809
Due to related parties	5	-	-	-	5
	7,156	1,454	4,519	11,685	24,814

Notes to the financial statements
for the year ended 31 December 2015 (continued)

32. Risk management (continued)

32.2 Financial risk (continued)

32.2.4 Liquidity risk (continued)

31 December 2014

	Less than 90 days AED	91-180 days AED	181-365 days AED	Above 365 days AED	Total AED
Financial assets					
At fair value through OCI	-	-	-	2,770	2,770
At fair value through profit or loss	61,103	-	-	-	61,103
Statutory deposits	-	-	-	10,000	10,000
Reinsurance receivables	17,481	900	838	19	19,238
Due from related parties	3,448	-	-	-	3,448
Cash and bank balances - profit bearing	5,168	10,000	-	-	15,168
Cash and bank balances - non-profit bearing	12,949	-	-	-	12,949
	100,149	10,900	838	12,789	124,676
Financial liabilities					
Insurance and reinsurance payables	8,169	3,132	6,969	702	18,972
Due to related parties	1	-	-	-	1
	8,170	3,132	6,969	702	18,973

32.2.5 Profit rate risk

The Company's exposure to profit rate risk relates to its wakala deposits. At 31 December 2015, wakala deposit with banks profit rate range from of 0.75% to 1.00% per annum (2014: 0.75% to 1.00% per annum).

If profit rates had been 50 basis points lower throughout the year and all other variables were held constant, the Company's profit for the year ended 31 December 2015 and equity as at 31 December 2015 would decrease by approximately AED 50,000 (2014: AED 75,000).

Notes to the financial statements
for the year ended 31 December 2015 (continued)

32. Risk management (continued)

32.2 Financial risk (continued)

32.2.6 Equity price risk

Sensitivity analysis

At the reporting date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the Company's statement of income/comprehensive income would have increased/decreased by AED 4.6 million (2014: AED 6.4 million).

Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk as at the end of the reporting period.
- As at the reporting date if equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on statement of income and other comprehensive income has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

33. Fair value measurements

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

Fair value of financial instruments carried at amortised cost

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

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

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 2014.

Notes to the financial statements for the year ended 31 December 2015 (continued)

33. Fair value measurements (continued)

Fair value measurements recognised in the statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 30 December 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Financial assets at FVTOCI						
Quoted equity securities	**306**	347	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	**2,423**	2,423	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value.
Financial assets at FVTPL						
Quoted equity securities	**42,688**	60,588	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	**515**	515	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value.

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.

34. Contingent liabilities and capital commitments

	2015 AED'000	2014 AED'000
Letters of guarantees	**10,441**	10,915
Capital commitments	-	4,685

Notes to the financial statements
for the year ended 31 December 2015 (continued)

35. Fatwa and Shari'a Supervisory Board

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

According to the Company's Fatwa and Sharia'a Supervisory Board, the Company is required to identify any income deemed to be derived from transactions not acceptable under Islamic Sharia'a principles, as interpreted by Fatwa and Sharia'a Supervisory Board, and to set aside such amount in a separate account for Shareholders who may resolve to pay the same for local charitable causes and activities.

36. Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation adopted for the current period due to conversion of the Company's business from conventional insurance to takaful insurance. These changes have been made to improve the quality and comparability of information presented and does not affect previously reported results or equity.

37. Social contributions

The social contribution (including donations and charities) made during the year 2015 and 2014 amounted to AED Nil.

38. Directors' remuneration

For the year ended 31 December 2014, the shareholders approved the Board of Directors' remuneration of AED 0.8 million (2013: AED 2.0 million). The directors' remuneration for the year 2015 shall be decided at the Annual General Meeting.

39. Dividend paid and proposed

(a) At the Annual General Meeting held on 16 March 2015, the shareholders approved a cash dividend of 15% of share capital, AED 15 fils per share, amounting to AED 23.1 million (2014: cash dividend of 20% of share capital, AED 20 fils per share, amounting to AED 28 million and bonus share of 10% of share capital, AED 10 fils per share, amounting to AED 14 million).

(b) The Board of Directors has proposed 7% cash dividend at their meeting held on 21 February 2016. The proposals are subject to approval by the Shareholders at the Annual General Meeting.

40. Due from shareholder/due to policyholder

The balance which consists of the net of Wakala fees balances that is due to the shareholder from the policyholder amounted to AED 27,754 million and the asset and liability allocation between the shareholder and policyholders based on Fatwa and Shari'a Supervisory Board (the responsible board for ensuring the appropriate allocation of the financial impact of the legacy conventional insurance business) resulted in a due amount to the policyholder from the shareholder of AED 47,615 million.

41. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 21 February 2016.