DAR AL TAKAFUL PJSC

Review report and interim financial information for the six months period ended 30 June 2013

DAR AL TAKAFUL PJSC

Contents

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Dar Al Takaful PJSC
Dubai - United Arab Emirates

Introduction

We have reviewed the accompanying condensed statement of financial position of **Dar Al Takaful PJSC (the "Company") - Dubai, United Arab Emirates**, as at 30 June 2013 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the six months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34: "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: "*Interim Financial Reporting*".

Emphasis of matter

Without qualifying our conclusion, we draw attention to note 1 to the condensed financial statements which states that as at the reporting date, the Company had accumulated losses of AED 51.16 million which exceeds 50% of the share capital. As required by the U.A.E. Federal Commercial Law No. 8 of 1984, as amended, per Article 285 if a Company sustains cumulative losses in excess of one half of the share capital, the Board of Directors shall convene an Extra-Ordinary General Meeting and resolve whether the Company shall be maintained or dissolved before the term fixed in its Articles of Association. As at the reporting date, the Board of Directors had not convened the Extra –Ordinary General Meeting.

Other Matter

The financial statements of the Company for the year ended 31 December 2012 were audited by another auditor who expressed an unqualified opinion on those statements on 6 March 2013. Furthermore, the interim financial information of the Company for the period from 1 January 2012 to 30 June 2012 were reviewed by another auditor who expressed an unmodified conclusion dated 6 August 2012.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
29 July 2013

Condensed statement of financial position
at 30 June 2013

	Notes	30 June 2013 Unaudited AED	31 December 2012 Audited AED
ASSETS			
Takaful operations' assets			
Investment in securities	**5**	**266,587**	235,460
Deferred policy cost		**5,948,880**	5,099,687
Retakaful assets	**6**	**20,382,099**	11,770,227
Takaful and other receivables		**51,264,135**	36,786,632
Cash and cash equivalents	**7**	**2,070,906**	5,405,264
Total takaful operations' assets		**79,932,607**	59,297,270
Shareholders' assets			
Property and equipment		**11,768,608**	11,987,352
Investment properties	**4**	**10,844,725**	-
Investment in securities	**5**	**11,061,426**	5,214,725
Restricted deposits	**8**	**6,000,000**	6,000,000
Wakala deposits		**41,000,000**	33,000,000
Due from participants		**2,533,425**	1,391,404
Prepayments and other receivables		**4,320,564**	1,697,122
Cash and cash equivalents	**7**	**9,500,640**	31,108,620
Total shareholders' assets		**97,029,388**	90,399,223
Total assets		**176,961,995**	149,696,493
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations' liabilities			
Deferred discount		**1,484,445**	795,005
Takaful contract liabilities	**6**	**95,355,778**	79,083,535
Takaful payables		**26,477,683**	12,928,386
Due to shareholders		**2,533,425**	1,391,404
Total takaful operations' liabilities		**125,851,331**	94,198,330

Condensed statement of financial position at 30 June 2013 (continued)

	Notes	30 June 2013 Unaudited AED	31 December 2012 Audited AED
Takaful operations' deficit			
Qard Hassan against deficit in participants' fund		**(45,653,456)**	(34,636,050)
Less: Provision against Qard Hassan to participants' Fund		**45,653,456**	34,636,050
Available-for-sale investments reserve		**(265,266)**	(265,006)
Total deficit from takaful operations		**(265,266)**	(265,006)
Total takaful operations' liabilities and deficit		**125,586,065**	93,933,324
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Other liabilities		**2,339,934**	2,910,687
Total shareholders' liabilities		**2,339,934**	2,910,687
Shareholders' equity			
Share capital	9	**100,000,000**	100,000,000
Accumulated losses		**(51,157,300)**	(47,341,878)
Available-for-sale investments reserve		**193,296**	194,360
Total shareholders' equity		**49,035,996**	52,852,482
Total shareholders' liabilities and equity		**51,375,930**	55,763,169
Total takaful operations' liabilities and deficit, shareholders' liabilities and equity		**176,961,995**	149,696,493

Abdul Aziz Al Bannai
Chairman

Saleh Al Hashimi
Managing Director

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

Condensed statement of income (unaudited) for the six months period ended 30 June 2013

	3 months period ended 30 June		6 months period ended 30 June	
	2013	2012	**2013**	2012
	AED	AED	**AED**	AED
Attributable to participants'				
Underwriting income				
Gross contribution written	**31,702,043**	27,169,183	**57,019,422**	38,577,106
Movement in unearned Contributions	**(6,757,874)**	(16,261,636)	**(9,636,595)**	(18,491,660)
Takaful contributions revenue	**24,944,169**	10,907,547	**47,382,827**	20,085,446
Retakaful share of contributions	**(7,974,967)**	(5,786,017)	**(14,340,445)**	(8,804,068)
Movement in retakaful share of unearned contributions	**3,985,225**	3,116,353	**6,895,282**	4,023,842
Net retakaful share of contributions	**(3,989,742)**	(2,669,664)	**(7,445,163)**	(4,780,226)
Net takaful revenue	**20,954,427**	8,237,883	**39,937,664**	15,305,220
Policy and other fees	**82,468**	99,498	**199,161**	197,389
Discount received on retakaful contributions	**979,681**	486,605	**1,528,013**	1,072,062
Total underwriting income	**22,016,576**	8,823,986	**41,664,838**	16,574,671
Underwriting expenses				
Claims incurred	**(20,895,696)**	(5,193,852)	**(36,064,942)**	(11,104,632)
Retakaful share of claims incurred	**3,315,579**	229,526	**5,437,635**	2,344,268
Net claims incurred	**(17,580,117)**	(4,964,326)	**(30,627,307)**	(8,760,364)
Policy acquisition cost	**(2,578,742)**	(2,180,097)	**(4,917,459)**	(3,403,198)
Excess of loss retakaful	**(488,689)**	(517,640)	**(891,027)**	(770,207)
Other underwriting expenses	**(151,352)**	(132,144)	**(267,801)**	(187,393)
Total underwriting expenses	**(20,798,900)**	(7,794,207)	**(36,703,594)**	(13,121,162)
Net underwriting income	**1,217,676**	1,029,779	**4,961,244**	3,453,509
Wakala fees	**(8,318,290)**	(5,743,514)	**(15,031,031)**	(9,444,258)
Expenses allocated to participants	**(559,056)**	(545,101)	**(994,730)**	(841,979)
Net deficit from Takaful operations	**(7,659,670)**	(5,258,836)	**(11,064,517)**	(6,832,728)
Investment income/(loss)	**35,636**	(7,868)	**48,766**	2,414
Mudarib's fee	**(1,655)**	-	**(1,655)**	-
Deficit for the period attributable to participants'	**(7,625,689)**	(5,266,704)	**(11,017,406)**	(6,830,314)

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

Condensed statement of income (unaudited)
for the six months period ended 30 June 2013

		3 months period ended 30 June		6 months period ended 30 June	
		2013	2012	**2013**	2012
		AED	AED	**AED**	AED
ATTRIBUTABLE TO SHAREHOLDERS'					
INCOME					
Wakala fees from participants'		**8,318,290**	5,743,514	**15,031,031**	9,444,258
Mudarib's fee		**1,655**	-	**1,655**	-
Investment income/(loss)		**1,687,114**	(208,633)	**1,990,993**	1,419,626
		10,007,059	5,534,881	**17,023,679**	10,863,884
EXPENSES					
General and administrative expenses		**(5,213,967)**	(4,699,400)	**(9,821,695)**	(9,731,396)
Income for the period before Qard Hassan		**4,793,092**	835,481	**7,201,984**	1,132,488
Provision against Qard Hassan to participants'		**(7,625,689)**	(5,266,704)	**(11,017,406)**	(6,830,314)
Loss for the period attributable to shareholders'		**(2,832,597)**	(4,431,223)	**(3,815,422)**	(5,697,826)
Basic loss per share	**10**	**(0.029)**	(0.044)	**(0.038)**	(0.057)

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

Condensed statement of comprehensive income (unaudited)
for the six months period ended 30 June 2013

	3 months period ended 30 June		6 months period ended 30 June	
	2013	2012	**2013**	2012
	AED	AED	**AED**	AED
ATTRIBUTABLE TO PARTICIPANTS'				
Loss for the period	**(7,625,689)**	(5,266,704)	**(11,017,406)**	(6,830,314)
Other comprehensive loss				
Items that maybe reclassified subsequently to profit or loss:				
Unrealised loss on available-for-sale Investments	**-**	(33,800)	**(260)**	(15,340)
Other comprehensive loss for the period	-	(33,800)	**(260)**	(15,340)
Total comprehensive loss for the period attributable to participants'	**(7,625,689)**	(5,300,504)	**(11,017,666)**	(6,845,654)
ATTRIBUTABLE TO SHAREHOLDERS'				
Loss for the period	**(2,832,597)**	(4,431,223)	**(3,815,422)**	(5,697,826)
Other comprehensive (loss)/income				
Items that maybe reclassified subsequently to profit or loss:				
Unrealised (loss)/gain on available-for-sale investments	**(14,787)**	74,088	**(1,064)**	211,719
Other comprehensive (loss)/income for the period	**(14,787)**	74,088	**(1,064)**	211,719
Total comprehensive loss for the period attributable to shareholders'	**(2,847,384)**	(4,357,135)	**(3,816,486)**	(5,486,107)

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

Condensed statement of changes in equity
for the six months period ended 30 June 2013

	Share capital AED	Accumulated losses AED	Available-for-sale investments reserve AED	Total AED
Balance at 31 December 2011 (Audited)	100,000,000	(34,580,845)	36,328	65,455,483
Loss for the period	-	(5,697,826)	-	(5,697,826)
Other comprehensive income for the period	-	-	211,719	211,719
Total comprehensive loss for the period	-	(5,697,826)	211,719	(5,486,107)
Balance at 30 June 2012 (Unaudited)	100,000,000	(40,278,671)	248,047	59,969,376
Balance at 31 December 2012 (Audited)	100,000,000	(47,341,878)	194,360	52,852,482
Loss for the period	-	(3,815,422)	-	(3,815,422)
Other comprehensive loss for the period	-	-	(1,064)	(1,064)
Total comprehensive loss for the period	-	(3,815,422)	(1,064)	(3,816,486)
Balance at 30 June 2013 (Unaudited)	**100,000,000**	**(51,157,300)**	**193,296**	**49,035,996**

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

Condensed statement of cash flows (unaudited) for the six months period ended 30 June 2013

	Six months period ended 30 June 2013 AED	2012 AED
Cash flows from operating activities		
Loss for the period	**(3,815,422)**	(5,697,826)
Adjustments for:		
Depreciation of property and equipment	**715,861**	751,371
Amortisation	**-**	285,951
Changes in the fair value of financial assets carried at fair value through profit or loss	**(1,016,709)**	(291,214)
Realised gain on disposal of financial assets carried at fair value through profit or loss	**-**	(488,779)
Income from wakala deposits	**(550,813)**	(592,095)
Provision against qard hassan to participants' fund	**11,015,751**	6,830,314
Provision for employees' end of service benefits	**161,474**	163,280
Operating cash flows before changes in operating assets and liabilities	**6,510,142**	961,002
Increase in qard hassan to participants' fund	**(11,015,751)**	(6,830,314)
(Increase)/decrease in takaful and other receivables	**(14,477,503)**	19,208,296
Increase in retakaful assets	**(8,611,872)**	(5,090,842)
Increase in prepayments and other receivables	**(2,623,442)**	(2,430,374)
Increase in takaful contract liabilities	**16,272,243**	20,786,137
Increase in takaful payables	**13,549,297**	4,363,603
(Decrease)/increase in other liabilities	**(688,335)**	550,596
Increase in deferred policy cost	**(849,193)**	-
Increase in deferred discount	**689,440**	-
Cash (used in)/generated from operations	**(1,244,974)**	31,518,104
Employee's end of service benefits paid	**(43,892)**	(78,783)
Net cash (used in)/generated from operating activities	**(1,288,866)**	31,439,321
Cash flows from investing activities		
Purchase of property and equipment	**(497,117)**	(869,592)
Acquisition of intangible assets	**-**	(20,240)
Purchase of Investment securities	**(4,862,443)**	(2,000,000)
Proceeds from disposal of investment securities	**-**	1,738,452
Purchase of investment properties	**(10,844,725)**	-
Income received on wakala deposits	**550,813**	592,095
Increase in wakala deposits	**(8,000,000)**	(8,000,000)
Net cash (used in)/ generated from investing activities	**(23,653,472)**	(8,559,285)
Net (decrease) / increase in cash and cash equivalents	**(24,942,338)**	22,880,036
Cash and cash equivalents at the beginning of the period	**36,513,884**	17,985,630
Cash and cash equivalents at the end of the period (Note 7)	**11,571,546**	40,865,666

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

Notes to the condensed financial statements
for the six months period ended 30 June 2013

1. General information

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

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

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

The Company had accumulated losses of AED 51.16 million which exceeds 50% of the share capital. As required by the U.A.E. Federal Commercial Law No. 8 of 1984, as amended, per Article 285 if a Company sustains cumulative losses in excess of one half of the share capital, the Board of Directors shall convene an Extra-Ordinary General Meeting and resolve whether the Company shall be maintained or dissolved before the term fixed in its Articles of Association. As at the reporting date, the Board of Directors had not convened the Extra –Ordinary General Meeting. The Board of Directors are aware that the Company is required to convene an Extra-Ordinary General Meeting when the cumulative losses are in excess of one half of the share capital. However, the Company has adopted a business plan to rectify this deficiency.

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

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

The following revised IFRSs have been adopted in these condensed financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IFRS 1 Government Loans provide relief to first-time adopters of IFRSs by amending IFRS 1 to allow prospective application of IAS 39 or IFRS 9 and paragraph 10A of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance to government loans outstanding at the date of transition to IFRSs.
- Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities.
- IFRS 10 *Consolidated Financial Statements* uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly, IAS 27 *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures** have been amended for the issuance of IFRS 10.
- IFRS 11 *Joint Arrangements* establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.

Notes to the condensed financial statements
for the six months period ended 30 June 2013 (continued)

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

2.1 New and revised IFRSs applied with no material effect on the condensed financial statements (continued)

- IFRS 12 *Disclosure of Interests in Other Entities** combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure standard.
- IFRS 13 *Fair Value Measurement* issued in May 2011 establishes a single framework for measuring fair value and is applicable for both financial and non-financial items.
- Amendments to IAS 1 -*Presentation of Other Comprehensive Income*. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.
- Amendments to IAS 19 *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognise changes in defined benefit plan obligations and plan assets when they occur.
- Amendments to IFRS 7 *Financial Instruments*: *Disclosures* - Offsetting Financial Assets and Financial Liabilities
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*.
- Annual Improvements to *IFRSs 2009 - 2011 Cycle*

The annual improvements include the amendments to five IFRSs which have been summarized below:

- *IFRS 1 First Time Adoption of International Financial Reporting Standards* -Repeated application of IFRS 1
- *IFRS 1 First Time Adoption of International Financial Reporting Standards* -Borrowing costs
- *IAS 1 Presentation of Financial Statements* -Clarification of the requirements for comparative information
- *IAS 16 Property, Plant and Equipment* -Classification of serving equipment
- *IAS 32 Financial Instruments: Presentation* - Tax effect of the distribution to the holders of equity instruments.
- *IAS 34 Interim Financial Reporting* - Interim financial reporting and segment information for total assets and liabilities.

2.2 Amendments to IFRSs affecting presentation and disclosure only

The following revised IFRSs have been adopted in these condensed financial statements. The application of these revised IFRSs has affected the presentation and disclosure only and did not result in any impact on the reported amounts.

- Amendments to IAS 1 *Presentation of Financial Statements*

The amendments require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Notes to the condensed financial statements
for the six months period ended 30 June 2013 (continued)

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

2.2 Amendments to IFRSs affecting presentation and disclosure only (continued)

- Amendments to IAS 34 *Interim Financial Reporting*

The amendments require additional disclosures for the fair value of the financial instruments as required by IFRS 13 *Fair Value Measurement* and IFRS 7 *Financial Instruments*.

2.3 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted

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

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 7 *Financial Instruments*: Disclosures relating to disclosures about the initial application of IFRS.	1 January 2015 (or otherwise when IFRS 9 is first applied)
• IFRS 9 *Financial Instruments* issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.	1 January 2015

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

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

2.3 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Key requirements of IFRS 9 are described as follows (continued):	
▪ The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.	
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• Amendments to IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment Entities	1 January 2014
On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs. The amendments establish an exception to IFRS 10's general consolidation principle for investment entities, requiring them to "measure particular subsidiaries at fair value through profit or loss, rather than consolidate them." In addition, the amendments outline required disclosures for reporting entities that meet the definition of an investment entity.	

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements for the period beginning 1 January 2014 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

Notes to the condensed financial statements
for the six months period ended 30 June 2013 (continued)

3. Summary of significant accounting policies

3.1 Basis of preparation

These condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, "Interim Financial Reporting" and also comply with the applicable requirements of the laws in the U.A.E.

The condensed financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated.

These condensed financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties which are stated at fair value.

The accounting policies, critical accounting judgements and key sources of estimation used in the preparation of these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2012.

These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 2012. In addition, results for the six months period ended 30 June 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

The Company's insurance and financial risk management objectives and policies are consistent with those disclosed in the audited financial statements for the year ended 31 December 2012.

The articles of association of the Company require that separate accounts be maintained for takaful operations on behalf of the participants. Accordingly, the directors have resolved to present the financial statements on that basis and comply with the Financial Accounting Standard issued by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) to the extent that these are compatible with International Financial Reporting Standards.

4. Investment properties

Investment properties represent 35 apartments acquired in Dubai, United Arab Emirates during the six months period ended 30 June 2013 and are stated at fair value at the reporting date. Gains or losses arising from changes in fair value of investment properties are included in the statement of income.

Notes to the condensed financial statements
for the six months period ended 30 June 2013 (continued)

5. Investment in securities

5.1 *Available-for-sale investments*

Available-for-sale investments comprise the following:

	30 June 2013 Unaudited AED	31 December 2012 Audited AED
Quoted equity securities in U.A.E.	**810,761**	812,085
Unquoted debt securities in U.A.E.	**5,696,873**	2,001,100
	6,507,634	2,813,185

5.2 *Financial assets carried at fair value through profit or loss*

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

	30 June 2013 Unaudited AED	31 December 2012 Audited AED
Quoted equity securities in U.A.E.	**4,820,379**	2,637,000
Total investments in securities	**11,328,013**	5,450,185
Attributable to:		
Participants	**266,587**	235,460
Shareholders	**11,061,426**	5,214,725
	11,328,013	5,450,185

Notes to the condensed financial statements
for the six months period ended 30 June 2013 (continued)

6. Takaful contract liabilities and retakaful assets

	30 June 2013 Unaudited AED	31 December 2012 Audited AED
Gross		
Takaful contract liabilities:		
Unearned contribution	**59,767,122**	50,130,527
Claims reported unsettled	**26,326,421**	22,229,247
Claims incurred but not reported	**9,262,235**	6,723,761
Total takaful contract liabilities, gross	**95,355,778**	79,083,535
Recoverable from retakaful		
Retakaful contract assets:		
Unearned contribution	**11,551,063**	4,655,781
Claims reported unsettled	**3,903,014**	3,282,922
Claims incurred but not reported	**4,928,022**	3,831,524
Total retakaful share of takaful liabilities	**20,382,099**	11,770,227
Net		
Unearned contribution	**48,216,059**	45,474,746
Claims reported unsettled	**22,423,407**	18,946,325
Claims incurred but not reported	**4,334,213**	2,892,237
	74,973,679	67,313,308

7. Cash and cash equivalents

	30 June 2013 Unaudited AED	31 December 2012 Audited AED
Cash on hand	**35,097**	54,716
Bank balances		
Current accounts	**898,376**	3,907,137
Call accounts	**1,638,073**	2,451,193
Wakala deposits with maturity less than three months	**9,000,000**	30,100,838
	11,571,546	36,513,884
Attributable to:		
Participants	**2,070,906**	5,405,264
Shareholders	**9,500,640**	31,108,620
	11,571,546	36,513,884

Notes to the condensed financial statements
for the six months period ended 30 June 2013 (continued)

7. Cash and cash equivalents (continued)

Bank balances are maintained with banks in U.A.E. The profit rate on wakala deposits ranges between 0.5% to 2.6% (2012: ranges between 2.3% to 2.6%).

8. Restricted deposits

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

9. Share capital

At 30 June 2013, the issued and fully paid share capital comprised 100,000,000 shares of AED 1 each (31 December 2012: 100,000,000 shares of AED 1 each).

10. Basic loss per share

	Three months period ended 30 June		**Six months period ended 30 June**	
	2013	2012	**2013**	2012
	Unaudited	Unaudited	**Unaudited**	Unaudited
Loss for the period attributable to shareholders (in AED)	**(2,832,597)**	(4,431,223)	**(3,815,422)**	(5,697,826)
Number of shares	**100,000,000**	100,000,000	**100,000,000**	100,000,000
Basic loss per share (in AED)	**(0.029)**	(0.044)	**(0.038)**	(0.057)

Basic loss per share has been calculated by dividing the loss for the period by the number of shares outstanding at the end of the reporting period.

11. Commitments and guarantees

Commitments

The Company has the following commitments at the reporting date:

	30 June 2013 Unaudited AED	31 December 2012 Audited AED
Software development	**59,400**	175,920
Office renovation	**81,745**	345,000
	141,145	520,920

Guarantees

As at 30 June 2013, the Company has bank guarantees against labour and third party commitments for AED 227,000 (31 December 2012: AED 200,020). The Company has also issued financial guarantees to retakaful companies amounting to AED 52,525 (31 December 2012: AED 52,525).

12. Related party transactions

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

a) Balances with related parties

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

	30 June 2013 Unaudited AED	31 December 2012 Audited AED
Wakala deposit with a related party		
Mawarid Finance PJSC – *Major Shareholder*	**15,000,000**	35,000,000
Deposit with a related party		
Mawarid Finance PJSC – *Major Shareholder*	**63,352**	414,749
Accrued profit or deposits		
Mawarid Finance PJSC – *Major Shareholder*	**181,875**	82,500

Notes to the condensed financial statements
for the six months period ended 30 June 2013 (continued)

12. Related party transactions (continued)

a) Balances with related parties (continued)

Due to a related party

	30 June 2013 Unaudited AED	31 December 2012 Audited AED
Mawarid Finance PJSC – *Major Shareholder*	**109,625**	72,135

b) Transactions with related parties

Transactions with related parties included in the condensed statement of income are as follows:

	Three months period ended 30 June		**Six months period ended 30 June**	
	2013 Unaudited AED	2012 Unaudited AED	**2013 Unaudited AED**	2012 Unaudited AED
Income from wakala deposits				
Mawarid Finance PJSC – *Major Shareholder*	**84,375**	106,666	**168,750**	276,913

Contributions earned

	Three months period ended 30 June		**Six months period ended 30 June**	
	2013 Unaudited AED	2012 Unaudited AED	**2013 Unaudited AED**	2012 Unaudited AED
Mawarid Finance PJSC – *Major Shareholder*	**52,789**	1,309,273	**78,950**	1,317,470
Other related parties	**1,083,305**	-	**1,118,746**	-
	1,136,094	1,309,273	**1,197,696**	1,317,470

Notes to the condensed financial statements
for the six months period ended 30 June 2013 (continued)

12. Related party transactions (continued)

b) Transactions with related parties (continued)

	Three months period ended 30 June		Six months period ended 30 June	
	2013	2012	**2013**	2012
	Unaudited	Unaudited	**Unaudited**	Unaudited
	AED	AED	**AED**	AED
Management charges paid				
Mawarid Finance PJSC – *Major Shareholder*	**90,000**	131,000	**180,000**	221,000

c) Compensation of key management personnel

	Three months period ended 30 June		Six months period ended 30 June	
	2013	2012	**2013**	2012
	Unaudited	Unaudited	**Unaudited**	Unaudited
	AED	AED	**AED**	AED
Short-term benefits	**917,675**	828,250	**1,776,675**	1,656,500
Employees' end of service benefits	**44,823**	57,270	**89,360**	114,540
	962,498	885,520	**1,866,035**	1,771,040

13. Segment information

Primary segment information

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

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

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

13. Segment information (continued)

These segments are the basis on which the Company reports its primary segment information. Segmental information is presented below:

Six months period ended 30 June 2013(Unaudited)

	General takaful management AED	Investment AED	Total AED
Gross contributions written	57,019,422	-	57,019,422
Changes in unearned contributions	(9,636,595)	-	(9,636,595)
Contributions earned	47,382,827	-	47,382,827
Contributions ceded to retakaful	(7,445,163)	-	(7,445,163)
Net contribution revenue	39,937,664	-	39,937,664
Claims (net of retakful share)	(30,627,307)	-	(30,627,307)
Net underwriting expenses	(4,349,113)	-	(4,349,113)
Net underwriting income	4,961,244	-	4,961,244
General and administrative expenses	(994,730)	(9,821,695)	(10,816,425)
Mubarib's fee	(1,655)	1,655	-
Wakala (fees)/income	(15,031,031)	15,031,031	-
Investment income	48,766	1,990,993	2,039,759
(Loss)/income for the period	(11,017,406)	7,201,984	(3,815,422)
Other comprehensive loss	(260)	(1,064)	(1,324)
Total comprehensive (loss)/income for the period	(11,017,666)	7,200,920	(3,816,746)

Notes to the condensed financial statements
for the six months period ended 30 June 2013 (continued)

13. Segment information (continued)

Six months period ended 30 June 2012 (Unaudited)

	General takaful management AED	Investment AED	Total AED
Gross contributions written	38,577,106	-	38,577,106
Changes in unearned contributions	(18,491,660)	-	(18,491,660)
Contributions earned	20,085,446	-	20,085,446
Contributions ceded to retakaful	(4,780,226)	-	(4,780,226)
Net contribution revenue	15,305,220	-	15,305,220
Claims (net of retakful share)	(8,760,364)	-	(8,760,364)
Net underwriting expenses	(3,091,347)	-	(3,091,347)
Net underwriting income	3,453,509	-	3,453,509
General and administrative expenses	(841,979)	(9,731,396)	(10,573,375)
Wakala (fees)/income	(9,444,258)	9,444,258	-
Investment income	2,414	1,419,626	1,422,040
(Loss) / income for the period	(6,830,314)	1,132,488	(5,697,826)
Other comprehensive (loss)/income	(15,340)	211,719	196,379
Total comprehensive (loss)/income for the period	(6,845,654)	1,344,207	(5,501,447)

The following tables demonstrate other information related to each business segments:

30 June 2013 (Unaudited)

	General takaful management AED	**Investment AED**	**Total AED**
Total assets	**79,932,607**	**97,029,388**	**176,961,995**
Total liabilities	**125,851,331**	**2,339,934**	**128,191,265**

13. Segment information (continued)

31 December 2012 (Audited)

	General takaful management AED	Investment AED	Total AED
Total assets	59,297,270	90,399,223	149,696,493
Total liabilities	94,198,330	2,910,687	97,109,017

Secondary segment information

For operational and management reporting purposes, the Company is organised as one geographical segment. Consequently, no secondary segment information is required to be provided.

14. Seasonality of results

No income of seasonal nature was recorded in the statement of income for the six months period ended 30 June 2013 and 2012.

15. Fair value 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. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost

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

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

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2012.

Notes to the condensed financial statements
for the six months period ended 30 June 2013 (continued)

15. Fair value of financial instruments (continued)

Fair value measurements recognised in the statement of financial position

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

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

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
30 June 2013 (Unaudited)				
AFS investments				
Debt securities	**-**	-	**5,696,873**	**5,696,873**
Equity securities	**810,761**	-	-	**810,761**
Financial assets carried at fair value through profit or loss				
Equity securities	**4,820,379**	**-**	-	**4,820,379**
	5,631,140	**-**	**5,696,873**	**11,328,013**
31 December 2012 (Audited)				
AFS investments				
Debt securities	-	-	2,001,100	2,001,100
Equity securities	812,085	-	-	812,085
Financial assets carried at fair value through profit or loss				
Equity securities	2,637,000	-	-	2,637,000
	3,449,085	-	2,001,100	5,450,185

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

16. Fatwa and Shari'a Supervisory Board

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

17. Approval of condensed financial statements

The condensed financial statements were approved by the Board of Directors and authorised for issue on 29 July 2013.