annual REPORT 2017

Orient UNB Takaful PJSC

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H. H. SHEIKH KHALIFA BIN ZAYED AL NAHYAN
President of the United Arab Emirates
Ruler of Abu Dhabi

H. H. SHEIKH MOHAMED BIN RASHID AL MAKTOUM
Vice President and Prime Minister of the United Arab Emirates
Ruler of Dubai

Directors and Management

BOARD OF DIRECTORS

Chairman	**Yousuf Ali Ahmad Obaid Bin Zayed AlFalasi**
Vice Chairman	**Mohamed Ali Mohamed Yousif Al Khawajah**
Director	**Mohamed Zeinelabdin Abdelhadi Mohamed**
Director	**Yousuf Ali Shahdad Rahma Al Raeesi**
Director	**Syed Muhammad Asim**

MANAGEMENT

Chief Executive Officer	**Syed Muhammad Asim**

Departments

Senior Vice President – Finance	**R. M. Sundaram**
Senior Vice President – Business Development	**Gayathri Vasan**
Vice President – Information Technology	**Lijo George**
Vice President – Claims	**Joshua Abiero**
Assistant Vice President – Operations Control	**Sowkath Ali**
Assistant Vice President – Medical	**Syed Amir Ali**
Assistant Vice President – Motor Claims	**A. Loay Eljabi**
Assistant Vice President – Property & Engineering	**Rehman Saeed**
Assistant Vice President – Marine	**Yasir Siddiqui**
Assistant Vice President – Specialty, General Accident & Motor	**Nazish Shafiq**
Assistant Manager – Reinsurance	**Karim Jarrar**
Assistant Manager – Human Resources & Administration	**Marjelyn Baniqued**

REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DEC 2017

MARKET OVERVIEW

The UAE Economy has been continuing to follow the path of diversifying the sources of national income. Hence the impact of the fluctuating oil prices during 2017 has been compensated by the continuing diversification of the economy into various sectors. On the other hand there have been some corrections in the real estate & construction sectors. The last quarter of 2017 witnessed a surge in retail business as entities brought forward planned consumption before the introduction of VAT after 31 Dec 2017.

OPERATING ENVIRONMENT

Despite the fact that we are a new entrant in a highly competitive insurance market, having started business from July 2017, the Company has been able to make small but strong inroads by virtue of strategic partnerships with leading market players. The company is confident of expanding its client base and become a dominant player addressing the takaful and other insurance needs of its customers.

COMPANY'S OPERATIONAL PERFORMANCE

During the five months of its operation since July 2017, our company has been able to achieve a business volume of AED 37 million. As a newly started takaful company, the results of the company are on expected lines with a moderate deficit in the Takaful Funds to the extent of AED 5.6 million with the overall losses for the company at AED 6 million. Considering the expected significant growth in operations the company is confident of gradually wiping off the deficit over the years with prudent underwriting as well as appropriate claims management.

REINSURANCE ARRANGEMENTS

Our company has secured strong reinsurance Treaty arrangements with the internationally reputed SCOR leading our Treaties, followed by other strong reinsurers in the panel. For our medical segment, we have tied up with leading reinsurers like Munich Re, Allianz Worldwide Partners and Axis Re. Such reinsurance arrangements provide strong support to our underwriting activities through TPA network of Nextcare, Mednet and NAS.

FINANCIAL HIGHLIGHTS

Amounts (in AED ' 000s)

Particulars	2017
Gross Written Contributions	37,722
Net Written Contributions	8,840
Net Earned Contributions	770
Net Claims Incurred	1,318
Surplus / (Deficit) from Takaful Operations Before Wakala Fee	7,616
Policyholder Surplus /(Deficit)	(5,587)
Income from Wakala Deposits	3,678
Net profit / (Loss) after Qard Hassan to Policyholders	(6,007)
Share Capital	200,000
Shareholders' Equity	195,191

Company's Outlook

Considering that 2018 will be the first full year of operations for our company, we are confident that we will be able to reach a larger segment of the clientele and expand our footprints by strategic initiatives and beneficial partnerships.

Acknowledgments

On behalf of the Board, we extend our sincere thanks to our customers, business partners, shareholders, regulators and other authorities for their support.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ORIENT UNB TAKAFUL P.J.S.C.

Report on the Financial Statements

Opinion

We have audited the financial statements of Orient UNB Takaful P.J.S.C. (the "Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matters (continued)
Valuation of takaful contract liabilities and retakaful contract assets.

The Company has takaful contract liabilities amounting to AED 35,300,444 and retakaful contract assets amounting to AED 26,355,388 at 31 December 2017, as detailed in note 5 to the financial statements.

As set out in notes 2.2 and 2.3, valuation of these liabilities requires professional judgment and also involves a number of assumptions to be made by management. Retakaful contract assets include amounts that the Company is entitled to receive under the retakaful contracts and, more specifically, the share of the takaful contract liabilities recorded by the Company. This is particularly the case for those liabilities that are based on the best-estimate of technical reserves that includes the ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and related technical reserves along with their retakaful recoveries. A range of methods are used by management and the independent external actuary to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Changes in these assumptions can result in a material impact on the valuation of these liabilities.

We assessed management's calculation of insurance liabilities and reinsurance assets by performing the following procedures:

- We evaluated and tested key controls around the claims handling and reserve setting processes of the Company including allocation of retakaful portion of the claims;

- We evaluated and tested key controls designed to ensure the integrity of the data used in the actuarial reserving process;

- We checked samples of claims reserves through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters and retakaful contracts;

- We reviewed management's reconciliation of the underlying company data recorded in the policy administration systems with the data used in the actuarial reserving calculations;

- We recalculated the unearned premium reserve based on the earning period on takaful contracts existing as at 31 December 2017; and

- We obtained the retakaful treaty summary for the period and verified the details in the summary to the respective agreements on a sample basis.

Key audit matters (continued)
Valuation of takaful contract liabilities and retakaful contract assets (continued)

In addition, with the assistance of our actuarial specialists, we:

- Performed the necessary reviews to ascertain whether the results are appropriate for financial disclosure;
- Reviewed the actuarial report compiled by the independent external actuary of the Company and calculations underlying these provisions, particularly the following areas:
  - Appropriateness of the calculation methods and approach (actuarial best practice);
  - Review of assumptions;
  - Sensitivity to key assumptions;
  - Risk profiles;
  - Consistency between valuation periods; and
  - General application of financial and mathematical rules.

Other information included in the Company's 2017 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Annual Report, other than the financial statements and our auditor's report thereon. We obtained the report of the Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Company's 2017 Annual Report after the date of our auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015 and the UAE Federal Law No. (6) of 2007, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ORIENT UNB TAKAFUL P.J.S.C. (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

i) the Company has maintained proper books of account;

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

iii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (2) of 2015;

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

v) no investments in shares or stocks were made by the Company during the period ended 31 December 2017;

vi) note 14 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 2017 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its Articles of Association which would have a material impact on its activities or its financial position as at 31 December 2017; and

viii) no social contributions were made by the Company during the period.

For Ernst & Young

Signed by:
Thodla Hari Gopal
Partner
Registration No: 689

14 February 2018

Dubai, United Arab Emirates

ORIENT UNB TAKAFUL P.J.S.C.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2017

	Notes	2017 AED
TAKAFUL OPERATIONS' ASSETS		
Cash and bank balances	3	**1,545,028**
Retakaful contract assets	5	**26,355,388**
Takaful and retakaful receivable and other assets	6	**14,156,080**
TOTAL TAKAFUL OPERATIONS' ASSETS		**42,056,496**
SHAREHOLDERS' ASSETS		
Cash and bank balances	3	**15,555,189**
Other receivables and prepayments	7	**1,077,199**
Wakala deposit	8	**183,400,000**
Statutory deposit	9	**6,058,850**
Property and equipment	10	**1,345,626**
Intangible assets	11	**810,024**
Wakala fee receivable	4	**13,203,042**
Receivable from policyholders		**1,266,184**
TOTAL SHAREHOLDERS' ASSETS		**222,716,114**
TOTAL ASSETS		**264,772,610**
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT		
TAKAFUL OPERATIONS LIABILITIES		
Takaful contract liabilities	5	**35,300,444**
Payable to takaful, insurance, reinsurance & retakaful companies	12	**5,560,326**
Other takaful payables		**879,726**
Wakala fee payable	4	**13,203,042**
Payable to shareholders		**1,266,184**
TOTAL TAKAFUL OPERATIONS' LIABILITIES		**56,209,722**
TAKAFUL OPERATIONS DEFICIT		
Deficit in policyholders' fund	16	**(5,586,661)**
Provision against Qard Hassan	16	**5,586,661**
TOTAL TAKAFUL OPERATIONS DEFICIT		**-**
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT		**56,209,722**

STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2017

	Notes	***2017 AED***
SHAREHOLDERS' LIABILITIES AND EQUITY		
SHAREHOLDERS' LIABILITIES		
Due to related parties	14	**11,186,134**
Accruals, provisions & other payables		**2,037,228**
Employees' end of service benefits	15	**148,075**
TOTAL SHAREHOLDERS' LIABILITIES		**13,371,437**
SHAREHOLDERS' EQUITY		
Share capital	13	**200,000,000**
Share premium	13	**1,198,390**
Accumulated losses		**(6,006,939)**
TOTAL SHAREHOLDERS' EQUITY		**195,191,451**
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		**208,562,888**
TOTAL TAKAFUL OPERATIONS' LIABILITIES, DEFICIT, SHAREHOLDERS' LIABILITIES AND EQUITY		**264,772,610**

The financial statements were approved by the Board of Directors on 14 February 2018 and signed on its behalf by:

Chairman	Chief Executive Officer	Head-Finance

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the period ended 31 December 2017

	Notes	*Period from 8 November 2016 to 31 December 2017 AED*
Gross contribution written		**37,722,979**
Changes in unearned contributions		**(31,283,289)**
Takaful contributions earned		**6,439,690**
Retakaful contributions		**28,882,750**
Changes in unearned retakaful contribution		**(23,213,156)**
Retakaful share of earned contributions		**5,669,594**
Net earned contributions		**770,096**
Commission earned		**8,164,331**
Gross takaful income		**8,934,427**
Gross claims incurred		**(4,460,277)**
Retakaful share of claims incurred		**3,142,231**
Net claims incurred		**(1,318,046)**
Total takaful expenses		**(1,318,046)**
Takaful results before Wakala fees		**7,616,381**
Wakala fees	4	**(13,203,042)**
Net deficit from takaful operations	16	**(5,586,661)**
Attributable to Shareholders		
Wakala fees Income from policyholders		**13,203,042**
Income from Wakala deposit		**3,677,940**
General and administrative expenses		**(7,837,321)**
Commission expenses		**(9,072,425)**
Other takaful expenses		**(391,514)**
Loss for the period before Qard Hassan		**(420,278)**
Provision against Qard Hassan to policyholders	16	**(5,586,661)**
Loss for the period attributable to Shareholders		**(6,006,939)**
Other comprehensive income		**-**
Total consolidated results for the period		**(6,006,939)**
Basic and diluted earnings per share (AED) attributable to equity holders of the Company	17	**(3.00)**

STATEMENT OF CHANGES IN EQUITY
For the period ended 31 December 2017

	Share capital AED	*Share premium AED*	*Accumulated losses AED*	*Total AED*
Issue of share capital (Note 13)	200,000,000	-	-	200,000,000
Share premium collected (Note 13)	-	2,000,000	-	2,000,000
Issuance cost of share capital (Note 13)	-	(801,610)	-	(801,610)
Total comprehensive loss for the period	-	-	(6,006,939)	(6,006,939)
At 31 December 2017	**200,000,000**	**1,198,390**	**(6,006,939)**	**195,191,451**

STATEMENT OF CASH FLOWS
For the period ended 31 December 2017

	Period from 8 November 2016 to 31 December 2017
	AED
OPERATING ACTIVITIES	
Loss for the period	**(6,006,939)**
Adjustments for:	
Depreciation of property and equipment	**113,210**
Amortisation of intangible assets	**60,964**
Provision for employees' end of service benefits	**148,075**
Operating loss before working capital changes	**(5,684,690)**
Working capital changes:	
Changes in retakaful contract assets	**(26,355,388)**
Changes in takaful receivables and other receivables	**(1,077,199)**
Changes on takaful and retakaful receivable and other assets	**(14,156,080)**
Changes in takaful contract liabilities	**35,300,444**
Changes in takaful and other payables	**8,477,280**
Changes in due to related parties	**11,186,134**
Net cash flows from operating activities	**7,690,501**
INVESTING ACTIVITIES	
Wakala and statutory deposits	**(189,458,850)**
Purchase of property and equipment	**(1,458,836)**
Purchase of intangible assets	**(870,988)**
Net cash flows used in investing activities	**(191,788,674)**
FINANCING ACTIVITIES	
Proceeds from issuance of share capital	**200,000,000**
Net proceeds against share premium	**1,198,390**
Net cash flows from financing activities	**201,198,390**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**17,100,217**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**17,100,217**

1 ACTIVITIES

Orient UNB Takaful P.J.S.C. (the "Company") is a public joint stock company registered under UAE Federal Law No (2) of 2015 relating to the incorporation of commercial companies in the UAE, and UAE Federal Law No. (6) of 2007 (as amended) relating to the establishment of insurance companies. The registered address of the Company is P.O. Box 183368, Dubai, United Arab Emirates.

The Company was incorporated on 8 November 2016, while the formalities of issuance and allotment of shares to the public were finalised on 28 December 2016. The shares of the Company are listed on the Dubai Financial Market. The Company obtained a commercial license on 23 January 2017 and a license from the Insurance Authority of the UAE on 16 July 2017. These are the first period financial statements of the Company, and cover the period from 8 November 2016 to 31 December 2017. Accordingly, no comparative information is presented.

The principal activity of the Company is issuance of short term takaful contracts in connection with accidents and liabilities insurance, fire insurance, transportation risk insurance, other type of insurance and health insurance. The Company also invests its funds in deposits.

2 BASIS OF PREPARATION

Accounting convention
The financial statements are prepared under the historical cost convention. The financial statements have been presented in UAE Dirhams.

The Company presents its statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

Statement of compliance
The financial statements for the period ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the applicable requirements of United Arab Emirates laws.

2.1 STANDARDS ISSUED BUT NOT EFFECTIVE

Certain new standards, amendments to standards and interpretations are not yet effective for the period ended 31 December 2017, with the Company not opting for early adoption. These have, therefore, not been applied in preparing these financial statements.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The Company plans to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of 1 January 2021, applying the temporary exemption from applying IFRS 9 as introduced by the amendments.

Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
The amendments to IFRS 4 introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

2.1 STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Company shall apply IFRS 15 on a modified retrospective basis. Given that insurance contracts are scoped out of IFRS 15, the impact of the new standard should be insignificant.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2018, the Company plans to assess the potential effect of IFRS 16 on its financial statements.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. There is no impact of the amendments on these financial statements.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Judgements
Classification of investments
Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, fair value though profit or loss or available-for-sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular, that the Company has the intention and ability to hold these to maturity.

The Company classifies investments as held for trading if they are acquired primarily for the purpose of making a short term profit.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit or loss.

All other investments are classified as available-for-sale.

Operating lease commitments – Company as lessee
The Company has entered into a lease on its office premises. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the office premises and the fair value of the asset, that it retains all the significant risks and rewards of ownership of the office premises and accounts for the contract as operating lease.

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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

The ultimate liability arising from claims made under takaful contracts
The estimation of the 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 expected loss ratio 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.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty (continued)
Claims incurred but not reported
A provision for claims Incurred But Not Reported ("IBNR") is determined by management's best estimate and after considering results of reserve review done by an independent actuary.

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

(a) claims reported during the year
(b) delay in reporting these claims
(c) impact of expected loss ratios

Impairment of takaful and retakaful receivables
The Company reviews its receivables to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Takaful contracts
Recognition and measurement
Takaful contracts are classified into two main categories, short term and long term takaful contracts.

Short term takaful 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. The proportion attributable to subsequent year is deferred as a provision for unearned contributions.

The Company currently does not issue long term takaful contracts.

Retakaful contributions
Retakaful contribution 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 statement of comprehensive income in accordance with the terms of these contracts.

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 in statement of comprehensive income attributable to policyholders.

Profit on deposits
Profit on deposits is recognised on a time basis, by reference to the principal outstanding and at the effective rate of return applicable.

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 weighted average cost and are recorded on occurrence of the sale transaction.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Claims
Claims, comprising amounts payable to participants and related loss adjustment expenses, net of recoveries and are charged to statement of comprehensive income 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 and after considering results of reserve review done by an independent actuary.

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.

Policy acquisition costs
Commissions that 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.

Leases
Company as a lessee
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 in the statement of income on a straight-line basis over the lease term.

Foreign currency translation
Items included in the financial statements of the Company are measured in United Arab Emirates Dirhams ("AED") being the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are prepared in AED, which is the Company's functional and presentation currency.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Company's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the statement of comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or statement of comprehensive income are also recognised in other comprehensive income or statement of comprehensive income, respectively).

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	4 years
Furniture and fixtures	7 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 statement of comprehensive income.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets
Intangible assets represents software acquired by the Company which is stated at cost less accumulated amortisation and impairment losses, if any. Cost of the software represents the costs incurred to acquire and bring the software to use.

Amortisation is recognised on a straight line basis over the useful life of the software, from the date it is available for use. The useful life of the software is estimated to be 7 years.

Financial assets
Initial recognition and measurement
Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets or liabilities designated at fair value through profit or loss or available-for-sale assets are recognised. Receivables are recognised on the day they are transferred to or acquired by the Company.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include bank balances and short term deposits and takaful and retakaful receivable.

Subsequent measurement
A financial asset or a financial liability is recognised initially at its fair value plus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial recognition, all financial assets at fair value through profit or loss and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be measured reliably is stated at cost, including transaction costs, less impairment allowances.

All other financial assets and non-trading financial liabilities are measured at amortised cost less impairment allowances.

Derecognition
The Company derecognises financial assets when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of the ownership of the financial assets are transferred.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Impairment of financial assets
An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows.

Impairment of non-financial 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities
Initial recognition and measurement
Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through income statement, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include payable to takaful, insurance, reinsurance and retakaful companies, other takaful payables and due to related parties.

Subsequent measurement
The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through income statement
Financial liabilities at fair value through income statement includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through income statement.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

The Company has not designated any financial liabilities upon initial recognition as at fair value through income statement.

Takaful contract liabilities
Unearned contributions
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 for all classes except Marine Cargo – Single shipments (which is calculated at 25%) and for Engineering (which is calculated on a risk-increasing basis), in accordance with the guidelines issued by the Insurance Authority UAE and after considering results of reserve review done by an independent actuary. The proportion attributable to subsequent year is deferred as a provision for unearned contributions.

Outstanding claims
Outstanding claims reported are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, 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.

Other payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods and services rendered, whether billed by the supplier or not.

Provisions
Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits
The Company provides end of service benefits to its employees employed in the UAE in accordance with the UAE Labour Law and for employees employed in the foreign branches of the Company and subsidiary companies in accordance with the respective region's labour Law. The entitlement of these benefits is based upon employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company makes contributions to a pension or social security fund established by the respective countries, calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Surplus or 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 the participants that have not made a claim, in proportion to their risk contributions to the fund after accounting for reserves. The distributions will be approved by the Company's 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 annually and the portion of the loan that is considered impaired is charged to the statement of comprehensive income.

On liquidation of the fund, the accumulated surplus in the policyholders' fund, if any, after meeting all obligations (including repayment of outstanding amount of Qard Hassan), will be dealt with after consulting with the Company's Sharia'a Supervisory Board. In case of an accumulated deficit, any Qard Hassan 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 Hassan. The Company maintains a full provision against the Qard Hassan.

Liability adequacy test
At the end of each reporting date the Company assesses whether its recognised takaful liabilities are adequate using current estimates of future cash flows under its takaful contracts. If that assessment shows that the carrying amount of its takaful liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised as charge against income and an additional reserve created. The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

Retakaful 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 claims reported and unsettled, claim incurred but not reported, unearned contributions and mathematical reserves 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 comprehensive income. Ceded retakaful arrangements do not relieve the Company from its obligations to policyholders.

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

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

Offsetting
Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is legally enforceable right to offset the recognised amounts, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statement of comprehensive income unless required or permitted by an accounting standard or interpretation.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement of financial instruments (continued)
For financial instruments traded in active markets, fair value at each reporting date is determined by reference to Stock Exchange quoted market bid prices, without any deduction for transaction costs.

For financial instruments not traded in active market, fair value is determined by reference to the current market value of a similar instrument, recent arm's length market transactions or is based on the expected discounted cash flows or any other valuation model.

Segment reporting
The Company's segmental reporting is based on the following operating segments: General takaful and Investment segment.

a) The general takaful segment comprises general takaful to individuals and businesses. General takaful products offered include motor, marine, fire, engineering, general accident and liability. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident, e.g., employee liability claims and asbestos. Revenue in this segment is derived primarily from takaful contributions and commission income.
b) The investment segment includes investment in fixed deposits.

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	31 December 2017	
	Takaful Operations AED	*Shareholders' Operations AED*
Cash and bank balances	**1,545,028**	**15,555,189**

4 WAKALA FEES

Wakala fees for the period ended 31 December 2017 amounted to AED 13,203,042.

For all takaful policies, wakala fees were charged at 35% of gross takaful contributions. Wakala fees are approved by the Sharia'a Supervisory Board and are charged to the statement of comprehensive income when incurred.

5 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	2017 AED
Gross takaful contract liabilities	
Claims reported not paid	**1,164,534**
Cotakaful inward	**21,615**
Claims incurred but not reported	**2,831,006**
Unearned contribution	**31,283,289**
	35,300,444
Retakaful contract assets	
Retakaful share of claims reported	**538,673**
Retakaful share of claims incurred but not reported	**2,603,559**
Retakaful share of unearned contribution	**23,213,156**
	26,355,388

6 TAKAFUL AND RETAKAFUL RECEIVABLE AND OTHER ASSETS

	2017 *AED*
Takaful receivable from third parties	**6,307,733**
Takaful and retakaful receivable from related parties (note 14)	**7,199,747**
Prepayments	**348,600**
Receivable from third party administrators	**300,000**
	14,156,080

7 OTHER RECEIVABLES AND PREPAYMENTS

	2017 *AED*
Accrued profit on Wakala deposits	**124,278**
Prepayments	**894,203**
Other receivables	**58,718**
	1,077,199

8 WAKALA DEPOSITS

This consists of a term deposit with an Islamic financial institution in UAE, at profit rate of 3.40 % amounting to AED 183,400,000, which matures in December 2018.

9 STATUTORY DEPOSIT

This consists of a fixed deposit under lien with an Islamic bank in UAE, at profit rate of 2.35% per annum, for the purpose of license renewal from the Insurance Authority.

10 PROPERTY AND EQUIPMENT

	Motor vehicles AED	*Furniture and Fixtures AED*	*Office Equipment AED*	*Total AED*
Cost:				
Purchases during the period	152,160	1,209,666	97,010	1,458,836
At 31 December 2017	**152,160**	**1,209,666**	**97,010**	**1,458,836**
Accumulated depreciation:				
Charge for the period	(5,606)	(87,619)	(19,985)	(113,210)
At 31 December 2017	**(5,606)**	**(87,619)**	**(19,985)**	**(113,210)**
Net carrying amount:				
At 31 December 2017	**146,554**	**1,122,047**	**77,025**	**1,345,626**

11 INTANGIBLE ASSETS

	Software 2017 AED
Cost:	
Purchases during the period	870,988
At 31 December 2017	**870,988**
Accumulated amortisation:	
Charge for the period	(60,964)
At 31 December 2017	**(60,964)**
Net carrying amount:	
At 31 December 2017	**810,024**

12 PAYABLE TO TAKAFUL, TAKAFUL REINSURANCE AND RETAKAFUL COMPANIES

	2017 AED
Payable to takaful and takaful companies	**3,502,607**
Payable to reinsurers / retakaful companies	**2,057,719**
	5,560,326

13 SHARE CAPITAL AND SHARE PREMIUM

	2017 AED
Issued and paid up Capital	
Issued and fully paid 2,000,000 shares of AED 100 each	**200,000,000**
Share premium reserve	**1,198,390**
	201,198,390

Share premium upon initial public subscription amounted to AED 1 for each share. Transaction costs incurred on issuance of shares of AED 801,610 are recognised in equity and charged to share premium.

14 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of shareholders, associate companies, and directors and key management personnel of the Company, together with entities controlled, jointly controlled or significantly influenced by those parties. Pricing policies and terms of these transactions are approved by the Company's shareholders.

Significant transactions with related parties included in the statement of comprehensive income are as follows:

	2017 *AED*
Compensation of key management personnel:	
Short term benefits	**1,208,313**
End of service	**34,398**
	1,242,711

	Shareholders *AED*	*Associated companies of the shareholders* *AED*	*Total* *AED*
Gross written contribution	4,298,704	20,330,218	24,628,922
Retakaful contribution	11,877,318	-	11,877,318
General and administrative expenses	766,553	7,459,618	8,226,171
Claims reported	404,011	933,609	1,337,620
Profit on Wakala deposits	3,616,359	-	3,616,359
Total	**20,962,945**	**28,723,445**	**49,686,390**

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

	2017 *AED*
Due from related parties	
Takaful and retakaful receivable from related parties (note 6)	**7,199,747**

The Wakala deposit of AED 183,400,000 is invested in a financial institution Al Wifaq Finance Co. which is under common control of one of the shareholders.

	2017 *AED*
Due to related parties	
Orient Insurance P.J.S.C.	**9,990,992**
Al Futtaim Motor Auto Centre	**533,021**
Other related parties	**662,121**
	11,186,134

15 EMPLOYEES' END OF SERVICE BENEFITS

	2017 *AED*
Provided during the period	**148,075**
As at 31 December 2017	**148,075**

16 QARD HASSAN

	2017
	AED
Deficit during the period	**(5,586,661)**
Provision during the period	**5,586,661**
As at 31 December 2017	**-**

The shareholders have funded the deficit in the policyholders' fund in accordance with the Company's policy through a Qard Hassan (free of finance charge with no repayment terms).

17 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the loss for the period by the weighted average number of shares outstanding during the period as follows:

	Period from 8 November 2016 to 31 December 2017
	AED
Loss for the period	**(6,006,939)**
Weighted average number of shares outstanding during the period	**2,000,000**
Earnings per share (AED)	**(3.00)**

No figures for diluted earnings per share are presented as the Company has not issued any instruments which would have an impact on earnings per share when exercised.

18 SEGMENT INFORMATION

For management purposes, the Company is organised into two business segments; takaful and investment operations. The takaful operations comprise the takaful business undertaken by the Company on behalf of policyholders. Investment operations comprise investments 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 period.

18 SEGMENT INFORMATION (continued)

The following table presents segment information for the period ended 31 December 2017.

	31 December 2017				
	Policyholders		*Shareholders*		
	Takaful AED	*Total AED*	*Investments AED*	*Others AED*	*Total AED*
Net contributions written	**8,840,229**	**8,840,229**	**3,677,940**	**13,203,042**	**16,880,982**
Segment result	**7,616,381**	**7,616,381**	**3,677,940**	**13,203,042**	**16,880,982**
Wakala fees	**(13,203,042)**	**(13,203,042)**	**-**	**-**	**-**
General and administrative expenses	**-**	**-**	**-**	**(7,837,321)**	**(7,837,321)**
Commission Expenses	**-**	**-**	**-**	**(9,072,425)**	**(9,072,425)**
Other Takaful Expenses	**-**	**-**	**-**	**(391,514)**	**(391,514)**
Qard Hassan to Policyholders	**-**	**-**	**-**	**(5,586,661)**	**(5,586,661)**
Loss attributable to policyholders/shareholders	**(5,586,661)**	**(5,586,661)**	**3,677,940**	**(9,684,879)**	**(6,006,939)**

	31 December 2017					
	Policyholders		*Shareholders*			
	Takaful AED	*Total AED*	*Investments AED*	*Others AED*	*Total AED*	*Total AED*
Segment assets	42,056,496	42,056,496	189,458,850	33,257,264	222,716,114	264,772,610
Segment liabilities	56,209,722	56,209,722	-	13,371,437	13,371,437	69,581,159

19 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of bank balances and wakala deposits, takaful and retakaful receivables and other assets and retakaful contract assets.

Financial liabilities consist of takaful contract liabilities, payable to takaful, retakaful companies, other takaful payables and due to related parties.

The fair values of financial instruments are not materially different from their carrying values. The fair value of the financial assets and liabilities are considered at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Bank balances, deposits and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

20 RISK MANAGEMENT

The risks faced by the Company and the manner these risks are managed by the management are summarised below:

(a) 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, with its associated committees, carries out the Company's risk management function. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Company President and Senior Vice Presidents.

The senior management meets regularly to approve any commercial, regulatory and organisational decisions. The Company President under the authority delegated from the board of directors defines the Company's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

(b) Capital management framework

The primary objective of the Company's capital management is to comply with the regulatory requirements in the UAE 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. No changes were made in the objectives, policies or processes during the period ended 31 December 2017.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and the public shareholders 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 to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

(d) Financial risk

Financial instrument consists of financial assets and financial liabilities. The Company has no derivative financial instruments.

Financial assets of the Company include cash and cash equivalents, takaful and retakaful receivables, prepayments and other assets, retakaful contract assets, statutory deposits and Wakala deposits.

Financial liabilities of the Company include payable to takaful, insurance, reinsurance and retakaful companies, takaful contract liabilities, other payables and accruals.

The main risks arising from the Company's financial instruments are profit rate risk, credit risk, and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised as follows:

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 profit rates. Floating rate instruments expose the Company to cash flow profit risk, whereas fixed profit rate instruments expose the Company to fair value profit rate risk.

The Company's only exposure to profit risk is on account of its investment in Wakala deposits and statutory deposits. The Company limits profit rate risk by monitoring changes in profit rates of the investment made. The Wakala deposit and statutory deposit are at fixed rate of profit.

20 RISK MANAGEMENT (continued)

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

	2017 *AED*
Wakala deposits	**183,400,000**
Statutory deposits	**6,058,850**
Bank balances	**17,093,864**
Retakaful contract assets	**26,355,388**
Takaful and retakaful receivable and other assets	**14,156,080**
Other receivables and accrued profit on wakala deposits	**182,996**
Total credit risk exposure	**247,247,178**

The ageing analysis of takaful and retakaful receivable is as follows:

	2017 *AED*
Not due and not impaired	**11,369,618**
Less than 30 days	**1,023,974**
30-60 days	**299,580**
60-90 days	**814,308**
Total	**13,507,480**

The Company seeks to limit credit risk by investing in financial assets with only reputed and creditworthy financial institutions in the UAE. The Wakala deposit, statutory deposit and bank balances are deposited with financial institutions of an investment grade.

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of *changes in values.*

Reinsurance risk
In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance 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 reinsurance is effected under treaty, facultative and excess of loss reinsurance contracts.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures.

The five largest reinsurers account for 69% of the maximum credit exposure at 31 December 2017.

20 RISK MANAGEMENT (continued)

Liquidity risk

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

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. The Company has adequate funds from the shareholders to meet its financial liabilities. The table in the following page summarises, the maturity of the assets and liabilities of the Company based on remaining undiscounted contractual obligations. As the Company does not have any interest bearing liabilities, the totals in the table match the statement of financial position:

	Notes	*1 year AED*	*> 1 year AED*	*No term AED*	*Total AED*
TAKAFUL OPERATIONS' ASSETS					
Cash and bank balances	3	**1,545,028**	-	-	**1,545,028**
Retakaful contract assets	5	**26,355,388**	-	-	**26,355,388**
Takaful and retakaful receivable and other assets	6	**14,156,080**	-	-	**14,156,080**
TOTAL TAKAFUL OPERATIONS' ASSETS		**42,056,496**	-	-	**42,056,496**
SHAREHOLDERS' ASSETS					
Cash and bank balances	3	**15,555,189**	-	-	**15,555,189**
Other receivables and prepayments	7	**1,077,199**	-	-	**1,077,199**
Wakala deposit	8	**183,400,000**	-	-	**183,400,000**
Statutory deposit	9	-	-	**6,058,850**	**6,058,850**
Property and equipment	10	-	-	**1,345,626**	**1,345,626**
Intangible assets	11	-	-	**810,024**	**810,024**
Wakala fee receivable	4	**13,203,042**	-	-	**13,203,042**
Receivable from policyholders		**1,266,184**	-	-	**1,266,184**
TOTAL SHAREHOLDERS' ASSETS		**214,501,614**	-	**8,214,500**	**222,716,114**
TOTAL ASSETS		**256,558,110**	-	**8,214,500**	**264,772,610**
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT					
TAKAFUL OPERATIONS LIABILITIES					
Takaful contract liabilities	5	**35,300,444**	-	-	**35,300,444**
Payable to takaful, insurance, reinsurance & retakaful companies	12	**5,560,326**	-	-	**5,560,326**
Other takaful payables		**879,726**	-	-	**879,726**
Wakala fee payable	4	**13,203,042**	-	-	**13,203,042**
Payable to shareholders		**1,266,184**	-	-	**1,266,184**
TOTAL TAKAFUL OPERATIONS' LIABILITIES		**56,209,722**	-	-	**56,209,722**
TAKAFUL OPERATIONS DEFICIT					
Deficit in policyholders' fund	16	-	-	**(5,586,661)**	**(5,586,661)**
Provision against Qard Hassan	16	-	-	**5,586,661**	**5,586,661**
TOTAL TAKAFUL OPERATIONS DEFICIT		**-**	**-**	**-**	**-**
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT		**56,209,722**			**56,209,722**

20 RISK MANAGEMENT (continued)

Liquidity risk (continued)

	Notes	*1 year AED*	*> 1 year AED*	*No term AED*	*Total AED*
SHAREHOLDERS' LIABILITIES AND EQUITY					
SHAREHOLDERS' LIABILITIES					
Due to related parties	14	**11,186,134**	-	-	**11,186,134**
Accruals, provisions & other payables		**2,037,228**	-	-	**2,037,228**
Employees' end of service benefits	15	-	**148,075**	-	**148,075**
TOTAL SHAREHOLDERS' LIABILITIES		**13,223,362**	**148,075**	-	**13,371,437**
SHAREHOLDERS' EQUITY					
Share capital	13	-	-	**200,000,000**	**200,000,000**
Share premium	13	-	-	**1,198,390**	**1,198,390**
Accumulated losses		-	-	**(6,006,939)**	**(6,006,939)**
TOTAL SHAREHOLDERS' EQUITY		-	**-**	**195,191,451**	**195,191,451**
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		**13,223,362**	**148,075**	**195,191,451**	**208,562,888**
TOTAL TAKAFUL OPERATIONS' LIABILITIES, DEFICIT, SHAREHOLDERS' LIABILITIES AND EQUITY		**69,433,084**	**148,075**	**195,191,451**	**264,772,610**

21 CONTINGENCIES

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

Zakat

The company does not pay Zakat on behalf of the shareholders. The Zakat obligation is assessed at 10% from the return on investments of the capital, which is calculated as AED 346,889 and the Zakat per share is AED 0.17.