TAKAFUL EMARAT - INSURANCE (PSC)

Financial statements for the year ended 31 December 2014

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Contents **Pages**

pwc

Independent auditor's report to the Board of Directors of Takaful Emarat - Insurance (PSC)

Report on the financial statements

We have audited the accompanying financial statements of the Takaful Emarat – Insurance (PSC) ("the Company") which comprise the statement of financial position as at 31 December 2014, and the statements of comprehensive income, 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 is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

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

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

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

PricewaterhouseCoopers, Emaar Square, Building 4, Level 8, PO Box 11987, Dubai, United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 330 4100, www.pwc.com/middle-east

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

Opinion

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

Other matter

The financial statements of the Company as at 31 December 2013 and for the year then ended 31 December 2013 were audited by another auditor whose report, dated 16 March 2014, expressed a modified opinion on those statements emphasising on matter relating to accumulated losses of AED 82.4 million which exceeded 50% of capital as at 31 December 2013 (Note 1).

Report on other legal and regulatory requirements

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

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

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

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

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

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

PricewaterhouseCoopers
[Date]
Paul Suddaby
Registered Auditor Number 309
Dubai, United Arab Emirates

Takaful Emarat - Insurance (PSC)

Statement of financial position

	Notes	31 December 2014 Unaudited AED	31 December 2013 Audited AED
ASSETS			
Cash and bank balances	5	**23,871,231**	5,001,909
Statutory deposit	6	**4,000,000**	4,000,000
Takaful and other assets	7	**109,860,727**	49,815,172
Due from a related party	8	-	2,413,743
Retakaful contract assets	9	**11,747,865**	23,137,708
Investments at fair value through profit or loss	10	**43,560,774**	39,294,669
Investment properties	11	**31,282,360**	26,782,360
Property and equipment	12	**3,427,948**	4,206,999
Intangible asset	13	**2,861,607**	4,207,914
Total assets		**230,612,512**	158,860,474
LIABILITIES AND EQUITY			
Liabilities			
Takaful and other payables	14	**40,465,197**	31,220,040
Takaful contract liabilities	9	**112,957,295**	59,090,073
Provision for employees' end of service benefits	15	**1,602,559**	994,012
Total liabilities		**155,025,051**	91,304,125
Equity			
Share capital	16	**100,000,000**	150,000,000
Accumulated losses		**(24,412,539)**	(82,443,651)
Total equity		**75,587,461**	67,556,349
Total liabilities and equity		**230,612,512**	158,860,474

Mohamed Ali Abdalla Alsari	Wael Al Sharif	Mohammed Iqbal Basha
Chairman	Chief Executive Officer	Chief Financial Officer

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

Takaful Emarat - Insurance (PSC)

Statement of comprehensive income

	Notes	Year ended 31 December 2014 Unaudited AED	2013 Audited AED
Attributable to policyholders:			
Takaful contributions earned	18	**119,403,472**	107,331,142
Retakaful contributions ceded	18	**(21,181,078)**	(30,950,700)
Net earned contributions	18	**98,222,394**	76,380,442
Gross claims incurred	19	**(61,914,449)**	(71,074,427)
Retakaful share of claims incurred	19	**7,761,917**	18,205,980
Net claims incurred	19	**(54,152,532)**	(52,868,447)
Commission and other expenses		**(30,622,537)**	(13,207,810)
Net change in policyholders' assets held at fair value through profit or loss		**4,379,657**	**3,808,682**
Net change in fair value of policyholders investment linked contracts		**(4,379,657)**	**(3,808,682)**
Net takaful income		**13,447,325**	10,304,185
Wakalah fees	20	**(28,370,231)**	(30,574,046)
Net deficit from takaful operations		**(14,922,906)**	(20,269,861)
Attributable to shareholders:			
Investment income	21	**7,737,645**	6,579,188
Wakalah fees from policy holders	20	**28,370,231**	30,574,046
Other income, net	22	**12,244,214**	1,327,652
General and administrative expenses	23	**(25,398,072)**	(35,469,667)
Provision for Qard Hassan to policyholders' fund		**(14,922,906)**	(20,269,861)
Profit/(loss) for the period attributable to shareholders		**8,031,112**	(17,258,642)
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the period		**8,031,112**	(17,258,642)
Basic and diluted profit/(loss) per share	24	**0.08**	(0.17)

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

Takaful Emarat - Insurance (PSC)

Statement of changes in equity

	Share capital AED	Accumulated losses AED	Total AED
Balance at 31 December 2012	150,000,000	(65,185,009)	84,814,991
Total comprehensive loss for the year	-	(17,258,642)	(17,258,642)
Balance at 31 December 2013	150,000,000	(82,443,651)	67,556,349
Less; Reduction in Capital	**(50,000,000)**	**50,000,000**	-
Total comprehensive profit for the year		**8,031,112**	**8,031,112**
Balance at 31 December 2014	**100,000,000**	**(24,412,539)**	**75,587,461**

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

Takaful Emarat - Insurance (PSC)

Statement of cash flows
for the year ended 31 December 2014

	2014 AED	2013 AED
Cash flows from operating activities		
Profit/(loss) for the year	**8,031,112**	(17,258,642)
Adjustments for:		
Depreciation & amortization of property and equipment	**2,376,263**	2,841,069
Amortisation on investments carried at amortised cost	-	(427,259)
Profit on investments carried at FV through P&L	**(272,240)**	(300,593)
Gain on sale of property and equipment	**(17,038)**	(39,265)
Gain on sale of investments at FVTPL	**(5,915,031)**	(3,862,178)
Gain on sale of investments at amortised cost	-	(660,893)
Gain on revaluation of investments at FVTPL	**(2,185,005)**	(1,207,744)
Provision for employee's end of service indemnity	**773,115**	392,418
(Reversal) /Allowance for doubtful debts	**(315,609)**	1,260,616
Allowance for doubtful staff receivables		1,229,155
Gain on Revaluation of Investment property	(4,500,000)	
Employees' end of service indemnity paid	(164,568)	(143,306)
Operating loss before working capital changes	**(2,189,001)**	(18,176,622)
Working capital changes:		
Increase / (Decrease) in retakaful contract assets	**11,389,843**	16,570,347
Increase / (Decrease) in takaful & other receivables	**(59,373,315)**	16,380,867
Increase in due from a related party (Note 8)	**2,413,743**	-
Increase / (Decrease) in takaful contract liabilities	**53,867,222**	(9,265,746)
Increase / (Decrease) in takaful and other payables	**9,245,157**	(18,022,595)
Net cash used in operating activities	**15,353,649**	(12,513,749)
Cash flows from investing activities		
Decrease in investment deposits with banks	-	5,714,169
Purchase of investments at FVTPL)	**(160,948,765)**	(57,653,904)
Proceeds from sale of investments at FVTPL	**164,698,305**	61,782,105
Profit received on investments carried at amortised cost	-	27,755
Proceeds from sale of investments carried at amortised cost		13,484,201
Purchase of property and equipment	**(273,119)**	(1,512,151)
Proceeds from sale of property and equipment	**39,252**	233,924
Increase in development work-in-progress	-	(16,282,360)
Net cash generated from/(used in) investing activities	**3,515,673**	5,793,739
Net Increase/decrease in cash and cash equivalents	**18,869,322**	(6,720,010)
Cash and cash equivalents at beginning of year	**5,001,909**	11,721,919
Cash and cash equivalents at end of the year (Note 5)	**23,871,231**	5,001,909

Note* there are classifications as per current draft FS vs 2013 signed and hence the classification needs to be understood from the client and updated in the cash flow.

1. General information

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

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

The registered address of the Company is P.O. Box 64341, Dubai, United Arab Emirates.

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

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

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

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

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

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

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

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

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

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

There are no other IFRSs or IFRIC interpretations that were effective for the first time for the financial year beginning 1 January 2014 that have had a material impact on the Company's condensed interim financial information.

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

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

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

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

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

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

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

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

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

- IFRS 9, 'Financial instruments' (effective 1 January 2018), addresses the classification, measurement and recognition of financials assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness test. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

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

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

- IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2017) deals with revenue recognition and establishes principle for reporting useful information to users of financial statements about the nature , amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

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

3. Summary of significant accounting policies

3.1 Basis of preparation

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

3.2 Foreign currency

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

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

3. Summary of significant accounting policies (continued)

3.3 Product classification

Takaful contracts are those contracts where a group of participants (the policyholders) mutually guarantee one another against prescribed uncertain future events of loss or damage, where the Company acts as a Wakil (agent) on their behalf in managing the Islamic insurance operations in consideration for a Wakalah fee. The contribution amounts paid net of the Wakalah fee are considered as funds available for the Company. The policyholders further donate their contribution to those other policyholders who suffer a prescribed event of loss or damage, payable per the policies of the Company, in its capacity as an agent. As a general guideline, the Company defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

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

3.4 Takaful contributions

3.4.1 Medical and short term life assurance contracts

Takaful contributions comprise the total contributions receivable for the whole period of cover provided by takaful contracts entered into during the accounting period and are recognised on the date on which the takaful policy incepts.

Unearned contributions are those proportions of contributions written in a year that relate to period of risk after the reporting date. Unearned contributions is calculated on a daily prorate basis or "1/365" method. The proportion attributable to subsequent year is deferred as a provision for unearned contributions.

3. Summary of significant accounting policies (continued)

3.4 Takaful contributions (continued)

3.4.2 Long term Life assurance contracts

The Company issues long term takaful contracts with investment linked component. The Company classifies such contracts as takaful contracts based on significance of insurance risk. Takaful contracts with no significant insurance risk are classified as investment contracts.

For takaful contract, contributions, surrenders and maturities, changes in fair values of underlying assets and changes in reserves are recognised in the income statement. For investment contracts, changes in fair values of underlying assets and changes in reserves are recognised in the income statement and contributions and surrenders and maturities are directly recognised under investment contracts.

Liabilities for unit-linked contracts represent portfolios maintained to meet specific investment objectives of participants who bear the credit and market risks. The liabilities are carried at fair value with changes recognised in the income statement.

A liability for contractual benefits that are expected to be incurred in future is recorded when the contributions are recognised. The liability is based on the assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviation is included in the assumptions.

Where a life assurance contract has a single contributions or limited number of contribution payments due over a significantly shorter period than the period during which the benefits are provided, the excess of the contributions payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contract in-force or for annuities in force, in line with the decrease of the amount of future benefits expected to be paid.

The liabilities are recalculated at the end of each reporting period using the assumptions established at the inception of the contract.

3.5 Retakaful contribution

Retakaful ceded are amounts paid to insurance and reinsurance companies in accordance with the retakaful contracts of the Company. In respect of proportional retakaful contracts and non-proportional retakaful contracts, the amounts are recognised in the income statement in accordance with the terms of these contracts.

3. Summary of significant accounting policies (continued)

3.6 Wakalah fees

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

3.7 Claims

Claims, comprising amounts payable to participants and related loss adjustment expenses, net of recoveries and are charged to income statement as incurred. Such expenses include direct and indirect claims settlement costs which arise from events that have occurred up to the balance sheet date even if they have not been reported. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments of individual cases reported and statistical analysis for the claims Incurred But Not Reported ("IBNR") as determined by management's best estimate.

3.8 Retakaful share of claims incurred

Retakaful share of claims are recognised when the related gross claim is recognised according to the terms of the retakaful contracts of the Company.

3.9 Policy acquisition costs

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are amortised over the terms of the policies as takaful contribution is earned. All other costs are recognised as expenses when incurred. DAC is tested for recoverability as at each reporting date.

3.10 Investment income

Profit from investment deposits is recognised on a time proportion basis.

Dividend income is accounted for when the right to receive payment is established.

Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the carrying amount and are recorded on occurrence of the sale transaction.

3.11 Cash and cash equivalents

For the purpose of the cash flows statement, cash and cash equivalents comprise cash in hand, balances with banks and unrestricted deposits with a maturity of less than three months from the date of placement.

3. Summary of significant accounting policies (continued)

3.12 Liability adequacy test

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

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

3.13 Retakaful contract assets

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

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

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

Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

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

3. Summary of significant accounting policies (continued)

3.14 Takaful contract liabilities

(i) Unearned contributions reserve

Unearned contributions are those proportions of contributions written in a year that relate to period of risk after the reporting date. Unearned contribution is calculated on a daily prorate basis or "1/365" method. The proportion attributable to subsequent year is deferred as a provision for unearned contributions.

(ii) Claims reported unsettled

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

(iii) Claims incurred but not reported

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

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

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

(iv) Life assurance fund

The life assurance fund is determined by independent actuarial valuation of future policy benefits at the end of each reporting period. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience and industry mortality tables. Adjustments to the balance of the fund are effected by charging to income statement.

(v) Unit linked liabilities

For unit linked policies, liability is equal to the policy account values. The account value is the number of units times the bid price/NAV.

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

3. Summary of significant accounting policies (continued)

3.15 Investment property

Investment property comprises property held for rental yields and for capital appreciation. It is not held for purposes of the Company's own use as part of property and equipment. Investment property is initially recognized at cost, including transaction expenses. Subsequent to initial recognition, investment property is carried at fair value.

Fair value of the investment property is determined on the basis of valuation undertaken by an independent valuer who holds a recognized and relevant qualification and has recent experience in the location and category of the investment property being valued. Gains and losses arising from changes in the fair value are recognized in the income statement in the period in which they arise.

3.16 Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method to write down the cost of assets to their estimated residual values over their expected useful economic lives as follows:

Office equipment	5 years
Furniture and fixtures	10 years
Computer software	5 years
Motor vehicles	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount being the higher of the net selling price and value in use. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recorded in the income statement.

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

3. Summary of significant accounting policies (continued)

3.17 Impairment of tangible assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

3.18 Financial assets

3.18.1 Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise 'takaful and other receivable', 'due from related party', 'retakaful receivables – Outstanding claims reported and loss and adjustment expenses' and 'cash and bank balances' in the balance sheet.

(c) Investments carried at amortised cost

Investments carried at amortised cost are non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Company's management has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount from investments carried at amortised cost, the entire category would be reclassified as available for sale.

3. Summary of significant accounting policies (continued)

3.18 Financial assets (continued)

3.18.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Investment income' in the period in which they arise. Any related income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Company's right to receive payments is established.

3.18.3 Impairment of financial assets

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

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(b) Assets carried at amortised cost

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment and as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying value and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

3. Summary of significant accounting policies (continued)

3.19 Financial liabilities

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

3.20 Surplus/deficit in policyholders' fund

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

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

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

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

3.21 Employee benefits

3.21.1 Defined contribution plan

UAE national employees of the Company are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Company is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the statement of income.

3. Summary of significant accounting policies (continued)

3.21 Employee benefits (continued)

3.21.2 Annual leave and leave passage

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

3.21.3 Provision for employees' end of service benefits

A provision is made using actuarial techniques, for the end of service benefits due to employees in accordance with the Labor Law, for their period of service up to the statement of financial position date. This amount is charged to the statement of comprehensive income.

3.22 Provisions

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

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

3.23 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

3.24 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

4. Critical accounting judgments and key sources of estimation uncertainty

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

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

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

4.1 Critical judgements in applying accounting policies

4.1.1 Classification of investments

Management decides on acquisition of an investment whether it should be classified as investments at fair value through profit or loss or investment at amortised cost. The Company classifies investments at fair value through profit or loss, if they are acquired primarily for the purpose for short term profit making. Other investments are classified as investments at amortised cost if the Company's management has the positive intention and ability to hold the investment.

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

4.2 Key sources of estimation uncertainty

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

4.2.1 The ultimate liability arising from claims made under takaful contracts

The estimation of ultimate liability arising from the claims made under takaful contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the end of each reporting period and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting period. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

4.2.2 Fair value of investment properties

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

4.2.3 Useful lives of property and equipment

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

4.2.4 Retakaful

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

4. Critical accounting judgments and key sources of estimation

uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

4.2.5 Impairment of takaful receivables

The Company reviews its receivables to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from receivables. A provision for impairment of contribution, retakaful and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their terms.

4.2.6 Liability adequacy test

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

4.2.7 Actuarial valuation of life takaful provision

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

5. Cash and bank balances

	2014 AED	2013 AED
Cash on hand	**46,037**	38,537
Bank balances		
Current accounts	**23,825,194**	4,963,372
Investment deposits	**-**	-
	23,871,231	5,001,909
Investment deposits with maturity over three months from the date of placements		-
Cash and cash equivalents	**23,871,231**	5,001,909

The investment deposits carried a profit rate of 0.5% to 1.0% per annum (2013: 0.5% to 1.0% per annum).

6. Statutory deposit

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

7. Takaful and other receivables

	2014 AED	2013 AED
Takaful receivables	**60,726,122**	30,828,351
Provision for impairment	**(582,362)**	(1,260,616)
	60,143,760	29,567,735
Advance commission and others	**28,237,590**	6,117,290
Provision for doubtful staff receivables	-	(1,961,348)
	88,381,350	33,723,677
Due from retakaful companies	**8,496,950**	8,730,936
Prepaid expenses and other receivables	**12,982,427**	7,360,559
	109,860,727	49,815,172

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

Before accepting any new customer, the Company assesses the potential customers' credit quality and defines credit limits by customer. Takaful receivables include balances due from 3 customers amounting to AED 31,854,007 (2013: 19,194,990) which represent 53% (2013: 65%) of takaful receivables as at reporting date.

7. Takaful and other receivables

Aging of takaful receivables:

	2014 AED	2013 AED
Neither past due nor impaired	58,329,734	20,341,475
Past due but not impaired		
91-120 days	61,096	6,755,374
121 days and above	1,752,930	2,470,886
	1,814,026	9,226,260
Past due and impaired	582,362	1,260,616
Total takaful receivables	60,726,122	30,828,351

Movement in the allowance for doubtful debts:

	2014 AED	2013 AED
Balance at the beginning of the year	1,260,616	-
Impairment provision (written off) /made during the year	(678,254)	1,260,616
Balance at the end of the year	582,362	1,260,616

7. Takaful and other receivables (continued)

Movement in the allowance for doubtful staff receivables:

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

8. Balances and transactions with related parties

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

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

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

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

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

	2014 AED	2013 AED
Payment on account of development work-in-progress (Note 13)	-	16,282,360

8. Balances and transactions with related parties (continued)

Compensation of key management personnel

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

9. Takaful contract liabilities and retakaful contract assets

	2014 AED	2013 AED
Gross takaful contract liabilities		
Claims reported unsettled	**5,103,610**	5,632,562
Claims incurred but not reported	**3,628,922**	4,019,442
Unearned contributions	**89,522,293**	39,460,430
Life takaful provision	**661,993**	316,819
Payable to policyholders of investment linked contracts	**14,040,477**	9,660,820
	112,957,295	59,090,073
Retakaful contract assets		
Claims reported unsettled	**946,892**	2,112,932
Claims incurred but not reported	**939,205**	2,038,287
Unearned contributions	**9,861,768**	18,986,489
	11,747,865	23,137,708
Net takaful contract liabilities		
Claims reported unsettled	**4,156,718**	3,519,630
Claims incurred but not reported	**2,689,717**	1,981,155
Unearned contributions	**79,660,525**	20,473,941
Life takaful provision	**661,993**	316,819
Payable to policyholders of investment linked contracts	**14,040,477**	9,660,820
	101,209,849	35,952,365

10. Investments at fair value through profit or loss

	2014 AED	2013 AED
Quoted equity securities	**24,508,180**	16,129,529
Mutual funds	**19,136,985**	16,451,324
Provision of investment	**(84,391)**	-
	43,560,774	32,580,853

Movements during the year were as follows:

	2014 AED	2013 AED
Fair value at the beginning of the year	**39,294,669**	50,748,997
Purchases during the year	**160,948,765**	57,653,904
Disposals during the year	**(158,783,274)**	(70,743,235)
(Decrease) / Increase in fair value during the year	**2,185,005**	1,635,003
Provision of investment	**(84,391)**	-
Fair value at the end of the year	**43,560,774**	39,294,669

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

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

11. Investment properties

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

Note 11.1: Plot of land

The Company has entered into a sale and purchase agreement with master developer for purchase of plot of land in prior years. The management of the Company has registered the title deed of the investment property based on external valuation.

Note 11.2: Investment property under construction

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

12. Property and equipment

	Office equipment AED	Furniture & fixtures AED	Motor vehicles AED	Total AED
Cost				
Balance at 31 December 2012	2,466,738	7,165,253	481,900	**10,113,891**
Additions during the year	243,361	163,190	24,524	**431,075**
Disposals during the year	-		(385,824)	**(385,824)**
Balance at 31 December 2013	2,710,099	7,328,443	120,600	**10,159,142**
Additions during the year	111,396	15,075	83,750	**210,221**
Disposals during the year	(13,913)	-	(53,000)	**(66,913)**
Balance at 31 December 2014	**2,807,582**	**7,343,518**	**151,350**	**10,302,450**
Accumulated depreciation				
Balance at 31 December 2012	614,569	3,877,554	201,443	**4,693,566**
Charged for the year	515,310	867,126	67,306	**1,449,742**
Disposals			(191,165)	**(191,165)**
Balance at 31 December 2013	1,129,879	4,744,680	77,584	**5,952,143**
Charge for the year	499,618	440,531	26,909	**967,058**
Disposals	(4,066)	-	(40,633)	**(44,699)**
Balance at 31 December 2014	**1,625,431**	**5,185,211**	**63,860**	**6,874,502**
Carrying amount				
Balance at 31 December 2014	**1,182,151**	**2,158,307**	**87,490**	**3,427,948**
Balance at 31 December 2013	**1,580,220**	**2,583,763**	**43,016**	**4,206,999**

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

Takaful Emarat - Insurance (PSC)

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

13. Intangible Assets

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

14. Takaful and other payables

	2014 AED	2013 AED
Takaful payables	-	49,969
Retakaful payables	**8,433,972**	18,498,879
Accrued expenses and other payables	**12,514,692**	12,671,192
Payable against commission funding	**19,516,533**	-
	40,465,197	31,220,040

15. Provision for employees' end of service indemnity

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

	2014 AED	2013 AED
Balance at the beginning of the year	**994,012**	744,900
Charge for the year	**773,115**	392,418
Paid during the year	**(164,568)**	(143,306)
Balance at the end of the year	**1,602,559**	994,012

16. Share capital

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

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

17. Policyholders' fund

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

18. Net earned contributions

	31 December 2014			31 December 2013		
	Medical AED	Life AED	Total AED	Medical AED	Life AED	Total AED
Gross contributions written	**140,846,873**	**28,618,461**	**169,465,334**	81,080,448	10,884,389	91,964,837
Change in unearned contributions and changes in payable to policyholders of investment linked contract	**(50,278,289)**	**216,426**	**(50,061,863)**	19,747,217	(4,380,912)	15,366,305
Takaful contributions earned	**90,568,584**	**28,834,887**	**119,403,472**	100,827,665	6,503,477	107,331,142
Retakaful contributions	**10,786,644**	**1,269,713**	**12,056,356**	11,152,641	1,282,039	12,434,680
Change in unearned contributions provision	**9,060,298**	**64,423**	**9,124,721**	18,589,821	(73,801)	18,516,020
Retakaful contributions ceded	**19,846,942**	**1,334,136**	**21,181,077**	29,742,462	1,208,238	30.950,700
Net earned contributions	**70,721,642**	**27,500,751**	**98,222,395**	71,085,203	5,295,239	76,380,442

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

19. Claims incurred

31 December 2014

	Gross			Retakaful			Net		
	Medical AED	Life AED	Total AED	Medical AED	Life AED	Total AED	Medical AED	Life AED	Total AED
Takaful claims paid	62,759,288	74,633	62,833,921	(7,889,939)	(24,167)	(7,914,106)	54,869,349	50,466	54,919,815
Movement in provision for claims reported unsettled	(528,952)		(528,952)	(946,892)		(946,892)	(1,475,844)	-	(1,475,844)
Movement in provision for claims insured but not reported	(390,520)		(390,520)	1,099,082		1,099,082	708,561	-	708,561
Claims recorded in the statement of income	61,839,816	74,633	61,914,449	(7,737,750)	(24,167)	(7,761,917)	54,102,066	50,466	54,152,532

19. Claims incurred (continued)

31 December 2013

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

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

20. Wakalah fees

Wakalah fees for the year ended 31 December 2014 amounted to AED 28,370,231 (2013: AED 30,574,046). The fee is calculated at a maximum of 30% of takaful contribution earned for group medical policies and at a maximum of 60% of takaful donations for life takaful policies. Wakalah fee is charged to the statement of income when incurred.

21. Investment income - net

	2014 AED	2013 AED
Return on investment in fixed deposits	55,560	120,521
Effect of amortisation on investment carried at amortised cost	-	427,259
Gain on sale of investments at fair value through profit or loss	5,915,031	3,862,178
Fair value changes on investments at fair value through profit or loss	2,185,005	1,207,744
Gain on sale of investments carried at amortised cost	-	660,893
Profit on investment carried at FV through P&L	270,071	300,593
Investment Management Charges	(688,022)	-
	7,737,645	6,579,188

22. Other income-net

	2014 AED	2013 AED
Gain on sale of property and equipment	17,036	39,265
Gain on revaluation of property land	4,500,000	-
Allocation charge on life takaful policies and other charge – net	6,664,051	935,616
Miscellaneous Income	1,063,127	352,771
	12,244,214	1,327,652

23. General and administrative expenses

	2014 AED	2013 AED
Salaries and other benefits	13,725,789	17,674,782
Rent	1,649,442	1,730,290
Legal fees	349,635	1,882,260
Remuneration of Sharia Supervisory Board	290,608	154,135
Depreciation & amortization	2,376,263	2,841,069
Third party administration fees (TPA) – medical insurance	521,844	2,974,464
Stop loss reinsurance contributions		-
Reversal in allowance for doubtful debts	(315,609)	1,260,616
Miscellaneous expenses	6,800,100	6,952,051
	25,398,072	35,469,667

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

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

	2014 AED	2013 AED
Loss for the year attributable to shareholders	8,031,112	(17,258,642)
Weighted average number of shares outstanding during the year	100,000,000	100,000,000
Basic Profit/(loss) per share	0.08	(0.17)

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

25. Fatwa and Sharia'a supervisory board

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

26. Zakat

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

27. Segment information

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

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

27. Segment information (continued)

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

	Year ended 31 December 2014						Year ended 31 December 2013					
	Underwriting			Shareholders			Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	90,568,584	28,834,887	119,403,472	7,737,645	12,244,214	19,981,859	100,827,665	6,503,477	107,331,142	6,579,188	1,327,652	7,906,840
Segment result	11,179,287	2,268,038	13,447,325	7,737,645	12,244,214	19,981,859	9,784,867	519,318	10,304,185	6,579,188	1,327,652	7,906,840
Wakalah fees	(27,170,575)	(1,199,656)	(28,370,231)		28,370,231	28,370,231	(29,979,707)	(594,339)	(30,574,046)	-	30,574,046	30,574,046
Loss attributable to policy holders			(14,922,906)						(20,269,861)			
Unallocated costs						(40,320,978)						(55,739,528)
Net Profit/(loss) for the year						8,031,112						(17,258,642)

27. Segment information (continued)

Other information

	As at 31 December 2014						As at 31 December 2013					
	Underwriting			Shareholders		Total	Underwriting			Shareholders		Total
	Medical AED	Life AED	Total AED	Investments AED	Total AED	AED	Medical AED	Life AED	Total AED	Investments AED	Total AED	AED
Segment assets	72,338,746	16,987,409	89,326,155	71,887,048	69,399,309	141,286,357	68,225,562	9,141,056	77,366,618	49,794,669	49,794,669	127,161,287
Unallocated assets					69,399,309	69,399,309	-	-	-	-	31,699,187	31,699,187
Total assets	72,338,746	16,987,409	89,326,155	71,887,048	141,286,385	230,612,512	68,225,562	9,141,056	77,366,618	49,794,669	81,493,856	158,860,474
Segment liabilities	110,546,668	20,151,420	130,698,088	-	-	130,698,088	79,054,572	11,255,541	90,310,113	-	-	90,310,113
Unallocated liabilities					24,326,963	24,326,963	-	-	-	-	994,012	994,012
Total liabilities	110,546,668	20,151,420	130,698,088	-	24,326,963	155,025,051	79,054,572	11,255,541	90,310,113	-	994,012	91,304,125

28. Capital Management

(i) Governance framework

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

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

(ii) Capital management framework

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

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

(iii) Regulatory framework

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

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

29. Financial instruments

(a) *Significant accounting policies*

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

(b) *Categories of financial instruments*

	2014 AED	2013 AED
Financial assets		
At amortised cost	81,623,047	62,037,107
At fair value	43,560,774	39,294,669
	125,183,821	101,331,776
Financial liabilities		
At amortised cost	35,636,051	29,147,927
At fair value	14,040,477	9,660,820
	49,676,528	38,808,747

30. Risk management

(i) Takaful risk

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

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

30. Risk management (continued)

(ii) Retakaful risk

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

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

(iii) Financial risk

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

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

The Company does not enter into any derivative transactions.

(a) Credit risk

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

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

- The Company only enters into takaful and retakaful contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from takaful and retakaful contracts are monitored on an ongoing basis in order to reduce the Company's exposure against defaults.

- The Company's bank balances are maintained with a range of local banks.

30. Risk management (continued)

(iii) Financial risk (continued)

(b) Credit risk (continued)

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

	2014 AED	2013 AED
Statutory deposit	**4,000,000**	4,000,000
Takaful and other receivables	**81,623,047**	43,907,639
Bank balances	**23,825,194**	4,963,372
Retakaful share of claims	**946,892**	2,112,932
	110,395,133	61,697,759

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with takaful contract liabilities and financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

30. Risk management (continued)

(iii) Financial risk (continued)

(b) Liquidity risk (continued)

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

As at 31 December 2014:

	Less than three months AED	From 3 months to one year AED	Over 1 year AED	Total AED
Financial assets				
Cash and bank balances	23,871,231	-	-	23,871,231
Statutory deposit	-	-	4,000,000	4,000,000
Takaful and other receivables	38,873,930	42,749,117	-	81,623,047
Due from a related party	-	-	-	-
Investments at FVTPL	43,560,774	-	-	43,560,774
Total	106,305,935	42,749,117	4,000,000	153,055,052
Financial liabilities				
Takaful and other payables	7,685,546	27,950,505		35,636,051
Investment linked contracts	14,040,477			14,040,477
Total	21,726,023	27,950,505		49,676,528

30. Risk management (continued)

(iii) Financial risk (continued)

(b) Liquidity risk (continued)

As at 31 December 2013:

	Less than three months AED	From 3 months to one year AED	Over 1 year AED	Total AED
Financial assets				
Cash and bank balances	5,001,909	-	-	5,001,909
Statutory deposit	-	-	4,000,000	4,000,000
Takaful and other receivables	15,741,088	28,166,551	-	43,907,639
Due from a related party	2,413,743	-	-	2,413,743
Investments at FVTPL	32,580,853	6,713,816	-	39,294,669
Total	55,737,593	34,880,367	4,000,000	94,617,960
Financial liabilities				
Takaful and other payables	6,521,894	22,626,033	-	29,147,927
Investment linked contracts	9,660,820	-	-	9,660,820
Total	16,182,714	22,626,033	-	38,808,747

30. Risk management (continued)

(iii) Financial risk (continued)

(c) Market risk

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

(i) Foreign currency risk

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

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

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

(ii) Profit rate risk

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

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

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

	Increase in basis points	**Effect on profit for the year AED**
2014	**+100**	278,712
Profit bearing assets		
2013		
Profit bearing assets	+100	89,634

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

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

30. Risk management (continued)

(iii) Financial risk (continued)

(d) Equity price risk

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

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

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

	Favourable change AED	**Unfavourable change AED**
2014		
Equity securities	8,729,033	(8,729,033)
2013		
Equity securities	6,516,171	(6,516,171)

(e) Operational risk

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

31. 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 2013.

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

Some of the Company's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined;

Financial assets	**Fair value as at**					**Relationship of**
	31 December 2014 AED	31 December 2013 AED	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significar unobservabl inpu**	**unobservable inputs to fair value**
Financial assets at FVTPL						
Quoted equity securities	**24,423,789**	16,129,529	Level 1	Quoted bid prices in an active market.	None	N/A
Mutual funds	**19,136,985**	16,451,324	Level 2	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value.

31. Fair value measurements (continued)

Fair value measurements recognised in the statement of financial position

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

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

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

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

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets				
31 December 2014				
Investments at FVTPL				
Quoted equities	24,423,789			24,423,789
Mutual funds		19,136,985		19,136,985
Investment property			15,000,000	15,000,000
	24,423,789	19,136,985	15,000,000	58,560,774
Financial liabilities				
Investment linked contract		14,040,477		14,040,477

31. Fair value measurements (continued)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets				
31 December 2013				
Investments at FVTPL				
Quoted equities	16,129,529	-	-	16,129,529
Mutual funds	-	16,451,324		16,451,324
Investment property	-	-	10,500,000	10,500,000
	16,129,529	-	10,500,00	43,080,853
Financial liabilities				
Investment linked contract	-	9,660,820		9,660,820

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

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

32. Contingent liabilities and commitments

Contingent liabilities

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

32. Contingent liabilities and commitments (continued)

Commitments

The Company has lease agreements which are payable as follows:

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

33. Comparatives

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

	As previously reported Reported at 31 Dec 2013	Reclassification	As restated at 31 31 Dec 2014
Investment at amortized cost	6,713,816	(6,713,816)	-
Investment FV through P&L	32,580,853	6,713,816	39,294,669

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

34. Approval of financial statements

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