TAKAFUL EMARAT - INSURANCE (PSC)

Review report and interim financial information
for the three months period ended 31 March 2013

TAKAFUL EMARAT - INSURANCE (PSC)

Contents **Pages**

Report on review of interim financial information	**1**
Condensed statement of financial position	**2**
Condensed statement of comprehensive income (Unaudited)	**3**
Condensed statement of changes in equity	**4**
Condensed statement of cash flows (Unaudited)	**5**
Notes to the condensed financial statements	**6 - 18**

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Takaful Emarat - Insurance (PSC)
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed statement of financial position of **Takaful Emarat - Insurance (PSC), Dubai, United Arab Emirates**, as at 31 March 2013 and the related condensed statements of comprehensive income, changes in equity and cash flows for the three 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"*.

Other matter

The interim financial information for the three months period ended 31 March 2012 were reviewed by another auditor whose report dated 8 May 2012 expressed an unqualified conclusion. The annual financial statements for the year ended 31 December 2012 were audited by another auditor whose report dated 21 March 2013 expressed an unmodified opinion.

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
14 May 2013

Condensed statement of financial position at 31 March 2013

	Notes	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
ASSETS			
Cash and bank balances		**13,702,876**	17,436,088
Statutory deposit with Insurance Authority		**4,000,000**	4,000,000
Takaful and other receivables		**55,807,716**	68,412,972
Due from a related party	4	**1,913,742**	2,413,743
Retakaful contract assets	5	**31,768,397**	39,708,055
Investments at fair value through profit or loss	6	**31,200,644**	30,811,235
Investments carried at amortised cost	7	**20,100,866**	19,937,762
Investment property	8	**10,500,000**	10,500,000
Property and equipment		**10,302,534**	9,938,490
Total assets		**179,296,775**	203,158,345
LIABILITIES, POLICY HOLDERS' FUND AND SHAREHOLDERS' EQUITY			
Liabilities			
Retakaful and other payables		**42,673,290**	49,242,635
Takaful contract liabilities	5	**57,834,442**	68,355,819
Provision for employees' end of service indemnity		**530,638**	744,900
Total liabilities		**101,038,370**	118,343,354
Policy holders' fund			
Deficit in policy holders' fund		**(12,997,727)**	(8,701,793)
Qard Hassan from shareholders		**12,997,727**	8,701,793
Total deficit in policy holders' fund		**-**	-
Shareholders' equity			
Share capital	9	**150,000,000**	150,000,000
Accumulated losses		**(71,741,595)**	(65,185,009)
Total shareholders' equity		**78,258,405**	84,814,991
Total liabilities, policyholders' fund and shareholders' equity		**179,296,775**	203,158,345

Mohamed Ali Abdalla Ali Alsari
Chairman

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

Condensed statement of comprehensive income (Unaudited) for the period ended 31 March 2013

	Notes	Three months period ended 31 March 2013 AED	2012 AED
Attributable to policyholders:			
Takaful contributions earned	**10**	**21,354,135**	4,143,532
Retakaful contributions ceded	**10**	**(12,280,786)**	(1,387,279)
Net earned contributions	**10**	**9,073,349**	2,756,253
Gross claims incurred		**(11,902,905)**	(3,950,777)
Retakaful share of claims incurred		**6,910,578**	2,232,360
Net claims incurred		**(4,992,327)**	(1,718,417)
Commission and other expenses		**(2,654,475)**	(1,144,767)
Net takaful income/(loss)		**1,426,547**	(106,931)
Wakalah fees	**11**	**(5,722,481)**	(2,174,508)
Net deficit from takaful operations		**(4,295,934)**	(2,281,439)
Attributable to shareholders:			
Investment income		**475,422**	738,796
Wakalah fees from policy holders		**5,722,481**	2,174,508
Other income, net		**303,561**	525,268
General and administrative expenses		**(8,762,116)**	(6,766,743)
Provision for Qard Hassan to policyholder's fund		**(4,295,934)**	-
Loss for the period attributable to shareholders		**(6,556,586)**	(3,328,171)
Basic and diluted loss per share	**12**	**(0.04)**	(0.02)
Other comprehensive income		**-**	-
Total comprehensive loss for the period		**(6,556,586)**	(3,328,171)

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

Condensed statement of changes in equity for the period ended 31 March 2013

	Share capital AED	Accumulated losses AED	Total AED
Balance at 31 December 2011 (Audited)	150,000,000	(49,326,641)	100,673,359
Total comprehensive loss for the period	-	(3,328,171)	(3,328,171)
Balance at 31 March 2012 (Unaudited)	150,000,000	(52,654,812)	97,345,188
Balance at 31 December 2012 (Audited)	150,000,000	(65,185,009)	84,814,991
Total comprehensive loss for the period	-	(6,556,586)	(6,556,586)
Balance at 31 March 2013 (Unaudited)	**150,000,000**	**(71,741,595)**	**78,258,405**

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

Condensed statement of cash flows (Unaudited) for the period ended 31 March 2013

	Three months period ended 31 March	
	2013	2012
	AED	AED
Cash flows from operating activities		
Loss for the period	**(6,556,586)**	(3,328,171)
Adjustments for:		
Depreciation of property and equipment	**706,232**	414,344
Amortisation on investments carried at amortised cost	**(190,859)**	(244,259)
Gain on revaluation of investments carried at FVTPL	**(233,736)**	(306,753)
(Reversal)/provision for employees' end of service indemnity	**(204,729)**	130,568
Operating cash flows before changes in operating assets and liabilities	**(6,479,678)**	(3,334,271)
Decrease/(increase) in retakaful contract assets	**7,939,658**	(1,970,644)
Decrease/(increase) in takaful and other receivables	**12,605,256**	(6,204,565)
Decrease in due from a related party	**500,001**	-
(Decrease)/increase in takaful contract liabilities	**(10,521,377)**	10,745,697
(Decrease)/increase in retakaful and other payables	**(6,569,345)**	1,076,490
Increase in due to a related party	**-**	42,745
Cash (used in)/generated from operations	**(2,525,485)**	355,452
Employees' end of service indemnity paid	**(9,533)**	(21,324)
Net cash (used in)/generated from operating activities	**(2,535,018)**	334,128
Cash flows from investing activities		
Increase in investment deposits with banks	**714,169**	-
Purchase of investments carried at FVTPL	**(155,673)**	(56,598)
Profit received on investments carried at amortised cost	**27,755**	53,827
Purchase of investments carried at amortised cost	**-**	(19,700,000)
Purchase of property and equipment	**(1,070,276)**	(2,173,212)
Net cash used in investing activities	**(484,025)**	(21,875,983)
Cash flows from financing activity		
Decrease in policyholders' fund	**-**	(2,281,439)
Net cash used in financing activity	**-**	(2,281,439)
Net decrease in cash and cash equivalents	**(3,019,043)**	(23,823,294)
Cash and cash equivalents at beginning of the period	**11,721,919**	44,248,209
Cash and cash equivalents at end of the period (Note 13)	**8,702,876**	20,424,915

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

Notes to the condensed financial statements
for the period ended 31 March 2013

1. General information

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

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

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

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 new and revised IFRSs have been adopted in these condensed financial statements. The application of these new and 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.

- 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.

Notes to the condensed financial statements
for the period ended 31 March 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)

- 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.

- 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. 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.

- 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.

Notes to the condensed financial statements for the period ended 31 March 2013 (continued)

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

2.3 New and revised IFRSs is in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are 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. *Key requirements of IFRS 9 are described as follows:*	1 January 2015
• 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.	
• 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.	

Notes to the condensed financial statements
for the period ended 31 March 2013 (continued)

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

2.3 New and revised IFRSs is in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• 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 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.	1 January 2014

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no impact on the condensed financial statements of the Company in the period of initial application.

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.

The accounting policies, presentation and methods, critical accounting judgements and estimates in 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 three months period ended 31 March 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

Notes to the condensed financial statements
for the period ended 31 March 2013 (continued)

4. Related party transactions

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

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

	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Due from a related party		
Company under common management		
UNIQA Re AG, Switzerland	**1,913,742**	2,413,743

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been received.

Compensation of key management personnel

	Three months period ended 31 March	
	2013 (Unaudited) AED	2012 (Unaudited) AED
Short and long term benefits	**1,147,169**	847,000

5. Takaful contract liabilities and retakaful contract assets

	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Gross takaful contract liabilities		
Claims reported	**5,626,495**	3,007,868
Claims incurred but not reported	**1,664,000**	664,000
Unearned premiums	**43,312,855**	58,635,417
Life takaful provision	**196,396**	196,396
Payable to policyholders of investment linked contracts	**7,034,696**	5,852,138
	57,834,442	68,355,819

Notes to the condensed financial statements
for the period ended 31 March 2013 (continued)

5. Takaful contract liabilities and retakaful contract assets (continued)

	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Retakaful contract assets		
Claims reported	**3,366,652**	1,807,146
Claims incurred but not reported	**998,400**	398,400
Unearned premiums	**27,403,345**	37,502,509
	31,768,397	39,708,055
Net takaful contract liabilities		
Claims reported	**2,259,843**	1,200,722
Claims incurred but not reported	**665,600**	265,600
Unearned premiums	**15,909,510**	21,132,908
Life takaful provision	**196,396**	196,396
Payable to policyholders of investment linked contracts	**7,034,696**	5,852,138
	26,066,045	28,647,764

6. Investments at fair value through profit or loss

	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Fair value at beginning of the period/year	**30,811,235**	11,031,197
Additions during the period/year	**155,673**	19,744,874
Changes in fair value	**233,736**	35,164
Fair value at end of the period/year	**31,200,644**	30,811,235

7. Investments carried at amortised cost

	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
At beginning of the period/year	**19,937,762**	19,619,644
Effect of amortization during the period/year	**190,859**	1,019,196
Profit received during the period/year	**(27,755)**	(701,078)
At end of the period/year	**20,100,866**	19,937,762

Notes to the condensed financial statements
for the period ended 31 March 2013 (continued)

8. Investment property

	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Fair value at end of the period/year	**10,500,000**	10,500,000

Management is in the process of registering the title deed of the investment property.

9. Share capital

	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Issued and fully paid:		
150,000,000 ordinary shares of AED 1 each	**150,000,000**	150,000,000

Notes to the condensed financial statements
for the period ended 31 March 2013 (continued)

10. Net earned contributions

	Three months period ended 31 March 2013			Three months period ended 31 March 2012		
	Medical Unaudited AED	**Life Unaudited AED**	**Total Unaudited AED**	Medical Unaudited AED	Life Unaudited AED	Total Unaudited AED
Gross contributions written	**4,864,747**	**2,349,384**	**7,214,131**	7,604,661	6,449,132	14,053,793
Change in unearned contributions	**15,212,688**	**109,874**	**15,322,562**	(4,358,695)	(785,698)	(5,144,393)
Change in payables to policy holders of investment linked contracts	**-**	**(1,182,558)**	**(1,182,558)**	-	(4,765,868)	(4,765,868)
Takaful contributions earned	**20,077,435**	**1,276,700**	**21,354,135**	3,245,966	897,566	4,143,532
Retakaful contributions	**2,229,413**	**(47,791)**	**2,181,622**	1,925,000	713,437	2,638,437
Changes in unearned contributions	**9,845,917**	**253,247**	**10,099,164**	(754,564)	(496,594)	(1,251,158)
Retakaful contributions ceded	**12,075,330**	**205,456**	**12,280,786**	1,170,436	216,843	1,387,279
Net earned contributions	**8,002,105**	**1,071,244**	**9,073,349**	2,075,530	680,723	2,756,253

Notes to the condensed financial statements
for the period ended 31 March 2013 (continued)

11. Wakalah fees

The shareholders manage the takaful operations for the policyholders and charge 15% - 35% of gross takaful contributions as wakalah fees.

12. Basic and diluted loss per share

	31 March 2013 (Unaudited)	31 March 2012 (Unaudited)
Loss for the period attributable to shareholders (in AED)	**(6,556,586)**	(3,328,171)
Weighted average number of shares outstanding during the period	**150,000,000**	150,000,000
Loss per share (AED)	**(0.04)**	(0.02)

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

13. Cash and cash equivalents

	31 March 2013 (Unaudited) AED	31 March 2012 (Unaudited) AED
Cash and bank balances	**13,702,876**	30,424,915
Investment deposits with maturity over three months from the date of placements	**(5,000,000)**	(10,000,000)
	8,702,876	20,424,915

14. Segment information

The Company is organized into two main business segments:

- Underwriting of takaful business insurance incorporating health insurance, life insurance and credit saving insurance.
- Investments incorporating investment deposits with local banks and other investments.

Notes to the condensed financial statements
for the period ended 31 March 2013 (continued)

14. Segment information (continued)

	Three months period ended 31 March 2013 (Unaudited)					
	Underwriting			Shareholders		
	Medical Unaudited AED	**Life Unaudited AED**	**Total Unaudited AED**	**Investments Unaudited AED**	**Others Unaudited AED**	**Total Unaudited AED**
Segment revenue	**20,077,435**	**1,276,700**	**21,354,135**	**475,422**	**303,561**	**778,983**
(Loss)/profit for the period	**(4,243,681)**	**(52,253)**	**(4,295,934)**	**475,422**	**(7,032,008)**	**(6,556,586)**

	Three months period ended 31 March 2012 (Unaudited)					
	Underwriting			Shareholders		
	Medical Unaudited AED	Life Unaudited AED	Total Unaudited AED	Investments Unaudited AED	Others Unaudited AED	Total Unaudited AED
Segment revenue	3,245,966	897,566	4,143,532	738,796	525,268	1,264,064
(Loss)/profit for the period	(1,751,309)	(530,130)	(2,281,439)	738,796	(4,066,967)	(3,328,171)

Notes to the condensed financial statements
for the period ended 31 March 2013 (continued)

14. Segment information (continued)

	31 March 2013 (Unaudited)						
	Underwriting			Shareholders			
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED	Grand Total AED
Segment assets	**76,683,276**	**9,043,205**	**85,726,481**	**63,609,784**	**29,960,510**	**93,570,294**	**179,296,775**
Segment liabilities	**89,078,758**	**9,645,450**	**98,724,208**	**-**	**2,314,162**	**2,314,162**	**101,038,370**

	31 December 2012 (Audited)						
	Underwriting			Shareholders			
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED	Grand Total AED
Segment assets	99,172,824	7,905,817	107,078,641	69,061,714	27,017,990	96,079,704	203,158,345
Segment liabilities	107,324,622	8,455,812	115,780,434	-	2,562,920	2,562,920	118,343,354

Notes to the condensed financial statements
for the period ended 31 March 2013 (continued)

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.

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
31 March 2013 (Unaudited)				
Investments at fair value through profit or loss				
Debt securities and mutual funds	**-**	**31,200,644**	-	**31,200,644**
Investments carried at amortised cost				
Debt securities	**-**	**20,100,866**	-	**20,100,866**
	-	**51,301,510**	**-**	**51,301,510**

Notes to the condensed financial statements for the period ended 31 March 2013 (continued)

15. Fair value of financial instruments (continued)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2012 (Audited)				
Investments at fair value through profit or loss				
Debt securities and mutual funds	-	30,811,235	-	30,811,235
Investments carried at amortised cost				
Debt securities	-	19,937,762	-	19,937,762
	-	50,748,997	-	50,748,997

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. There are no financial assets that are measured at fair value using Level 3.

16. Contingencies and commitments

	31 March 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Letters of guarantee	**262,272**	262,272
Commitments towards acquisition of property and equipment	**41,400**	251,850

17. Seasonality of results

No income of seasonal nature was recorded in the condensed statement of comprehensive income for the three months period ended 31 March 2013 and 2012.

18. Approval of condensed financial statements

The condensed financial statements were approved and authorised for issue on 14 May 2013.