بسم الله الرحمن الرحيم

In the name of Allah,
the Most Beneficent, the Most Merciful

Emirates Retakaful Limited

الامارات لاعادة التأمين التكافلي

2nd Annual Report

2015

EmiratesRE

الامارات لاعادة التأمين التكافلي

EGYPTIAN ARABIAN

The Egyptian Arabian horse has a distinctive profile. They have giant, wide-set eyes on a broad forehead, small, curved ears, and large and efficient nostrils. Arabians are also known for their arched necks and short backs.

Smoothly built, Egyptian Arabians are slender with straight legs, clean bones and good feet. The cannon bone of the Egyptian Arabian is a little less round; it tapers a little towards the back and gives the lower leg more of a triangular shape. The Egyptian Arabian breed is intelligent, strong, fast and always eager to please its owner.

بسم الله الرحمن الرحيم

Race To Success

Content

POLISH ARABIAN

One of the more stoutly built Arabian strains, Polish Arabian horses are powerful athletes. Polish Arabian horses are heavier, stockier and generally have more body weight than the other Arabs. They have thicker neck, heavier bone and are taller in size.

Renowned for their qualities of speed, strength, agility and endurance these horses are found in racing and carriage driving as well as being used by the military. Solid and close coupled, large boned (cannon bones are roughly round in shape), they are muscular and have a typically flat croup and powerful hind quarters with laid back shoulders and attractive head.

About EmiratesRE

The first leading Retakaful Institution for regional and worldwide markets, grounded on Fiqh Al Muamalat, observing the rules and regulations of the Islamic society.

Our Experience & Expertise: EmiratesRE offers not only reinsurance underwriting capacity in Non-Life Treaty and Facultative business, but also adds value to its cedants, including technical training, risk management and actuarial advice.

Our People: EmiratesRE's most valuable assets are our people and their expertise. We believe that people are at the core of (re)insurance business and we look to add value to our company and our clients through staff development and by selecting the best talent.

Our Ethics: EmiratesRE is committed to the highest standards of professional conduct, maintaining compliance with Fiqh Al Muamalat, the Islamic ethical rules for business and the economy.

Objectives:

- To be the National Retakaful institution in the UAE.
- To provide first class Retakaful capitalisation & security rating.
- To be first choice for Retakaful products worldwide and to be a superior partner for all reinsurance solutions.
- To provide a diversified reinsurance portfolio together with a reliable & transparent Shari'a approach for clients and shareholders.

Vision: The leading Retakaful Institution for regional and international markets, grounded on Fiqh Al Muamalat and observing the rules and regulations of the Islamic society.

Mission: Enlarge the Retakaful market by offering enhanced reinsurance solutions and leading terms to Takaful and conventional clients. Provide differentiated products and excellent services through an ethical and independent approach, backed by solid capital and sound Retakaful principles.

Products & Services: EmiratesRE is committed to enriching the Retakaful and Insurance industries, in accordance with Shari'a principles, by providing first-class levels of expertise, products and services. We transact several lines of business on a Treaty and Facultative basis:

- Property
- Energy
- Engineering
- Marine
- Accident
- Motor

Tailored solutions based on ethical principles: Our ethics are central to our approach and infuse every facet of our business. All EmiratesRE products, services and investments are subject to independent supervision by a Shari'a Supervisory Board to ensure they are in accordance with Shari'a principles. Our aim is to build a strong, well-diversified portfolio with sustainable long-term returns in accordance with the provisions of Islamic law. We are leaders in several of our reinsurance partnerships and have significant knowledge and expertise in our main markets, currently MENA, Asia, Indian Subcontinent and Central and Eastern Europe. The aim of EmiratesRE is to continue providing excellent service, strengthen its know-how, and retain and expand its business in our main markets. The Company looks continuously to develop its expertise for the benefit of its participants, shareholders and employees.

Board of Directors

Jonathan Cimino, Chairman of the Board

Jon Cimino is the Chief Executive Officer of Dubai Group. Since joining Dubai Group in 2008 he has also held the posts of COO and Managing Director, Finance. His responsibilities have covered financial management, debt restructuring and asset management.

Jon is an investment banker and a stockbroker having spent a large portion of his career as head of Investment Banking, CEO and Country Head of SBC Warburg and UBS in New Zealand. During this time, he worked extensively on privatization mandates for the government of New Zealand. Upon leaving UBS in 2001 he formed his own boutique investment bank, Cimino Partners, which undertook various M&A and capital market transactions including acting as Lead Manager for the IPO of the New Zealand Stock Exchange (NZX). He has formerly been a public company director in New Zealand for listed companies in the transportation, environmental, biotechnology and private equity sectors.

He currently represents Dubai Group on the boards of Acacia Investments in Bahrain, EFG Hermes in Egypt and Lafarge Emirates Cement in the UAE.

He holds a Bachelor of Finance and Administration from Victoria University of Wellington, New Zealand and completed the Advanced Management Program at Harvard Business School

Abdulaziz K. Al-Abdulrazaq, Vice Chairman of the Board
Chairman - Remuneration and Nomination Committee

Abdulaziz has over 18 years of experience in the field of Investment and is currently the Vice President at Global Investment House, Wealth Management department since 2000. Prior to that he was a Senior Trader with Bayan Investment Co. in Local & GCC Asset Management Department where he worked for 2 years. He has also worked 3 years as Investment Manager in Local & GCC Asset Management department with KFTCIC, which is now known as Kuwait Investment Co. Abdulaziz received his Bachelor's degree from Eastern Washington University in 1995. He is a Board member for First Securities Brokerage Co. He had also served in the advisory Board of JOUAAN Investment Co. Previously, Abdulaziz had been a Board Member in AL-ARGAN Real Estate Co., Noran Holding Co. and Global Sudan. Abdulaziz is a certified Wealth Manager.

Board of Directors

Fareed Lutfi, Director - Independent
Chairman - Risk & Audit Committee

Fareed serves as the Secretary General for Emirates Insurance Association and Gulf Insurance Federation. He is currently serving as an Independent Board Member of Gulf Warranties, Bahrain and in the Board of Skandia International Middle East based in DIFC.

Previously, Fareed served as Group Director, Insurance Services at Dubai Holding and President of Dubai Insurance Group. He also served as Vice Chairman and member of Reinsurance Committee of Dubai Group Sigorta - Turkey, Board Member, Audit & HR Committee member of Oman National Investment Corporation Holding, Board member and Chairman of the Audit Committee of National Life & General Insurance Company, both based in Oman and Board Member of Gulf Assist, based in Bahrain. Fareed previously served as General Manager and Consultant of Dubai Islamic Insurance and Insurance Company (AMAN), Dubai.

Ahmed Mahmoud Abdullah, Director
Member - Risk & Audit Committee
Member - Remuneration and Nomination Committee

Ahmed is currently the Senior Director within the Private Equity team of Global Capital Management Ltd., a wholly-owned subsidiary of Global Investment House (Kuwait). Since 2006 he has been a member of the investment committee of PE funds and co-manages Glob al opportunistic Fund I. Ahmed has represented the PE team on the Board of Directors of a Takaful Company in Kuwait since 2007.

He is also the Board member in a Healthcare Group based in Jeddah since 2010. Ahmed has more than 17 years experience in the Banking and Financial sectors. Before joining Global Investment House, he was Head of Banking sector of the Investment Banking team at Piraeus Bank, Egypt.

Joseph Iskander, Director
Member - Risk & Audit committee
Member - Remuneration and Nomination Committee

Joseph Iskander is Managing Director of Asset Management at Dubai Group and the former Head of Research at Dubai Capital Group until 2009. He joined Dubai Group as an Investment Manager in 2004 and has worked on a range of M&A transactions, advisory services, asset management and private equity transactions with a collective value in excess of $8 billion.

Prior to joining DG, Mr. Iskander headed the research team at Egypt's Prime Investments and was earlier an investment advisor at Commercial International Bank (CIB). He began his career at Deloitte &Touche (Egypt) as an auditor. He has over seventeen years of experience in the financial services industry, covering various areas such as banking, audit, research, private equity and asset management. In addition to EmiratesRE, Mr. Iskander represents Dubai Group on the board of Oasis Capital in Bahrain, Marfin Investment Group in Greece, EFG Hermes in Egypt and Sun Hung Kai in Hong Kong. Mr. Iskander holds a degree in Accounting and Finance with high distinction from Helwan University.

Shari'a Supervisory Board

Dr. Abdul Aziz Khalifa Al Qassar, Chairman of the Shari'a Supervisory Board

Prof. Dr. Abdul Aziz Khalifa Al Qassar is the Professor of Comparative Jurisprudence at the Faculty of Shari'a and Islamic Studies at Kuwait University. He received his doctorate degree in comparative jurisprudence from the Faculty of Shari'a and Law – Al-Azhar University – Cairo – Arab Republic of Egypt in 1997.

He is Faculty member at the Faculty of Shari'a and Islamic Studies at Kuwait University from 1997 to this time.

- He has served as Associate Dean for Academic Affairs and Graduate Studies and Research at the Faculty of Sharia and Islamic Studies at Kuwait University from the period 2001-2005.
- Serves as a member of the Fatwa and Shari'a Supervisory Boards in many institutions and Islamic banks in Kuwait and abroad.
- Lecturer in Islamic finance.
- Conducts many research and religious studies in Islamic jurisprudence and contemporary financial transactions.

Dr. Essa Zaki Essa, Member of the Shari'a Supervisory Board

A member of the Fatwa Committee at the Ministry of Awqaf and Islamic Affairs (Kuwait), the Shari'a Board of the Zakat House (Kuwait), the Kuwait Awqaf Public Foundation and numerous Shari'a Supervisory Boards.

He holds a Bachelor's Master's and Doctorate in Jurisprudence from the Islamic University of Medina. Other responsibilities of Dr. Essa include:

Assistant instructor in the Faculty of Basic Education at the Public Authority for Applied Education and Training.

- Member of the International Shari'a authority for Authority for Minors Affairs.
- Chairman of the Shari'a Board of Zakat House – Kuwait
- Chairman Shari 'a Board of Al Mashora and Al Raya for Islamic Financial Consultancy
- Member of the Fatwa Committee in investment institutions and Islamic Banks – Kuwait and Kingdom of Bahrain
- Specialized trainer in Shari'a courses
- Member of the Fatwa authority in The Ministry of Awqaf – Kuwait.

Dr. Ali Ibrahim Al Rashid, Member of the Shari'a Supervisory Board

- Bachelor of Shari'a (College of Shari'a and studies – Kuwait University)
- Master of Law (University of Cairo – Arab Republic of Egypt)
- PhD in law (University of Cairo – Arab Republic of Egypt)
- Member of the faculty in the College of Shari'a Kuwait University
- Member of different Fatwa authorities in many Islamic investment institutions – inside and outside Kuwait and aborad.
- Member of the Shari'a Committee in the Ministry of Awqaf – Kuwait.
- Member of several Shari'a Supervisory Boards including, but not limited to, Al Masar Co, Global GCC Real Estate Fund, Ilaf Takaful Insurance Co., Credit Rating and Collection Co

Mohamed Hussein El Dishish, Chief Executive Officer

Mr. Mohamed Hussein Mohamed El Dishish, is the Chief Executive Officer of Emirates Retakaful Limited, the leading Retakaful Institution for regional and worldwide markets. Mr. El Dishish is driving the Company forward to fulfil its vision & mission of enlarging the retakaful market based on Fiqh Al Muamalat, whilst striving for all round excellence in services and products and creating value for stake holders.

Mr. Mohamed possesses a wide experience and exposure in the field of Shari'a Compliant insurance/reinsurance and Islamic finance. He has led the establishment and growth of insurance companies from inception stage to profit making. He practiced as a Public Accountant with Ernst & Young in Egypt and in the UK for 10 years and for several years in senior managerial positions within the reinsurance and Shari'a Compliant insurance & reinsurance industry. His longstanding practical experience since 1991 has been in renowned Shari'a Compliant insurance, retakaful and commercial insurance entities, such as National Company for Co-operative Insurance (NCCI) Kingdom of Saudi Arabia, Arab Insurance Group (ARIG) Kingdom of Bahrain, Takaful Re Ltd., Nile General Takaful & Family Takaful Egypt and Al Fajer Retakaful Insurance Company KSCC Kuwait. He has executed several mergers & acquisitions and has set up Insurance & Re-insurance companies in a number of MENA Countries. In addition, he is a frequent speaker at various seminars and conferences focusing on Takaful, Retakaful & Islamic Finance.

Mr. Mohamed has expertise in the areas of strategic thinking, due diligence and risk management. He holds the following qualifications:

- Bachelor of Commerce from Ain Shams University, Cairo, Egypt (1975)
- Certified Accountant from Ministry of Finance, Cairo, Egypt (1983)
- Certified Public Accountant by profession and Fellow member of American Institute of Certified Public Accountant (1990)

Trevor Parker-Bundy, Chief Financial Officer

Trevor has over 33 years of experience of financial management at all levels. His experience is wide ranging in the insurance industry, covering brokers in the Lloyd's market and Commercial insurance companies in London. Latterly his experience has widened to include Shari'a Compliant reinsurance business in the Middle East. His previous position was Chief Financial Officer of Al Fajer Retakaful Insurance Company KSCC. Prior to this he worked for CNA and Marsh & McLellan.
He is a fellow of the Chartered Association of Certified Accountants.

Stephan Ott, Chief Underwriting Officer

Stephan is an experienced industry veteran with more than 30 years of practice in the insurance and reinsurance industry. He has held various underwriting positions throughout his career in his main areas of expertise of treaty and facultative underwriting, retrocession and model development.

Stephan joined EmiratesRE from the beginning and his previous position was Chief Underwriting Officer of Al Fajer Retakaful Insurance Company KSCC. Earlier to that he was Chief Underwriting Officer for all classes and lines of reinsurance business written by Sirius International (Hamburg Branch).

Ali Majidi, Chief Risk Officer

Dr. Ali has more than 15 years of experience in risk management and statistical modeling. He was inter alia a consultant with Munich Re and with Towers Watson. Prior to joining EmiratesRE Ali was the Chief Risk Officer of Al Fajer Re. Ali also worked as a Risk Officer within the Deutsche Bank Group. Before entering the Insurance Industry he worked as a researcher in fields of statistical models for speech recognition as well as medical visualization.

Ali holds a Masters in Mathematics as well as a PhD in mathematical statistics from Germany. He is also is a member of the German Actuarial Society (DAV).

SPANISH ARABIAN

The Spanish Arabian is a warm-blooded horse known for being extremely intelligent and hard-headed. They have solid, smooth bodies and excellent temperament. More Robust with substantial bone the Spanish Arabian horse retain a classical elegance in look and demeanor through which they stand out in the show ring.

As a multi-talented horse, the Spanish Arabian is commonly used today in dressage, endurance riding, general riding, jumping and racing activities.

Chairman's Statement

To the Shareholders of EmiratesRE:

I am pleased to bring to you this the second Chairman's statement of EmiratesRE and introduce myself as your new Chairman.

I am sure that you would like to join me in extending my sincere thanks to Marwan Hassan Al Khatib who stood down as Chairman in December 2015, having been Chairman of EmiratesRE from its inception, and previously Chairman of Al Fajer Re from its inception in 2008. Marwan made a significant personal contribution to the successful establishment of EmiratesRE and left the Company with a solid foundation for future development. The Board also saw the resignation of Inanc Kirgiz who had also served on the Boards of EmiratesRE and Al Fajer Re since 2010. Our thanks also to him.

I am pleased to be able to report that the profitability of the Participants' Fund and the core underwriting business has been maintained in 2015, although the effects of the fall on stock markets in the region in late 2015 has had an impact on shareholder results.

Takaful and Retakaful Markets

This report last year noted that reinsurance markets had suffered from depressed pricing. This has continued in 2015 and competition for smaller reinsurers has intensified as larger players in the market seek increased shares of business. In addition, regulators worldwide continue to put in place requirements which either explicitly, or through capital adequacy models, demand 'A' rated security. Retakaful operators are not immune from these realities. Despite these challenges EmiratesRE maintained its contribution levels, especially in its core markets in the UAE, Saudi Arabia and the wider GCC/MENA region.

In considering possible new markets for future growth the Board is pleased to note that the Company obtained a licence in September 2015 from the Labuan Financial Services Authority in Malaysia. The establishment of a branch will assist in writing business in the Asian markets. In addition, the Board is considering further strategic initiatives and alliances aimed at overcoming the challenges of size and rating noted above.

Financial Results

The Participants' Fund maintained profitability in 2015, contributing USD 142k surplus. The overall surplus in the fund now stands at USD 1.185m and with the Board's priority, as highlighted in 2014, to work towards making the Retakaful Fund being self-sufficient and maintain superior levels of capital adequacy, the Board has decided that the surplus should once again be retained in the fund itself for the financial year 2015. The Shareholders' Fund showed a deficit of USD 3.658m following impairment issues with a legacy investment transferred from Kuwait, combined with the fall in local stock markets. The Shareholders' Fund has an accumulated deficit of USD 2.497m and the Board is recommending therefore that no dividends are to be distributed to the shareholders.

Sustainability and Prospects

The diversification of the Company's investments into Sukuk and Equity has been completed to a large extent. Yields from Sukuk and discipline in equity placements should see improved returns going forward. Technical underwriting results have remained profitable. The Company maintains sound underwriting disciplines and strives always to improve its level of service and the results of this are reflected in the underwriting results which have shown a surplus for the past five years.

Despite the challenges in the retakaful markets the Board has been pleased to note that the January 2016 renewal season has been successful and is confident that further development of the Participants Fund is possible.

Closing words

The Board has seen 2015 as a year of consolidation for the business and looks to the management to continue its focus on profitable business for the benefit of all stakeholders.

I would like to thank His Highness Sheikh Khalifa, President of the UAE, and His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai for their leadership and wisdom in making the UAE business environment one in which Company's such as ours can thrive. I would like also to thank the DIFC and DFSA authorities for their help and support. Last but not least, I would like to extend a special thanks to the management team and staff members, Board members and Shareholders, for their continued support and commitment to the Company and their efforts over the past 12 months.

Jonathan Cimino
Chairman

Chief Executive Officer's Statement

To the Shareholders of EmiratesRE:

The past 12 months has been a period of consolidation for EmiratesRE. I noted in last year's report the successful transfer of the business from Kuwait, and in 2015 the management team has looked to build on this by maintaining underwriting profitability in the face of particularly challenging conditions for Companies of our size, and by diversifying the investment portfolio for improved long term returns. We have been successful in the former, whilst although investment results this year have not met our expectations, the platform is in place for improved results going forward.

Underwriting

The Company has maintained its client base and currently has over 145 clients in over 46 countries. Although Gross Written Contributions were restricted to USD 62.6 m in the financial year 2015 the Company kept its underwriting discipline and the profitability of the portfolio. The MENA region generated almost 60% of contribution in 2015 – this region remains our core market and saw some growth which partially offset reductions in income from other markets. The Asian market also saw growth despite rating issues in a number of jurisdictions and generated 23% of contribution. The remaining 17% of business is divided equally between Indian sub-continent and Central and Eastern Europe. The book of business remains treaty based with 93% of the Company's business written through proportional and non-proportional treaties.

Management is pleased to note that the proportion of takaful business has been maintained at over 30% of contributions in 2015 and looks to grow this further in line with the Company's strategic plans.

The Company saw some diversification in the portfolio in 2015. The Property line of business, although still dominant, saw its proportion of overall contribution fall below 50% in the year. Marine and Facultative business saw small growth, ending the year with shares of 12% and 7% respectively. Accident and Motor although seeing negative growth, contributed 17% and 14% of contributions. The Company saw a very high number of paid claims during 2015 and this is reflected in the movement in claims reserves. Losses were all within the Company's reserving expectations and the overall loss ratio for the year was maintained at 60%. Retrocession protection was not called upon As I reported last year the Company continues to face challenges from excess capacity in the market, and from rating pressures, both of which have proportionately greater implications for companies of the size and capitalisation of EmiratesRE. The management team, and the entire Company, continue to focus on profitability, even if this means top line income growth may be restricted.

2015 Financial Statements

I am pleased to report that the Retakaful Fund recorded a surplus of USD 142k in 2015 which equated to a combined ratio below 100% and retains an overall surplus of USD 1.185m in the Fund. This was especially pleasing as it was achieved in the very difficult market conditions noted above and whilst keeping the Wakalah fee percentage at 6.75% of the Gross written contribution which is very efficient percentage as per the international standards.

The Shareholders' Fund reported a net deficit of USD 3.658m. Some USD 2.3m of this deficit was attributable to impairment losses against an investment in Kuwait transferred from Al Fajer Re. A further USD 1.5m deficit arose from fair value losses on the Equity and Sukuk portfolios as a result of the market correction on local exchanges during December 2015. Management is pleased to note that yields and dividends from these portfolios contributed some USD 2.3m to the Shareholders Fund as investment income and as many of these investments were put in place during 2015 the yields will consequently be improved in 2016 as a full year return will be available.

The Company's balance sheet shows combined total assets of USD 245m. The reduction from 2014 reflects a number of factors – a reduction in cash in the Participants' Fund by USD 6m which is the result of the increase in paid claims by USD 14m year on year, offset by an improvement in collections which also saw retakaful receivables fall by USD 6m. As previously mentioned, overall reserves also reduced as a result of the claims paid. The Shareholders' Fund also saw a correction of USD 3m due to the factors noted above. The Company's reserves remain well within the acceptable range as verified by our independent actuarial consultant and capital adequacy remains strong.

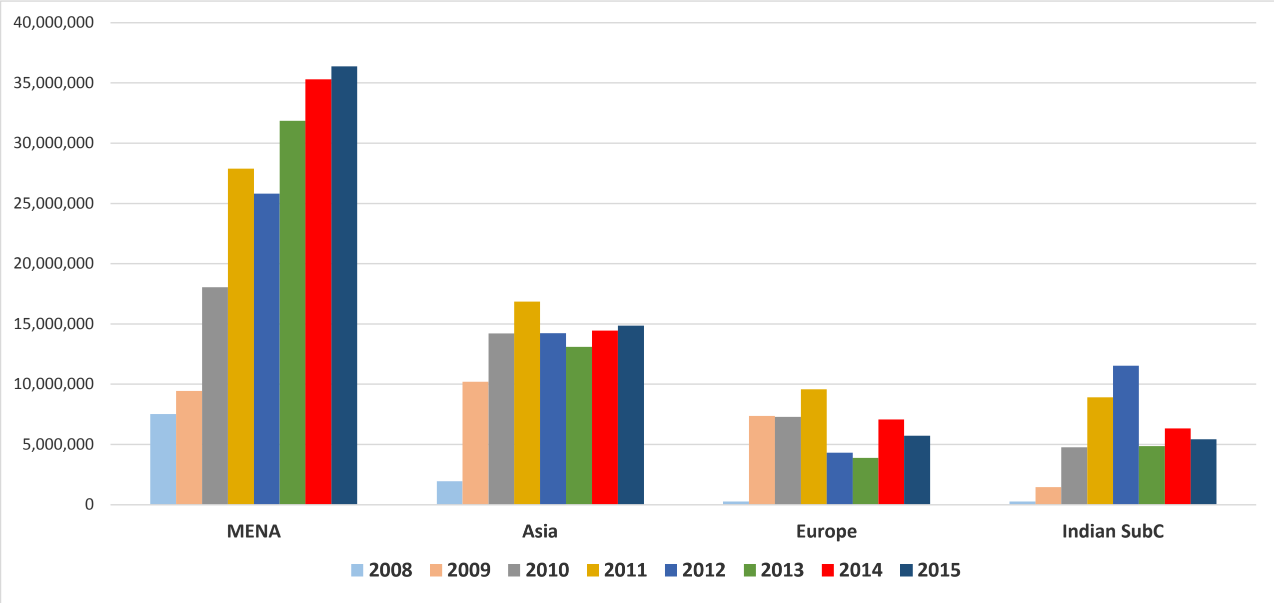
Closing words

I would like to thank my management team and all the staff for their hard work in maintaining EmiratesRE's profitability. I would also like to thank the Board and Shareholders with special thanks to the Ex-Chairman Mr. Al Khatib and Ex Board member Mr. Inanc, the DIFC and DFSA, for their continued support. The Company is taking steps, as noted by the Chairman, to address the key concerns of soft markets and rating issues and management will give its full support to initiatives which address the Company's challenges.

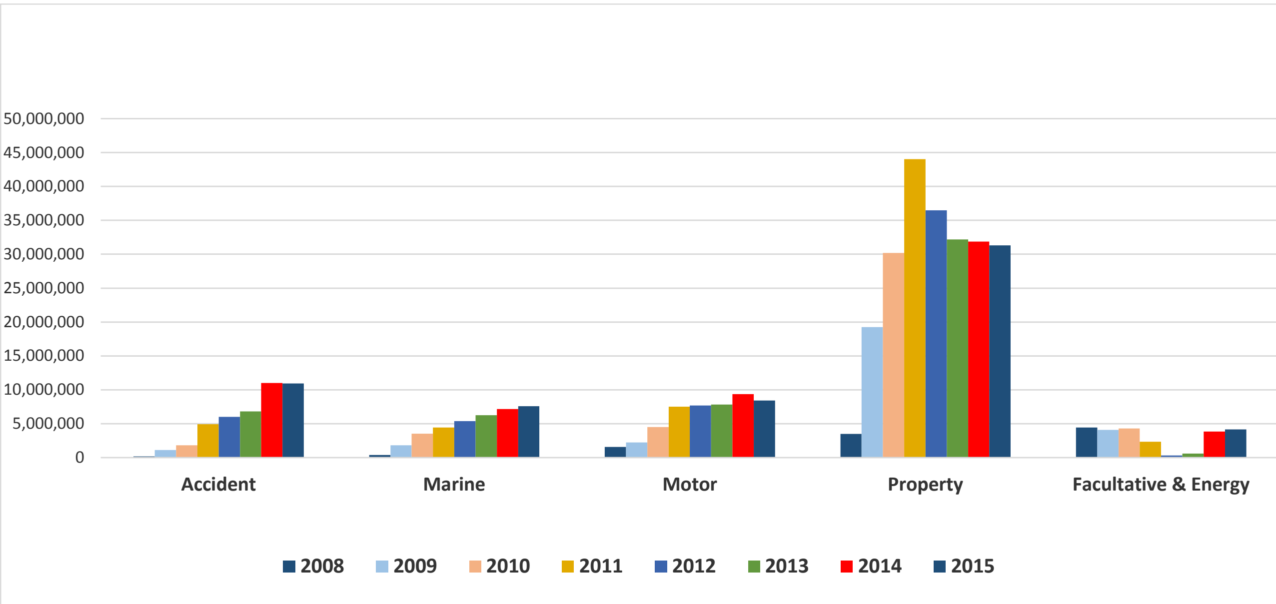
Mohamed Hussein El Dishish
Chief Executive Officer

Financial Highlights

Signed Gross Written Contribution by Region in USD (2008 to 2015)



Signed Gross Written Contribution by Line of Business in USD (2008 - 2015)



EmiratesRE
الامارات لاعادة التأمين التكافلي

Corporate Governance Report

EmiratesRE is committed to the highest standards of Corporate Governance and acknowledges the importance of Corporate Governance as the concept which includes all the Company's values, processes and goals.

EmiratesRE is also committed to comply with the requirements of the regulator, Dubai Financial Services Authority (DFSA), with regard to Corporate Governance as stipulated in the related Rulebooks.

Governing Body (Board of Directors)

The Board of Directors is the focal point of the corporate governance system and is ultimately accountable and responsible for the performance and affairs of the company. The Board is responsible for the overall direction, supervision and control of EmiratesRE and takes responsibility for defining the strategy for the business, approving business plans, maintaining an appropriate structure, approving principal operating policies and monitoring business performance and internal controls.

Board Composition

The Board is elected by the Shareholders in accordance with the provisions of the Articles of Association of the Company. Three members of the current Board were elected by Shareholders at the General Assembly in January 2015 for a fixed term of three years. The remaining two members were appointed to the Board during 2015 and offer themselves for election at the 2016 AGM. Members of the Board are all non-executive with varied backgrounds and the composition provides an adequate mix of experience and skills to enable the Board to operate collectively and effectively. As non-executive directors, members of the Board do not hold any contract of service with EmiratesRE, nor are they involved in the day –to-day management of the Company. Board Meetings are held in accordance with applicable regulations and the Articles of Association.

The Board operates on a principle that all significant matters are dealt with by the Board. However, in order to assist the Board in carrying out its duties and to enhance its effectiveness, the Board has delegated certain specific responsibilities to the following Board Committees within written terms of reference which govern such delegation.

1. Risk Committee

The Committee serves as a forum to coordinate, guide and monitor the management and performance of the Company in line with strategies, business plans and budgets established by the Board. It serves to assist the Board with detailed reviews of information and operational issues.

2. Audit Committee

The Committee assists the Board in fulfilling its oversight responsibility with regard to financial reporting, the system of internal control, the process for monitoring compliance with laws and regulations and the appointment, independence and performance of the internal and external auditors.

3. Nomination, Remuneration and Governance Committee

The Nomination, Remuneration and Governance Committee oversees matters related to the nomination of new Directors, assessment of the Board, its Committees and Directors, the remuneration of Directors and the Senior Management as well as HR related policies, procedures and issues within the Company.

The table below shows the names of Board and Committee members until 10th March 2016:

Director	Board	Risk Committee	Audit Committee	Remuneration Nomination and governance Committee
Marwan Hassan Al Khatib	Chairman (until 11 Dec. 2015)	Chairman (until 11 Dec. 2015)	-	Member(until 11 Dec. 2015)
Abdulaziz Alabdulrazaq	Vice Chairman	-	Member	Chairman
Fareed Lutfi	Member	Member	Chairman	Member
Ahmed Abdullah	Member	Member	Member	Member
Inanc Kirgiz	Member (until 11 Dec. 2015)	Member(until 11 Dec. 2015)	Member(until 11 Dec. 2015)	-
Joseph Iskander	Member (from 10 Dec. 2015)			
Jon Cimino	Member (from 28 Dec. 2015)			

The Board decided to merge the Risk and Audit Committee, retaining those committees' responsibilities, and the new Committee structure is below table from 10th March 2016 onwards:

Director	Board	Risk and Audit Committee	Remuneration Nomination and governance Committee
Jon Cimino	Chairman		
Abdulaziz Alabdulrazaq	Vice Chairman	-	Chairman
Fareed Lutfi	Member	Chairman	Member
Ahmed Abdullah	Member	Member	
Joseph Iskander	Member	Member	Member

Chairman and Chief Executive Officer

EmiratesRE follows a policy of segregating the roles of the Chairman of the Board and the Chief Executive Officer (CEO). The Chairman has no involvement in the day-to-day business of the Company. The Chairman maintains effective communications with the shareholders and ensures that all directors receive sufficient, timely and accurate information on all issues to be dealt with by the Board. The CEO is responsible for the executive leadership and operational management of the Company. The CEO is accountable to the Board for the development, recommendation and implementation of strategies, polices and the framework for controls.

Governing Body (Shari'a Supervisory Board)

The Shari'a Supervisory Board is the independent body of specialized jurists in Islamic Commercial Jurisprudence. The Shari'a Supervisory Board is entrusted with the duty of directing, reviewing and supervising the activities of the company in order to ensure that they are in compliance with Islamic Shari'a Rules and Principles. The Shari'a Supervisory Board submits an annual report, prepared in accordance with Accounting and Auditing Organization for Islamic Financial Institution's standards, laws and regulations, which is presented to the Shareholders at the Annual General Meeting. The Shari'a Supervisory Board is appointed by the shareholders in accordance with the Articles of Association in general assembly meeting.

Compliance and Anti Money Laundering

EmiratesRE continues to take specific steps to comply with the law of the DIFC and the regulations of the DFSA , but also monitors relevant jurisdictions and applies prudent processes to comply with relevant sanctions regimes and regulations of our client's jurisdictions.

In line with the requirements of the regulatory framework implemented by the DFSA, EmiratesRE has a separate Compliance function to handle all regulatory reporting requirements. Mr. Ali Majidi, Chief Risk Officer is responsible for the Compliance function. During the year, no penalties were imposed on EmiratesRE by any regulatory authority for non-compliance with applicable legal or regulatory requirements.

EmiratesRE's reputation is an important asset, which the Company protects, through a compliance and AML program reviewed by the Board and through a forward looking risk assessment as part of our Enterprise Risk Management Program.

Risk Management and Internal Control System

The Board has ultimate responsibility for the system of internal controls within the Company and for reviewing its effectiveness. EmiratesRE's system of internal controls provides reasonable assurance, against material financial misstatement or loss, and include the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the prevention or detection of any material errors or irregularities in a timely manner.

Key features of the control environment include a clear organization structure, written policies, guidelines and procedures, established approval limits, delegation of authority and performance monitoring mechanisms which effectively establishes the governance structure and monitor the Company's operations on an on-going basis. Acting on behalf of the Board in this regard, the Audit Committee periodically reviews the control framework within EmiratesRE.

Actuarial Review

EmiratesRE uses the services of an international firm of actuaries to review the adequacy of its technical provisions. The review provides an independent evaluation of EmiratesRE's technical provisions at the balance sheet date.

Ratings

EmiratesRE has an interactive insurer financial strength rating and long-term counterparty credit rating from AM Best of B++ (Good). The rating outlook was revised by AM Best to Positive in June 2015 reflecting in the Company's position regionally and its strong Balance Sheet.

Enterprise Risk Management

The Company has assessed its ERM capabilities and identified and agreed with the Board a fit-for-purpose ERM Framework suitable for a Company of its size and complexity.

EmiratesRE has set a solid Foundation to develop and improve best-in-class, fit for purpose Risk based steering capabilities alongside the growth of the organisation.

EmiratesRE seeks to offer its ERM knowledge and expertise to the Company's clients to assist them in improving their ERM framework and provide additional assurance for the Company itself.

Takaful Operating Model

EmiratesRE is operating as a retakaful provider and operates a Wakala model for managing the retakaful portfolio on behalf of its Participants. The Wakala fee percentage is verified and approved by the Shari'a Supervisory Board of the Company. For the 2015 financial year the Wakala percentage applied is 6.75% of the gross contribution.

EmiratesRE uses the Mudaraba model for managing the investment portfolio of the Participants' Fund. The adopted percentage for this year is 20% for the operator, approved by the Shari'a Supervisory Board.

The Company believes this is a fair and transparent operating model. The Wakala and Mudaraba parameters are regularly reviewed by Management, Board and the Shari'a Supervisory Board to assure the Company's fair treatment of all stakeholders.

The Shari'a Report of Emirates Retakaful Limited
Fatwa and Shari'a Supervisory Board

For the period ended 31-12-2015

To: The Shareholders of Emirates Retakaful Limited

Assalam Alaikum Wa Rahmat Allah Wa Barakatuh

In compliance with the Articles of Association, we required to submit the following report:

- We have received the principles and contracts relating to the transaction and applications introduced by Emirates Retakaful Limited for the period ended 31/12/2015.
- We have also conducted our review to form an opinion as to whether Emirates Retakaful Limited has complied with the Shari'a Rules and Principles and with specific fatwas, rulings and guidelines issued by us.
- The Management of Emirates Retakaful Limited is responsible for ensuring that the Company conducts its business in accordance with Islamic Shari'a Rules and Principles. It is our responsibility to form an independent opinion based on our review of the operations of Emirates Retakaful Limited and report to you
- We have conducted our review which included examining on a test basis of each type of transaction, the relevant documentation and procedures adopted by Emirates Retakaful Limited.
- We have planned and performed our review so as to obtain all the information and explanations which we considered necessary in order to provide us sufficient evidence and to give reasonable assurance that Emirates Retakaful Limited has not violated Islamic Shari'a Rules and principles.

In our opinion

a. The contracts, transactions and dealings entered into by Emirates Retakaful Limited for the period ended 31 December 2015 that we have reviewed are in compliance with the Islamic Shari'a Rules and Principles;

b. All earnings that have been realized form source or by means prohibited by the rules and principles of Islamic Shari'a have been excluded from income and will be dis posed of to charitable causes;

c. The calculation of Zakat is in compliance with Islamic Shari'a Rules and Principles and disbursement of Zakat is the responsibility of the Shareholders.

We beg Allah the Almighty to grant us all the success and straight forwardness.

Wassalam Alaikum Wa Rahmat Allah Wa Barakatuh.

Dr. Ali Ibrahim Al-Rashed **Shari'a Committee Member**	**Dr. Essa Zaki Essa** **Shari'a Committee Member**	**Prof/Abdul Aziz k. Al-Qassar** **Chairman of the Shari'a Committee**

RUSSIAN ARABIAN

Built a little like Polish Arabian, the Russian Arabian is a well put-together horse with lots of power in the hindquarters. They are not known for their length but through the back and body. They have quite a bit of knee and hock action. Russian Arabian horses have solid bone and feet with short stout (round) cannons and large flat joints.

The head of the Russian Arabian Horse is attractive and wedge-shaped, but not as "typey" as the Egyptian Arabian. Russian Arabians are heavier and stockier like the Polish Arabian but they look more "Araby" than the Polish Arabian does.

Independent Auditor's Report to the Shareholders of Emirates Retakaful Limited

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EMIRATES RETAKAFUL LIMITED

We have audited the accompanying financial statements of Emirates Retakaful Limited (the "Company"), which comprise the statement of financial position as at 31 December 2015, statements of retakaful operations and accumulated surplus and shareholders' operations for the period then ended and the statements of changes in shareholders' equity, retakaful operations' cash flows and shareholders' cash flows for the period then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements
The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the applicable provisions of the Dubai Financial Services Authority Prudential Rulebooks, and for such internal control as they determine 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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the shareholders of the Company as a body, for our audit work, for this report, or for the opinions we have formed. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, 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 of the financial statements that give a true and fair view in order to design audit procedures that are appropriate for 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 the 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.

Opinion
In our opinion, the financial statements give a true and fair view of the financial position of Emirates Retakaful Limited (the "Company") as of 31 December 2015, and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Signed by:
James Potter
Partner

31 March 2016
Dubai, United Arab Emirates

EMIRATES RETAKAFUL LIMITED

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Notes	2015 USD	2014 USD
RETAKAFUL OPERATIONS' ASSETS			
Investments	7	**19,405,633**	7,488,832
Investment deposits	8	**7,496,790**	10,350,380
Retrocession assets		**1,580,988**	1,539,313
Deferred acquisition costs	10	**10,480,039**	8,988,324
Retakaful receivables and accrued retakaful contributions	11	**68,216,465**	74,716,598
Prepayments, deposits and other receivables	12	**12,215,163**	10,855,196
Cash and cash equivalents	13	**6,231,853**	21,036,577
TOTAL RETAKAFUL OPERATIONS' ASSETS		**125,626,931**	134,975,220
SHAREHOLDERS' ASSETS			
Furniture and equipment, net	14	**597,881**	745,402
Investments	7	**75,318,525**	7,921,863
Investment deposits	8	**32,003,632**	68,586,071
Wakala and mudarabah fee receivable from retakaful operations		**-**	786,575
Accrued income from investment deposits		**740,058**	473,646
Due from related party		**83,203**	218,576
Prepayments, deposits and other receivables	12	**772,078**	640,645
Cash and cash equivalents	13	**10,803,230**	43,657,684
TOTAL SHAREHOLDERS' ASSETS		**120,318,607**	123,030,462
TOTAL ASSETS		**245,945,538**	258,005,682
RETAKAFUL OPERATIONS' LIABILITIES AND SURPLUS			
Retakaful payables		**3,240,616**	3,960,480
Unearned contributions	9	**37,078,661**	32,862,141
Retakaful reserves	15	**72,193,106**	82,278,515
Acquisition cost payable		**11,699,185**	13,559,457
Wakala and mudarabah fee payable to shareholders' operations		-	786,575
Other liabilities		**229,957**	485,084
TOTAL RETAKAFUL OPERATIONS' LIABILITIES		**124,441,525**	133,932,252
RETAKAFUL OPERATIONS' RESERVES			
Accumulated surplus		**1,185,406**	1,042,968
TOTAL RETAKAFUL OPERATIONS' LIABILITIES AND SURPLUS		**125,626,931**	134,975,220
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Accrued expenses and other liabilities		**2,367,797**	1,670,657
Employees' end of service benefits	16	**448,361**	198,944
TOTAL SHAREHOLDERS' LIABILITIES		**2,816,158**	1,869,601

The accompanying notes 1 to 24 form an integral part of these financial statements.

EMIRATES RETAKAFUL LIMITED

STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2015

	Notes	2015 USD	2014 USD
SHAREHOLDERS' EQUITY			
Share capital	17	**120,000,000**	120,000,000
Accumulated (deficit)/surplus		**(2,497,551)**	1,160,861
TOTAL SHAREHOLDERS' EQUITY		**117,502,449**	121,160,861
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		**120,318,607**	123,030,462
TOTAL RETAKAFUL OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		**245,945,538**	258,005,682

Jonathan Cimino
Chairman

Mohamed Hussein El Dishish
Chief Executive Officer

Trevor Parker-Bundy
Chief Financial Officer

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EMIRATES RETAKAFUL LIMITED

STATEMENT OF RETAKAFUL OPERATIONS AND ACCUMULATED SURPLUS

For the year ended 31 December 2015

	Notes	2015 USD	*From 1 December 2013 to 31 December* 2014 USD
Gross written contributions		**62,682,400**	81,989,155
Movement in unearned contributions	9	**(4,216,520)**	(788,102)
Earned retakaful contributions		**58,465,880**	81,201,053
Retroceded contributions		**(4,058,550)**	(4,876,894)
Movement in retroceded share of unearned contributions	9	**(47,075)**	(432,271)
Earned retroceded contributions		**(4,105,625)**	(5,309,165)
Net earned contributions		**54,360,255**	75,891,888
Net claims paid		**(45,017,639)**	(31,888,206)
Change in retakaful reserves	15	**10,085,409**	(19,284,781)
Net claims incurred		**(34,932,230)**	(51,172,987)
Gross acquisition costs	10	**(16,111,158)**	(17,282,492)
Change in unearned acquisition cost		**1,491,715**	(355,105)
Net acquisition costs		**(14,619,443)**	(17,637,597)
Wakala fee for managing retakaful activities	18	**(4,264,679)**	(6,394,776)
Net underwriting results		**543,903**	686,528
Income from investment deposits		**63,985**	91,552
Income from sukuk portfolio		**435,504**	-
Income from equity shares		**104,377**	-
Foreign exchange (loss)/gain		**(834,762)**	247,187
Unrealized (loss)/gain on investments held at fair value through income statement	7	**(72,752)**	5,887
Other (expenses)/income		**(97,817)**	30,124
Mudarabah share for managing investing activities	19	-	(18,310)
Net surplus from retakaful operations		**142,438**	1,042,968
Accumulated surplus from retakaful operations brought forward		**1,042,968**	-
Accumulated surplus from retakaful operations carried forward		**1,185,406**	1,042,968

There were no items of other comprehensive income in the period hence a statement of comprehensive income is not presented.

The accompanying notes 1 to 24 form an integral part of these financial statements.

EMIRATES RETAKAFUL LIMITED

STATEMENT OF SHAREHOLDERS' OPERATIONS

For the year ended 31 December 2015

	Notes	2015 USD	From 1 December 2013 to 31 December 2014 USD
Wakala fee for managing retakaful activities	18	**4,264,679**	6,394,776
Mudarabah share for managing investing activities	19	-	18,310
Income from investment deposits		**589,824**	1,240,023
Realized gain on investments held at fair value through income statement	7	-	237,232
Income from sukuk portfolio		**1,723,736**	-
Income from equity shares		**595,654**	-
Total revenues		**7,173,893**	7,890,341
General and administrative expenses	20	**(6,775,941)**	(6,662,246)
Unrealized loss on investments held at fair value through income statement	7	**(3,423,155)**	(14,375)
Directors' fees	21	**(155,996)**	(49,000)
Foreign exchange losses		**(477,213)**	(3,859)
Net (loss)/income for the year		**(3,658,412)**	1,160,861
Accumulated surplus from shareholders' operations brought forward		**1,160,861**	-
Accumulated surplus (deficit) from shareholders' operations carried forward		**(2,497,551)**	1,160,861

There were no items of other comprehensive income in the period hence a statement of comprehensive income is not presented.

The accompanying notes 1 to 24 form an integral part of these financial statements.

EMIRATES RETAKAFUL LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 December 2015

	Share capital USD	Accumulated surplus/. (deficit) USD	Total USD
Issue of share capital (Note 17)	120,000,000	-	120,000,000
Net income for the period	-	1,160,861	1,160,861
Balance as at 31 December 2014	120,000,000	1,160,861	121,160,861
Net loss for the year	-	(3,658,412)	(3,658,412)
Balance as at 31 December 2015	**120,000,000**	**(2,497,551)**	**117,502,449**

The accompanying notes 1 to 24 form an integral part of these financial statements.

EMIRATES RETAKAFUL LIMITED

STATEMENT OF RETAKAFUL OPERATIONS' CASH FLOWS

For the year ended 31 December 2015

	Notes	2015 USD	From 1 December 2013 to 31 December 2014 USD
OPERATING ACTIVITIES			
Retakaful operations' surplus for the year		**142,438**	1,042,968
Unrealized loss/(gain) on investments held at fair value through income statement	7	**72,752**	(5,887)
Operating income before changes in operating assets and liabilities		**215,190**	1,037,081
Changes in operating assets and liabilities:			
Retakaful receivables and accrued retakaful contributions, net		**6,500,133**	(26,151,243)
Deferred acquisition costs		**(1,491,715)**	355,105
Retrocession assets		**(41,675)**	432,271
Prepayments, deposits and other receivables		**(1,359,967)**	(573,182)
Retakaful payables		**(719,864)**	3,408,543
Unearned contribution reserve		**4,216,520**	788,102
Outstanding claims reserve		**(10,085,409)**	19,284,781
Acquisition cost payable		**(1,860,272)**	1,716,889
Wakala and mudarabah fee payable to shareholders' operations		**(786,575)**	786,575
Other liabilities		**(255,127)**	162,157
Net cash (used in)/from operating activities		**(5,668,761)**	1,247,079
INVESTING ACTIVITIES			
Investments, net	7	**(11,989,553)**	(995,026)
Investment deposits, net		**2,853,590**	
10,303,439			
Net cash (used in)/ from investing activities		**(9,135,963)**	9,308,413
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(14,804,724)**	10,555,492
Cash and cash equivalents at the beginning of the period		**21,036,577**	-
Cash and cash equivalents transferred from the Retakaful Fund		-	10,481,085
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	13	**6,231,853**	21,036,577

Non cash transactions are given in note 6

The accompanying notes 1 to 24 form an integral part of these financial statements.

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EMIRATES RETAKAFUL LIMITED

STATEMENT OF SHAREHOLDERS' CASH FLOWS (Continued)

For the year ended 31 December 2015

	Notes	2015 USD	From 1 December 2013 to 31 December 2014 USD
OPERATING ACTIVITIES			
Net (loss)/income for the year		**(3,658,412)**	1,160,861
Adjustments for:			
Depreciation	14	**207,988**	159,424
Provision for employees' end of service benefits	16	**262,784**	198,944
Accrued income from investment deposits		**(266,412)**	(473,646)
Realized loss/(gain) on investments held at fair value through income statement	7	-	(237,232)
Unrealized loss on investments held at fair value through income statement	7	**3,423,155**	14,375
Operating (deficit)/surplus before changes in operating assets and liabilities		**(30,897)**	822,726
Changes in operating assets and liabilities:			
Prepayments, deposits and other receivables		**(131,433)**	(640,645)
Accrued expenses and other liabilities		**697,140**	1,670,657
Wakala and mudarabah fee receivable from retakaful operations		**786,575**	(786,575)
Due from related party		**135,373**	(218,576)
Cash from operating activities		**1,456,758**	847,587
Employees' end of service benefits paid	16	**(13,367)**	-
Net cash from operating activities		**1,443,391**	847,587
INVESTING ACTIVITIES			
Purchase of furniture and equipment		**(60,467)**	(904,826)
Investments, net		**(70,819,817)**	(7,699,006)
Investment deposits, net		**36,582,439**	(68,586,071)
Net cash used in investing activities		**(34,297,845)**	(77,189,903)
FINANCING ACTIVITY			
Issue of share capital		-	120,000,000
Cash from financing activity		-	120,000,000
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(32,854,454)**	43,657,684
Cash and cash equivalents at the beginning		**43,657,684**	-
CASH AND CASH EQUIVALENTS AT THE	13	**10,803,230**	43,657,684

The accompanying notes 1 to 24 form an integral part of these financial statements.

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Emirates Retakaful Limited (the "Company") was incorporated on 22 September 2013 as a company with limited liability by shares in Dubai International Financial Centre, United Arab Emirates. The company started its operations on 1 December 2013 with the transfer of assets and liabilities of the Retakaful Fund previously managed by Al Fajer Retakaful Insurance Company KSCC., a closed Kuwaiti Shareholding Company which form the opening balances of the Retakaful Fund for the year ended 31 December 2014. The company is a subsidiary of Dubai Islamic Investment Group LLC.

The address of the Company's registered office is Level 12, Emirates Financial Tower, Dubai International Financial Centre P.O. Box 9329, Dubai, United Arab Emirates.

The principal activities of the company are:

- Carrying out all types of Islamic retakaful and related activities.
- Investing the funds available to the Company in various activities that are commensurate with the Company's objectives and not in conflict with the provisions of the Shari'ah and the established rules and regulations.
- Investing the contributed funds from participants and returns thereon.

These are the financial statements of the Company for the year ended 31 December 2015. The financial statements of the previous period covers period from 1 December 2013 to 31 December 2014 and are not entirely comparable with the current year presented. The financial statements were authorised for issue by the the Board of directors on 10 March 2016.

2. BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and applicable requirements of the DFSA Prudential Rulebooks.

Basis of measurement

The financial statements are prepared under the historical cost convention except for the measurement at fair value of investments held at fair value through income statement.

Functional currency

The financial statements have been presented in US dollars which is also the functional currency of the Company as its share capital and a significant proportion of its business, assets and liabilities are denominated in that currency.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year. The new and revised relevant IFRSs effective in the current period had no significant impact on the amounts reported and disclosures in these financial statements.

Standards issued but not yet effective

The relevant standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for 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. Retrospective application is required, but comparative information is not compulsory. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

The standard replaces IAS 11, 'Construction contracts', IAS 18,'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

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, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted.. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 16 Leases

IFRS 16 was issued in January 2016 replacing IAS 17 and applies to annual reporting periods beginning on or after 1 January 2019. IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

IFRS 7 Financial Instruments: Disclosures

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are set out below:

Basis of presentation

The company maintains distinct accounts, in accordance with applicable Shari'ah principles, for participants' funds and shareholders' funds. The results of operations attributable to participants are set out in the statement of retakaful operations and accumulated surplus and all related assets and liabilities are reported in the statement of financial position as retakaful operations' assets and retakaful operations' liabilities and surplus.

Retakaful contracts

Retakaful contracts are those contracts where the retakaful company accepts significant retakaful risk from the participants by agreeing to compensate the participants if a specific uncertain future event adversely affects the participants. As a general guideline, the Company defines significant Retakaful risk as the possibility of having to pay benefits on the occurrence of an insured event. Once a contract is classified as Retakaful contract it remains as such until all rights and obligations under the contract are extinguished or have expired.

Retakaful arrangements

As part of managing retakaful risks, the Company enters into contracts with retrocession counterparties for compensation of losses on retakaful contracts issued by the Company.

Compensation receivable from retrocession counterparties is estimated in a manner consistent with the corresponding claim liability. The benefits and obligations arising under retakaful contracts are recognised in the statement of retakaful operations and accumulated surplus and the related assets and liabilities are recognised as receivables, and retakaful payables.

Retakaful contributions

Gross retakaful contribution written comprise the total contribution receivable for the whole cover provided by contracts entered into during the period and are recognised on the inception date of the policy. Contributions include any adjustments arising in the accounting period in respect of retakaful contracts incepted in previous financial years. It includes an estimate of pipeline contributions, being those contributions written but not reported to the Company at the statement of financial position date. Pipeline contributions are reported as accrued retakaful contributions in the statement of financial position.

Contributions earned

Earned retakaful contributions are taken to income over the terms of the retakaful contract to which they relate on a pro-rata basis. Unearned retakaful contributions represent the portion of net retakaful contributions accounted for which relate to periods of risk that extent beyond the end of the financial year; they are calculated based on a time apportionment basis over the exposure to contracts. The change in the provision for unearned contributions is taken to the statement of retakaful operations and accumulated surplus in order to recognize revenue over the period to cover the retakaful risks.

Claims

Claims, comprising amounts payable to policyholders and related loss adjustment expenses, are charged to the statement of retakaful operations and accumulated surplus as incurred. The outstanding claims reserve comprise the estimated amounts payable in respect of claims reported and the provision for incurred but not reported claims at the reporting date. Provision for outstanding claims reported is based on estimates of the loss, which will eventually be payable on each unpaid claim, established by the management based on current conditions, increased exposure, rising claims costs and the severity and frequency of recent claims, as appropriate.

In addition, a provision based on management's judgement is maintained for the cost of settling claims incurred but not reported at the reporting date. Any difference between the provision at the reporting date and the settlement and provisions for the following year is included in the statement of retakaful operations and accumulated surplus for the year.

Policy acquisition costs

Policy acquisition costs, principally consisting of commissions, taxes, brokerage and other variable costs directly associated with the acquisition or renewal of existing retakaful agreements, are recognised and expensed when written. If the retakaful commission and associated costs are for services provided in future periods then they are deferred and amortised over the life of the related retakaful policy.

Liability adequacy test

At each statement of financial position date, the Company assesses whether its recognised retakaful contractual liabilities net of related deferred acquisition costs are adequate using current estimates of future cash flows under its retakaful contracts.

Zakah

The responsibility for Zakah rests with the individual shareholders. The Company is responsible only for the calculation of Zakah due per share and advising the shareholders accordingly.

Deferred acquisition costs

Commissions paid to intermediaries and other incremental direct costs incurred in relation to the acquisition and renewal of retakaful contracts are deferred to the extent that these costs are recoverable out of future contributions. The deferred policy acquisition costs are subsequently amortised over the terms of the retakaful contracts to which they relate as contributions are earned.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances in current accounts and mudarabah and wakala deposits that have original maturities of three months or less. They are carried at amortised cost.

Furniture, fittings and office equipment

Furniture, fittings and office equipment are measured at cost net of accumulated depreciation and any impairment in value. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in statement of income as incurred.

Depreciation is calculated on a straight line basis over the estimated useful life of the assets, as follows:

Computers and office equipment	4 Years
Furniture and fittings	5 Years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. The carrying values of these assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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

Leases

Leases entered into by the Company as a lessee are all operating leases. Payments made under operating leases are charged to the statement of shareholders' operations on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Retakaful receivables

Retakaful receivables comprise the accounts receivable under retakaful business which are carried at cost less impairment. A provision for impairment is established when there is evidence that the Company will not be able to collect all amounts due according to the terms of the receivables. Bad debts are written off during the year in which they are identified.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Income from investment deposits and wakala income

Income from bank accounts, investment deposits and wakala income is recognised on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Mudarabah income

Mudarabah income is recognised on a time proportion basis so as to yield a constant periodic rate of return based on the balance outstanding.

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.
Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through income statement, transaction costs that are attributable to the acquisition of the financial asset.

Investments held at fair value through profit or loss

Investments held at fair value through income statement are investments designated at fair value through profit or loss on initial recognition. Management determines the appropriate classification of investments at the time of purchase. For investments designated as fair value through income statement, the following criteria must be met:

- This designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets and liabilities or recognising gains or losses on a different basis, or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, such assets and liabilities are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at cost, being the fair value of the consideration given. Subsequent to initial recognition, these investments are re-measured at their fair value at each reporting date. Fair value adjustments and realised gains and losses are recognized in the statement of retakaful operations and accumulated surplus and the statement of shareholders' operations.

Held-to-maturity investments

Held-to maturity investments include debt securities that are intended to be held till their maturity. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of income. The losses arising from impairment are recognised in the statement of income.

Impairment and uncollectability 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 or a group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of retakaful operations and accumulated surplus or the statement of shareholders' operations.
Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized in the statement of retakaful operations and accumulated surplus or the statement of shareholders' operations;
- 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;
- For assets carried at amortized cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

Employees' end of service benefits

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

Foreign currencies

Transactions in foreign currencies are recorded at the exchange rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the respective statements of retakaful operations and accumulated surplus or shareholders' operations.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past events, and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statements of retakaful operations and accumulated surplus and shareholders' operations unless required or permitted by any accounting standard or interpretation.

Trade date accounting

All regular way purchases and sales of financial assets are recognized / derecognized on the trade date (i.e. the date that the Company commits to purchase or sell the assets). Regular way purchases or sales are purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements requires Management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

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

The ultimate liability arising from claims made under retakaful contracts

Considerable judgement by management is required in the estimation of the amounts due to participants from claims made under retakaful contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from managements estimates resulting in future changes in estimated reserves and liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The provision for IBNR is an estimation of claims which are expected to be reported subsequent to the reporting date, for insured events that occurred prior to the reporting date. The primary technique adopted by management in estimating the ultimate cost of notified and IBNR claims, is that of using estimated ultimate loss ratios and past claims settlement trends to predict future claims settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Accrued takaful contributions

Gross written contributions include an estimate of pipeline contributions, being those contributions written but not reported to the Company at the statement of financial position date. Pipeline contributions are reported as accrued retakaful contributions in the statement of financial position. Estimate is based on advice received from the broker/ceding companies and reflects the best estimate of the projected contribution. Any difference in the contribution ultimately declared is recognised in the earned premium in that period.

Impairment losses on receivables

The Company assesses receivables that are individually significant and receivables included in a group of financial assets with similar credit risk characteristics for impairment. Receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment. This assessment of impairment requires judgment. In making this judgment, the Company evaluates credit risk characteristics that consider past-due status being indicative of the ability to pay all amounts due as per contractual terms.

Deferred acquisition costs

Certain acquisition costs related to the incoming retakaful contracts are recorded as deferred acquisition costs and are amortized in the statement of retakaful operations and accumulated surplus over the related period of the contracts.

Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2:Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

6. TRANSFER OF ASSETS AND LIABILITIES

The assets and liabilities transferred from the Retakaful Fund as of 1 December 2013 are stated below. As the transfer was between entities under common control the assets and liabilities were transferred at their existing carrying values and accordingly with no determination of fair values at the time of transfer.

	1 December 2013 USD
Assets	
Cash and cash equivalent	5,693,328
Retakaful receivables and accrued retakaful contributions	48,565,355
Investment deposits	20,653,819
Deferred acquisition costs (note 10)	9,343,429
Deposits	8,712,395
Retroceded share of unearned contributions (note 9)	1,971,584
Other assets	43,522
Due from shareholders	12,801,177
	107,784,609
Liabilities	
Retakaful payables	(551,938)
Gross unearned contributions (note 9)	(32,074,039)
Acquisition costs payable	(11,842,568)
Retakaful reserves (note 15)	(62,993,734)
Other liabilities	(322,330)
	(107,784,609)

7. INVESTMENTS

	2015		2014	
	Retakaful Operations USD	**Shareholders' Operations USD**	Retakaful Operations USD	Shareholders' Operations USD
Investments				
At fair value through profit or loss (Note 7(a))	**3,862,146**	**37,684,952**	7,488,832	7,921,863
Held-to-maturity (Note 7(b))	**15,543,487**	**37,633,573**	-	-
	19,405,633	**75,318,525**	7,488,832	7,921,863

7 (a). INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015		2014	
	Retakaful Operations USD	**Shareholders' Operations USD**	Retakaful Operations USD	Shareholders' Operations USD
Islamic managed funds	**1,837,672**	**10,090,256**	7,488,832	3,006,127
Quoted Islamic securities' portfolio	**2,024,474**	**14,326,290**	-	1,822,449
Quoted Islamic sukuk portfolio	**-**	**13,268,406**	-	3,093,287
	3,862,146	**37,684,952**	7,488,832	7,921,863

The movement of investments held at fair value through profit or loss is as follows:

	2015		From 1 December 2013 to 31 December 2014	
	Retakaful Operations USD	**Shareholders' Operations USD**	Retakaful Operations USD	Shareholders' Operations USD
Opening balance	**7,488,832**	**7,921,863**	-	-
Transferred from the Retakaful Fund during the period	-	-	6,487,919	-
Transfer between operations	**(6,486,790)**	**6,486,790**	-	-
Additions	**2,932,856**	**26,699,454**	995,026	7,014,879
Disposals	-	-	-	684,127
Unrealized (loss)/gain	**(72,752)**	**(3,423,155)**	5,887	(14,375)
Realized gain	-	-	-	237,232
Closing balance	**3,862,146**	**37,684,952**	7,488,832	7,921,863

i. As at 31 December 2015 all the above investments which are fair valued are unquoted except for the investments in Islamic securities' portfolio.

ii. The following table shows an analysis of investments measured at fair value by level of the fair value hierarchy as at 31 December 2015:

	2015			
	Level 1 USD	**Level 2 USD**	**Level 3 USD**	**Total USD**
Retakaful operations	**2,024,474**	**1,837,672**	**-**	**3,862,146**
Shareholders' operations	**14,326,290**	**19,176,830**	**4,181,832**	**37,684,952**

	2014			
	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
Retakaful operations	-	1,002,042	6,486,790	7,488,832
Shareholders' operations	1,822,449	6,099,414	-	7,921,863

During the year, there have been no transfers between the hierarchies. The following table shows the movement of level 3 investments which are recorded at fair value:

	2015		From 1 December 2013 to 31 December 2014	
	Retakaful Operations USD	**Shareholders' Operations USD**	Retakaful Operations USD	Shareholders' Operations USD
Opening balance	**6,486,790**	**-**	-	-
Transferred from the Retakaful Fund during the period	-	-	6,487,919	-
Transfer between operations	**(6,486,790)**	**6,486,790**	-	-
Unrealized loss	**-**	**(2,304,958)**	(1,129)	
Closing balance	**-**	**4,181,832**	6,486,790	-

Description of significant unobservable inputs to valuation of financial assets under level 3

The investee entity is currently under the process of liquidation and the investment is valued based on the net book value method using the latest available information from the Fund Liquidation Committee, wherein the underlying assets have been valued on the liquidation basis with an estimate of their net realizable value.

Sensitivity of the inputs to fair value

The impact on the statement of financial position would be immaterial if the relevant risk variables used to fair value the level 3 investments were altered by 5%.

7(b). INVESTMENTS HELD-TO-MATURITY

	2015		2014	
	Retakaful Operations USD	**Shareholders' Operations USD**	Retakaful Operations USD	Shareholders' Operations USD
Islamic sukuk portfolio	**15,543,487**	**37,633,573**	-	-
	15,543,487	**37,633,573**	-	-

The investments carry an average profit rate of 4.6% per annum. The maturity profile of these investments is shown below

	31 December 2015		
	Less than 5 years USD	**More than 5 years USD**	**Total USD**
Retakaful operations	**2,057,500**	**13,485,987**	**15,543,487**
Shareholders' operations	**5,098,563**	**32,535,010**	**37,633,573**
	7,156,063	**46,020,997**	**53,177,060**

The fair value of these investments held-to-maturity which comes under level 1 of the fair value hierarchy is as follows:

	2015		2014	
	Retakaful Operations USD	**Shareholders' Operations USD**	Retakaful Operations USD	Shareholders' Operations USD
Fair value	**14,858,571**	**36,327,963**	-	-

8. INVESTMENT DEPOSITS

	2015		2014	
	Retakaful Operations USD	**Shareholders' Operations USD**	Retakaful Operations USD	Shareholders' Operations USD
Wakala deposits	**3,634,790**	**18,508,245**	5,406,880	55,382,318
Mudarabah deposits	**3,862,000**	**13,495,387**	4,943,500	13,203,753
	7,496,790	**32,003,632**	10,350,380	68,586,071

The above deposits earn profit at an average rate of 1.36% per annum as at 31 December 2015 (2014: 1.11% per annum). These deposits include one deposit of US$ 251,264 (2014: US$ 250,000) under lien with a bank for issue of corporate credit cards to the employees of the Company.

Investment deposits are placed with counterparties that have acceptable published credit ratings.

9. UNEARNED CONTRIBUTIONS

	2015		From 1 December 2013 to 31 December 2014	
	Gross USD	**Retroceded share USD**	Gross USD	Retroceded share USD
Opening balance	**32,862,141**	**(1,539,313)**	-	-
Transferred from the Retakaful Fund (note 6)	-	-	32,074,039	(1,971,584)
Change in unearned contributions	**4,216,520**	**47,075**	788,102	432,271
Unearned contributions as of 31 December	**37,078,661**	**(1,492,238)**	32,862,141	(1,539,313)

10. DEFERRED ACQUISITION COSTS

	2015 USD	From 1 December 2013 to 31 December 2014 USD
Opening balance	**8,988,324**	-
Transferred from the Retakaful Fund (note 6)	-	9,343,429
Incurred during the period	**16,111,158**	17,282,492
Amortized during the period	**(14,619,443)**	(17,637,597)
Closing balance	**10,480,039**	8,988,324

11. RETAKAFUL RECEIVABLES AND ACCRUED RETAKAFUL CONTRIBUTIONS

	2015 USD	2014 USD
Contributions receivables	**3,898,626**	6,945,830
Less: Provision for doubtful debts	**(345,728)**	(280,612)
	3,552,898	6,665,218
Accrued retakaful contributions	**64,663,567**	68,051,380
	68,216,465	74,716,598

The movement in provision for doubtful debts is as follows:

	2015 USD	From 1 December 2013 to 31 December 2014 USD
Opening balance	**280,612**	-
Transferred from the Retakaful Fund	-	335,750
Charge/(reversal) for the period	**65,116**	(55,138)
Provision as at 31 December	**345,728**	280,612

As at 31 December, the ageing of unimpaired retakaful receivables and accrued retakaful contributions are as follows:

2015		**Past due but not impaired**			
	Neither past due nor impaired USD	**Less than 90 days USD**	**91 to 180 days USD**	**Above 180 days USD**	**Total USD**
Contribution receivables	**885,887**	**244,344**	**1,396,744**	**1,025,923**	**3,552,898**
Accrued retakaful contributions	**24,875,112**	**5,995,749**	**16,350,949**	**17,441,7567**	**64,663,567**

2014		Past due but not impaired			
	Neither past due nor impaired USD	Less than 90 days USD	91 to 180 days USD	Above 180 days USD	Total USD
Contribution receivables	2,568,482	872,395	2,543,770	680,571	6,665,218
Accrued retakaful contributions	18,030,867	8,258,218	4,129,109	37,633,186	68,051,380

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015		2014	
	Retakaful Operations USD	**Shareholders' Operations USD**	Retakaful Operations USD	Shareholders' Operations USD
Refundable deposits	**9,765,246**	**85,568**	9,300,639	81,485
Due from shareholders	**2,262,661**	**-**	1,526,097	-
Advances to employees	**-**	**105,152**	-	143,575
Prepaid expenses	**-**	**405,937**	-	415,585
Accrued investment income	**187,256**	**175,421**	28,460	-
	12,215,163	**772,078**	10,855,196	640,645

Refundable deposits of retakaful operations are deposits with cedent companies which are kept as guarantee against contributions and released in subsequent periods based on the contract terms and fulfilment of obligations by the Company.

13. CASH AND CASH EQUIVALENTS

	2015		2014	
	Retakaful Operations USD	**Shareholders' Operations USD**	Retakaful Operations USD	Shareholders' Operations USD
Bank balances and cash	**6,231,853**	**10,803,230**	10,093,077	4,752,362
Bank deposits maturing within three months	**-**	**-**	10,943,500	38,905,322
	6,231,853	**10,803,230**	21,036,577	43,657,684

Cash at banks are placed with counterparties that have acceptable published credit ratings.

14. FURNITURE AND EQUIPMENT, NET

	Furniture and fixtures USD	Office Equipment USD	Total USD
Cost:			
At 1 January 2015	511,019	393,807	904,826
Additions during the year	12,521	47,946	60,467
As at 31 December 2015	**523,540**	**441,753**	**965,293**
Accumulated depreciation:			
At 1 January 2015	77,865	81,559	159,424
Charged for the year (note 20)	104,450	103,538	207,988
As at 31 December 2015	**182,315**	**185,097**	**367,412**
Net book value			
As at 31 December 2015	**341,225**	**256,656**	**597,881**
Cost:			
Additions during the period	511,019	393,807	904,826
As at 31 December 2014	511,019	393,807	904,826
Accumulated depreciation:			
Charged for the period (note 20)	77,865	81,559	159,424
As at 31 December 2014	77,865	81,559	159,424
Net book value			
As at 31 December 2014	433,154	312,248	745,402

15. RETAKAFUL RESERVES

	2015 USD	2014 USD
Opening balance/transferred from the Retakaful Fund (note 6)	**82,278,515**	62,993,734
Movement in outstanding claims during the period	**(5,034,842)**	18,413,450
Movement in IBNR during the period	**(5,050,567)**	871,331
Change in retakaful reserves	**(10,085,409)**	19,284,781
As at 31 December	**72,193,106**	82,278,515

The appointed external actuary of the Company has recommended a range of reasonable best estimates of the Company's gross and net claims reserves as at 31 December 2015. As per the actuary any reserve within this range would be considered as a reasonable best estimate. The booked reserves of the Company lie within the range recommended.

Claims Development

The following table reflects the estimates of cumulative incurred claims, including both claims notified and IBNR for the years 2008 to 2015, together with cumulative payments to date.

Underwriting year	2008 USD	2009 USD	2010 USD	2011 USD	2012 USD	2013 USD	2014 USD	2015 USD	Total USD
At end of underwriting year	5,720,584	3,116,181	3,567,079	1,966,425	3,215,227	969,610	12,249,606	10,085,698	
One year later	13,245,691	20,578,780	24,519,352	19,757,675	16,624,127	11,222,200	36,072,574		
Two years later	22,932,370	33,673,905	36,728,550	28,471,106	34,891,050	15,414,101			
Three years later	26,574,815	33,868,720	42,110,987	33,217,514	34,220,500				
Four years later	23,654,728	35,836,976	48,376,312	34,420,968					
Five years later	23,829,218	34,832,461	50,509,039						
Six years later	23,375,320	34,486,739							
Seven years later	22,944,374								
Current estimate of cumulative reported claims	**22,944,374**	**34,486,739**	**50,509,039**	**34,420,968**	**34,220,500**	**15,414,101**	**36,072,574**	**10,085,698**	**238,153,993**
Cumulative payments to date	**(21,763,813)**	**(32,776,840)**	**(40,762,820)**	**(30,013,935)**	**(26,988,944)**	**(9,885,942)**	**(22,717,821)**	**(268,753)**	**(185,178,868)**
Incurred but not reported claims (IBNR)	**-**	**-**	**-**	**150,481**	**1,434,778**	**1,919,054**	**6,241,509**	**9,472,159**	**19,217,981**
Total gross retakaful outstanding claims provision per the statement of financial position	**1,180,561**	**1,709,899**	**9,746,219**	**4,557,514**	**8,666,334**	**7,447,213**	**19,596,262**	**19,289,104**	**72,193,106**

16. EMPLOYEES' END OF SERVICE BENEFITS

Movement in the provision recognised in the statement of financial position is as follows:

	2015 USD	From 1 December 2013 to 31 December 2014 USD
Opening balance	**198,944**	-
Provided during the year	**262,784**	198,944
Paid during the year	**(13,367)**	-
Provision as at 31 December	**448,361**	198,944

17. SHARE CAPITAL

The authorized share capital of the Company is US$ 500 million. Issued, subscribed and fully paid up share capital of the Company is US$ 120 million divided into 120 million shares of US$ 1 each.

18. WAKALA FEE

The Company manages the takaful operations on behalf of the participants for a wakala fee calculated as a proportion of gross contributions. The wakala parameters are under regular revision by management, Board of Directors and the Shari'ah Supervisory Board.

19. MUDARABAH SHARE

The investment portfolio of the participants is managed by the Company for a share in the investment income based on the mudarabah model. The mudarabah parameters are under regular revision by management, Board of Directors and the Shari'ah Supervisory Board.

20. GENERAL AND ADMINISTRATIVE EXPENSES

	2015 USD	From 1 December 2013 to 31 December 2014 USD
Salaries and related benefits	**4,686,115**	4,761,425
Travelling expenses	**165,953**	561,094
Depreciation (note 14)	**207,988**	159,424
Rent expenses	**278,497**	317,828
Professional fees	**388,599**	349,083
Licensing fees	**58,666**	119,779
Others	**990,123**	393,613
	6,775,941	6,662,246

21. RELATED PARTY TRANSACTIONS AND BALANCES

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

The significant balances outstanding at 31 December in respect of related parties included in the financial statements are as follows:

	2015 USD	2014 USD
Related party		
Al Fajer Retakaful Insurance Company KSCC	**83,203**	218,576
Key Management Personnel	**24,174**	36,911

The transactions in respect of related parties included in the financial statements are as follows:

Related party	**Nature of transactions**	2015 USD	2014 USD
Board of directors	Meeting fees and expenses	**155,996**	49,000
Al Fajer Retakaful Insurance Company KSCC	Reimbursement of expenses	**-**	1,416,838

Details of transfer of assets and liabilities from Al Fajer Retakaful Insurance Company KSCC are given in note 6.

Compensation of the key management personnel is as follows:

	2015 USD	2014 USD
Short term benefits	**1,505,090**	1,500,872
End of service benefits	**105,027**	98,245

22. CONTINGENCIES AND COMMITMENTS

As at the reporting date, the Company had the following contingent liabilities in respect of letter of guarantee by a bank from which it is anticipated that no material liabilities will arise:

	2015 USD	2014 USD
Letter of guarantee	**3,862,000**	2,946,577
Operating lease rentals are payable as follows:		
Less than one year	**267,031**	286,673
More than one year and less than five years	**29,524**	301,007
	296,555	587,680

23. RISK MANAGEMENT

Risk governance

The company's risk governance is manifested in a set of established policies, procedures and controls which uses the existing organisational structure to meet financial objectives. The risk and financial management framework is to protect the Company's shareholders and participants from events that may hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. The Company is exposed to retakaful, credit, liquidity, currency, profit rate, market price, and regulatory framework risks.

The risks faced by the Company and the way these risks are mitigated by management are summarised below:

23.1 Retakaful risk

Risks under retakaful contracts arise from uncertainty regarding the occurrence of insured events and the amount of the resulting claims. Retakaful risk is the risk that actual claims payable to the insurance companies in respect of retakaful contracts exceed the carrying amount of retakaful liabilities. This could occur because the frequency or amounts of claims are more than expected.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company reinsures mainly marine, general accident, motor vehicles and property risks. These are generally regarded as short term retakaful contracts as claims are normally advised and settled within one year of the retakaful event taking place. This helps to mitigate Retakaful risk.

Reserving risks are addressed by ensuring prudent and appropriate reserving for business written, thus ensuring that sufficient funds are available to cover future claims. Reserving practices involve the use of underwriting judgement and loss ratios. These are supplemented by periodical independent actuarial reviews for determining the adequacy of reserves.

Marine

For marine retakaful the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargo. The Company has put in place excess of loss agreements to limit losses for any one accident or occurrence.

Motor

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company has put in place excess of loss agreements to limit losses for any one accident or occurrence.

General Accident

General accident retakaful covers the risk of loss or damage arising from accidents. The Company has put in place excess of loss agreements to limit losses for any one accident or occurrence.

Property

For property retakaful contracts the main risks are fire and business interruption. The Company has put in place excess of loss agreements to limit losses for any one accident or occurrence.

Energy

For energy retakaful contracts the main risks are fire, explosions, cost of well control and business interruption. The Company has put in place excess of loss agreements to limit losses for any one accident or occurrence.

Geographical concentration of risk

The Company accepts retakaful business from takaful companies in the Middle East, North Africa, Asia and Europe. The written contributions are distributed geographically as follows:

	For the year ended 31 December 2015		For the period ended 31 December 2014	
	Amount USD	Percentage	Amount USD	Percentage
Middle East and North Africa	37,083,681	59%	42,229,833	52 %
Asia	22,442,198	36%	31,763,609	38 %
Europe	3,156,521	5%	7,995,713	10 %
	62,682,400	100%	81,989,155	100%

Key assumptions

The key assumptions underlying the liability estimates are the Company's estimated ultimate loss ratios. The ultimate loss ratios were determined using actuarial methods.

Sensitivities

The analysis below is performed for reasonably possible movements in key assumptions such as the ultimate loss ratio with all other assumptions held constant showing the impact on net liabilities and net income as follows:

31 December 2015

	Change in assumptions	Net impact on net liabilities USD	Impact on net income USD
Retakaful reserves	**+5%**	**3,610,000**	**3,610,000**
	-5%	**3,610,000**	**3,610,000**

31 December 2014

	Change in assumptions	Net impact on net liabilities USD	Impact on net income USD
Retakaful reserves	+5%	4,114,000	4,114,000
	-5%	4,114,000	4,114,000

23.2 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation related to a financial instrument 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.

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

- To minimize its exposure to significant losses from retrocessionaires' insolvencies, the Company evaluates the financial condition of its retrocession counterparties. Accordingly, as a pre-requisite, the parties with whom retrocession is effected are required to have a minimum acceptable security rating level affirming their financial strength.
- The Company enters into inward retakaful contracts with recognized, creditworthy third parties. In addition, receivables from Islamic insurance companies or conventional insurance companies are monitored on an ongoing basis as part of credit control in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to ceding companies through monitoring outstanding receivables.
- The Company, with respect to credit risk arising from other financial assets, only deals with commercial banks with strong financial position and credit ratings.

23.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with its financial liabilities.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.
All investment deposits held by the Company at the statement of financial position date had original maturity periods between one month and one year.

Maturity profiles

The table below summarizes the maturity profile of the financial liabilities of the Company based on remaining expected undiscounted contractual obligations. Maturity profiles are determined based on estimated timing of net cash outflows from the recognised liabilities. Unearned contribution reserves have been excluded from the analysis as they are not contractual obligations. Employees' end of service benefits do not have any fixed maturity.

31 December 2015	**Retakaful operations**			**Shareholders' operations**		
	Up to one year USD	**More than one year USD**	**Total USD**	**Up to one year USD**	**More than one year USD**	**Total USD**
LIABILITIES						
Retakaful balances payable	**3,240,616**	**-**	**3,240,616**	**-**	**-**	**-**
Gross outstanding claims	**72,193,106**	**-**	**72,193,106**	**-**	**-**	**-**
Acquisition cost payable	**11,699,185**	**-**	**11,699,185**	**-**	**-**	**-**
Accrued expenses and other liabilities	**229,957**	**-**	**229,957**	**2,367,797**	**-**	**2,367,797**
	87,362,864	**-**	**87,362,864**	**2,367,797**	**-**	**2,367,797**

31 December 2014	Retakaful operations			Shareholders' operations		
	Up to one year USD	More than one year USD	Total USD	Up to one year USD	More than one year USD	Total USD
LIABILITIES						
Retakaful balances payable	3,960,480	-	3,960,480	-	-	-
Gross outstanding claims	82,278,515	-	82,278,515	-	-	-
Acquisition cost payable	13,559,457	-	13,559,457	-	-	-
Accrued expenses and other liabilities	485,084	-	485,084	1,670,657	-	1,670,657
	100,283,536	-	100,283,536	1,670,657	-	1,670,657

Liquidity profile

None of the liabilities shown in the statement of financial position are based on discounted cash flows as they are all payable within twelve months of the statement of financial position date.

Maturity analysis on expected maturity bases

31 December 2015	**Retakaful' operations**			**Shareholders' operations**		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
	USD	**USD**	**USD**	**USD**	**USD**	**USD**
ASSETS						
Cash and cash equivalents	**6,231,853**	**-**	**6,231,853**	**10,803,230**	**-**	**10,803,230**
Retakaful receivables and accrued contributions	**68,216,465**	**-**	**68,216,465**	**-**	**-**	**-**
Deferred acquisition costs	**10,480,039**	**-**	**10,480,039**	**-**	**-**	**-**
Retrocession assets	**1,580,988**	**-**	**1,580,988**	**-**	**-**	**-**
Investment deposits	**7,496,790**	**-**	**7,496,790**	**32,003,632**	**-**	**32,003,632**
Investments	**3,862,146**	**15,543,487**	**19,405,633**	**37,684,952**	**37,633,573**	**75,318,525**
Due from shareholders	**2,262,661**	**-**	**2,262,661**	**-**	**-**	**-**
Prepayments and other receivables	**9,952,502**	**-**	**9,952,502**	**772,078**	**-**	**772,078**
Furniture and equipment, net	**-**	**-**	**-**	**-**	**597,881**	**597,881**
Due from related party	**-**	**-**	**-**	**83,203**	**-**	**83,203**
Accrued income from investment deposits	**-**	**-**	**-**	**740,058**	**-**	**740,058**
	110,083,444	**15,543,487**	**125,626,931**	**82,087,153**	**38,231,454**	**120,318,607**

31 December 2014	Retakaful operations			Shareholders' operations		
	Current	Non-current	Total	Current	Non-current	Total
	USD	USD	USD	USD	USD	USD
ASSETS						
Cash and cash equivalents	21,036,577	-	21,036,577	43,657,684	-	43,657,684
Retakaful receivables and accrued contributions	74,716,598	-	74,716,598	-	-	-
Deferred acquisition costs	8,988,324	-	8,988,324	-	-	-
Retroceded share of unearned contributions	1,539,313	-	1,539,313	-	-	-
Investment deposits	10,350,380	-	10,350,380	68,586,071	-	68,586,071
Investments	7,488,832	-	7,488,832	7,921,863	-	7,921,863
Due from shareholders	1,526,097	-	1,526,097	-	-	-
Prepayments and other receivables	9,329,099	-	9,329,099	640,645	-	640,645
Wakala and mudarabah fee receivable	-	-	-	786,575	-	786,575
Furniture and equipment, net	-	-	-	-	745,402	745,402
Due from related party	-	-	-	218,576	-	218,576
Accrued income from investment deposits	-	-	-	473,646	-	473,646
	134,975,220	-	134,975,220	122,285,060	745,402	123,030,462

23.4 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company's principal balances and transactions are denominated in the functional currency, US dollars and the Euro, Pound sterling, Saudi Riyal, Arab Emirates Dirham and Kuwaiti Dinar.

The following table demonstrates the sensitivity to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, on the Company's profit. The effect of decreases in exchange rates is expected to be equal and opposite to the effect of the increases shown. There is no effect on equity.

31 December 2015	Increase in exchange rate	Effect on profit USD
Assets		
Euro	**+5%**	**278,227**
GBP	**+5%**	**60,212**
SAR	**+5%**	**13,797**
AED	**+5%**	**78,074**
KWD	**+5%**	**20,293**
Liabilities		
Euro	**+5%**	**64,166**
GBP	**+5%**	**10,351**
SAR	**+5%**	**108**
AED	**+5%**	**65,832**
KWD	**+5%**	**29,106**

31 December 2014	Increase in exchange rate	Effect on profit USD
Assets		
Euro	+5%	290,470
GBP	+5%	50,915
SAR	+5%	36,486
AED	+5%	89,987
KWD	+5%	37,664
Liabilities		
Euro	+5%	37,047
GBP	+5%	39,773
SAR	+5%	3,936
AED	+5%	40,317
KWD	+5%	35,386

23.5 Profit Rate Risk

Profit rate risk arises from the possibility that changes in profit rates will affect future profitability or the fair values of financial instruments. The Company is exposed to profit rate risk on certain of its mudarabah deposits. The company limits profit rate risk by monitoring changes in profit rate sensitivity in the currencies in which its mudarabah deposits are denominated.

23.6 Market Price Risk

Market 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 limits fund market price risk by maintaining a diversified portfolio by having different types of funds (i.e., money market fund) and by monitoring of developments in fund markets. A 5% change in the net asset value of these funds, with all other variables held constant, would impact the statement of retakaful operations and accumulated surplus by increase / decrease of USD 91,884 (2014: USD 374,441) and statement of shareholders' operations by increase / decrease of USD 1,167,933 (2014: USD 150,306).

The Company also has investment in listed Islamic securities. The Company manages the Islamic securities' market price risk through diversification and by placing limits on individual and total equity instruments. A 5% change in the fair value of these investments, with all other variables held constant, would impact the statement of retakaful operations and accumulated surplus by increase / decrease of USD 101,224 (2014: Nil) and the statement of shareholders' operations by increase / decrease of USD 716,315 (2014: USD 91,122). Investments held-to-maturity are excluded from this analysis as they are carried at amortized cost.

23.7 Capital Management Objectives, Policies and Approach

The DFSA supervises the Company through a set of regulations that set out certain minimum capital requirements. These requirements are put in place to ensure sufficient solvency margins. Further objectives are set by the company to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

It is the Company's policy to hold capital as an aggregate of the capital requirements of the relevant supervisory body and a specified margin, to absorb changes in both capital and capital requirements. The Company manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. The Boards policy is to maintain a strong capital base so as to maintain cedant and market confidence and to sustain the future development of the business.

The Company's objectives for managing capital are:

- To maximise the shareholders return through obtaining the best return on capital
- To align the profile of assets and liabilities taking account of risks inherent in the business
- To safeguard the entity's ability to continue as a going concern, so that it can continue to pro vide returns for shareholders and benefits to other stakeholders
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets

The Board of Directors of the Company are of the view that the Company has fully complied with the externally imposed capital requirements during the reported financial period.

23.8 Fair value of Financial Instruments

Financial instruments consist of financial assets and financial liabilities. Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Underlying the definition of fair value is a presumption that an enterprise is a going concern without any intention or need to liquidate, curtail materially the scale of its operations or undertake a transaction on adverse terms. The Company's financial assets consist of cash and cash equivalents, receivables, accrued contributions, investments and accrued income and its financial liabilities consist of payables, accrued expenses and gross outstanding claims.

The fair values of held-to-maturity investments are disclosed in note 7(b) of the financial vstatements. The fair values of other financial assets and liabilities are not materially different from their carrying values at the statement of financial position.

24. ZAKAH

The Company's Shari'ah Supervisory Board has approved Zakah that is computed on a net assets basis and amounts to USD 0.00252 (2014: USD 0.033) for each ordinary share of USD 1.00 held in the Company. Zakah is advised to shareholders and is payable directly by individual shareholders.

EmiratesRE

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