TAKAFUL EMARAT - INSURANCE (PSC)

Review report and interim financial information for the period ended 30 September 2013

TAKAFUL EMARAT - INSURANCE (PSC)

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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) (the "Company"), Dubai, United Arab Emirates**, as at 30 September 2013 and the related condensed statements of comprehensive income, changes in equity and cash flows for the 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 indicate that as at 30 September 2013, the Company had accumulated losses of AED 82.6 million which exceeds 50% of the share capital. As required by Article 285 of U.A.E. Federal Commercial Law No. 8 of 1984, as amended, the Board of Directors is required to convene an Extra-Ordinary General Meeting and make appropriate resolution as mentioned in Note 1. On 2 October 2013, the Extra-Ordinary General Meeting was convened and shareholders authorised the Board of Directors to do all the transactions and actions necessary (i) to set off accumulated losses amounting to AED 50 million against the paid up capital and thereby reduce the paid up capital by the same amount and (ii) for issuing Sharia compliant financial instruments convertible into equity with an amount of AED 50 million. Further, the Board of Directors in process is of obtaining approval from concerned authorities as resolved by shareholders in the Extra-Ordinary General Meeting.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
To The Board of Directors Takaful Emarat - Insurance (PSC)

Other Matter

The interim financial information for the period ended 30 September 2012 were reviewed by another auditor whose report dated 11 November 2012 expressed an unmodified 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
13 November 2013

Condensed statement of financial position at 30 September 2013

	Notes	30 September 2013 (Unaudited) AED	31 December 2012 (Audited) AED
ASSETS			
Cash and bank balances		**13,459,896**	17,436,088
Statutory deposit with Insurance Authority		**4,000,000**	4,000,000
Takaful and other receivables		**45,794,727**	68,412,972
Due from a related party	**4**	**913,739**	2,413,743
Retakaful contract assets	**5**	**33,859,344**	39,708,055
Investments at fair value through profit or loss	**6**	**41,341,097**	30,811,235
Investments carried at amortised cost	**7**	**8,920,028**	19,937,762
Investment property	**8**	**10,500,000**	10,500,000
Development work-in-progress	**9**	**8,141,175**	-
Property and equipment		**9,122,410**	9,938,490
Total assets		**176,052,416**	203,158,345
LIABILITIES, POLICY HOLDERS' FUND AND SHAREHOLDERS' EQUITY			
Liabilities			
Takaful and other payables		**34,007,356**	49,242,635
Takaful contract liabilities	**5**	**74,264,891**	68,355,819
Provision for employees' end of service indemnity		**366,017**	744,900
Total liabilities		**108,638,264**	118,343,354
Policy holders' fund			
Deficit in policy holders' fund		**(24,285,010)**	(8,701,793)
Qard Hassan from shareholders		**24,285,010**	8,701,793
Total deficit in policy holders' fund		**-**	-
Shareholders' equity			
Share capital	**10**	**150,000,000**	150,000,000
Accumulated losses		**(82,585,848)**	(65,185,009)
Total shareholders' equity		**67,414,152**	84,814,991
Total liabilities, policyholders' fund and shareholders' equity		**176,052,416**	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 30 September 2013

	Notes	3 months ended 30 September 2013 AED	3 months ended 30 September 2012 AED	9 months ended 30 September 2013 AED	9 months ended 30 September 2012 AED
Attributable to policyholders:					
Takaful contributions earned	**11**	**28,019,409**	14,037,701	**71,559,102**	23,993,707
Retakaful contributions ceded	**11**	**(15,405,757)**	(8,115,086)	**(40,719,629)**	(13,327,867)
Net earned contributions	**11**	**12,613,652**	5,922,615	**30,839,473**	10,665,840
Gross claims incurred		**(9,200,461)**	(5,846,503)	**(30,321,807)**	(13,388,444)
Retakaful share of claims incurred		**2,576,292**	2,944,862	**14,471,382**	7,499,227
Net claims incurred		**(6,624,169)**	(2,901,641)	**(15,850,425)**	(5,889,217)
Commission and other expenses		**(4,557,516)**	(1,790,571)	**(10,480,441)**	(3,310,751)
Net takaful income		**1,431,967**	1,230,403	**4,508,607**	1,465,872
Wakalah fees	**12**	**(7,755,702)**	(3,167,996)	**(20,091,824)**	(5,949,205)
Net deficit from takaful operations		**(6,323,735)**	(1,937,593)	**(15,583,217)**	(4,483,333)
Attributable to shareholders:					
Investment income		**14,298**	576,523	**1,867,892**	1,436,247
Wakalah fees from policy holders	**12**	**7,755,702**	3,167,996	**20,091,824**	5,949,205
Other income, net		**603,450**	1,093,243	**1,116,594**	2,287,765
General and administrative expenses		**(7,390,307)**	(8,008,069)	**(24,893,932)**	(22,443,480)
Provision for Qard Hassan to policyholder's fund		**(6,323,735)**	-	**(15,583,217)**	-
Loss for the period attributable to shareholders		**(5,340,592)**	(3,170,307)	**(17,400,839)**	(12,770,263)
Basic and diluted loss per share	**13**	**(0.04)**	(0.02)	**(0.12)**	(0.09)
Other comprehensive income		**-**	-	**-**	-
Total comprehensive loss for the period		**(5,340,592)**	(3,170,307)	**(17,400,839)**	(12,770,263)

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

Condensed statement of changes in equity for the period ended 30 September 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	-	(12,770,263)	(12,770,263)
Balance at 30 September 2012 (Unaudited)	150,000,000	(62,096,904)	87,903,096
Balance at 31 December 2012 (Audited)	150,000,000	(65,185,009)	84,814,991
Total comprehensive loss for the period	-	(17,400,839)	(17,400,839)
Balance at 30 September 2013 (Unaudited)	**150,000,000**	**(82,585,848)**	**67,414,152**

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

Condensed statement of cash flows (Unaudited) for the period ended 30 September 2013

	Nine months period ended 30 September	
	2013	2012
	AED	AED
Cash flows from operating activities		
Loss for the period	**(17,400,839)**	(12,770,263)
Adjustments for:		
Depreciation of property and equipment	**2,134,672**	1,416,054
Amortisation on investments carried at amortised cost	**(362,731)**	(811,356)
Loss on revaluation of investments at FVTPL	**167,925**	310,509
Gain on sale of investments at FVTPL	**(1,280,131)**	-
(Reversal)/provision for employees' end of service indemnity	**(297,197)**	157,351
Gain on sale of property and equipment	**(39,265)**	-
Operating cash flows before changes in operating assets and liabilities	**(17,077,566)**	(11,697,705)
Decrease/(increase) in retakaful contract assets	**5,848,711**	(26,757,314)
Decrease/(increase) in takaful and other receivables	**22,618,245**	(39,224,168)
Decrease in due from a related party	**1,500,004**	-
Increase in takaful contract liabilities	**5,909,072**	40,295,139
(Decrease)/increase in takaful and other payables	**(15,235,279)**	32,352,299
Increase in due to related party	**-**	42,551
Cash generated from/(used in) operations	**3,563,187**	(4,989,198)
Employees' end of service indemnity paid	**(81,686)**	(75,083)
Net cash generated from/(used in) operating activities	**3,481,501**	(5,064,281)
Cash flows from investing activities		
Decrease in investment deposits with banks	**5,714,169**	-
Purchase of investments at FVTPL	**(40,361,048)**	(19,760,278)
Proceeds from sale of investments at FVTPL	**30,943,392**	-
Profit received on investments carried at amortised cost	**27,755**	415,061
Proceeds from sale of investments carried at amortised cost	**11,352,710**	-
Purchase of property and equipment	**(1,340,727)**	(4,881,585)
Proceeds from sale of property and equipment	**61,400**	-
Increase in development work-in-progress	**(8,141,175)**	-
Net cash used in investing activities	**(1,743,524)**	(24,226,802)
Cash flows from financing activity		
Decrease in policyholders' fund	**-**	(4,483,333)
Cash used in financing activity	**-**	(4,483,333)
Net increase/(decrease) in cash and cash equivalents	**1,737,977**	(33,774,416)
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 14)	**13,459,896**	10,473,793

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

Notes to the condensed financial statements
for the period ended 30 September 2013

1. General information

Takaful Emarat - Insurance (PSC), Dubai, United Arab Emirates (the "Company") is 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.

The Company had accumulated losses of AED 82.6 million as at 30 September 2013 which exceeds 50% of the share capital. As required by the Article 285 of U.A.E. Federal Commercial Law No. 8 of 1984, as amended, if a Joint-Stock Company sustains loss amounting to one half of the capital, the Board of Directors shall convene an Extra-Ordinary General Meeting and resolve whether the Company shall be maintained or dissolved before the term fixed in its Articles of Association. On 2 October 2013, the Extra-Ordinary General Meeting was convened and shareholders authorised the Board of Directors to do all the transactions and actions necessary (i) to set off accumulated losses amounting to AED 50 million against the paid up capital and thereby reduce the paid up capital by the same amount and (ii) for issuing Sharia compliant financial instruments convertible into equity with an amount of AED 50 million. Further, the Board of Directors are in process of obtaining approval from concerned authorities as resolved by shareholders in the Extra-Ordinary General Meeting.

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

2.1 Amendments to IFRSs effecting amounts reported in the condensed financial statements

The following amendment to IFRSs has been adopted in these condensed financial statements and has affected presentation and disclosures in these condensed financial statements.

- Amendments to IAS 1 *Presentation of items of other comprehensive income*

The Company has adopted the amendments to IAS 1 presentation of items of other comprehensive income effective from annual periods beginning on or after 1 July 2012. The amendment to IAS 1 retains the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendment to IAS 1 requires items of other comprehensive income to be grouped into two categories in other comprehensive income section:

a. Items that will not be subsequently reclassified to profit or loss and

b. Items that may be reclassified to profit or loss when specific conditions are met.

Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendment does not change the option to present items either before tax or net of tax.

- IFRS 13 *Fair Value Measurement*

IFRS 13 issued in May 2011 establishes a single framework for measuring fair value and is applicable for both financial and non-financial items. Application of IFRS 13 from 1 January 2013 resulted in additional disclosures of fair value measurements in these condensed financial statements.

Other than the above mentioned presentation and disclosure changes, the application of the amendments to IAS 1 and IFRS 13 do not have any impact on profit or loss, other comprehensive income and total comprehensive income.

Notes to the condensed financial statements
for the period ended 30 September 2013 (continued)

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

2.2 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. 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. ▪ 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.	1 January 2015

Notes to the condensed financial statements
for the period ended 30 September 2013 (continued)

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

2.2 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
• 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 IAS 36 *recoverable amount disclosures:* The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to period in which an impairment loss has been recognised or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal.	1 January 2014
• Amendments to IAS 39 *Financial Instruments: Recognition and Measurement:* The amendments restrict the requirements to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.	1 January 2014
• IFRIC 21 *Levies:* Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that give rise to the payment of the levy occurs.	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 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 period ended 30 September 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.

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 except for the development work-in-progress accounting policy as disclosed in Note 3.2 to these condensed financial statements for which transaction was made in this period.

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 nine months period ended 30 September 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

3.2 Development properties

Development properties consists of property being developed principally for sale and is stated at the lower of cost or net realisable value. Cost comprises all direct costs attributable to the design and construction of the property including direct staff costs. Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs to complete and applicable variable selling expenses.

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 a related party is as follows:

	30 September 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Due from a related party		
Company under common management		
UNIQA Re AG, Switzerland	**913,739**	2,413,743

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

Notes to the condensed financial statements
for the period ended 30 September 2013 (continued)

4. Related party transactions (continued)

Transactions:

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

	Three months period ended 30 September		Nine months period ended 30 September	
	2013	2012	**2013**	2012
	Unaudited	Unaudited	**Unaudited**	Unaudited
	AED	AED	**AED**	AED
Retakaful contribution	**500,001**	-	**1,500,003**	-
Short and long term benefits	**714,692**	776,290	**2,686,861**	2,441,000

5. Takaful contract liabilities and retakaful contract assets

	30 September 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Gross takaful contract liabilities		
Claims reported	**6,018,945**	3,007,868
Claims incurred but not reported	**1,664,000**	664,000
Unearned premiums	**57,770,580**	58,635,417
Life takaful provision	**260,092**	196,396
Payable to policyholders of investment linked contracts	**8,551,274**	5,852,138
	74,264,891	68,355,819
Retakaful contract assets		
Claims reported	**2,594,635**	1,807,146
Claims incurred but not reported	**998,400**	398,400
Unearned premiums	**30,266,309**	37,502,509
	33,859,344	39,708,055
Net takaful contract liabilities		
Claims reported	**3,424,310**	1,200,722
Claims incurred but not reported	**665,600**	265,600
Unearned premiums	**27,504,271**	21,132,908
Life takaful provision	**260,092**	196,396
Payable to policyholders of investment linked contracts	**8,551,274**	5,852,138
	40,405,547	28,647,764

Notes to the condensed financial statements
for the period ended 30 September 2013 (continued)

6. Investments at fair value through profit or loss

	30 September 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	**40,361,048**	19,744,874
Disposals during the period/year	**(29,663,261)**	-
Changes in fair value	**(167,925)**	35,164
Fair value at end of the period/year	**41,341,097**	30,811,235

7. Investments carried at amortised cost

	30 September 2013 (Unaudited) AED	31 December 2012 (Audited) AED
At beginning of the period/year	**19,937,762**	19,619,644
Disposals during the period/year	**(11,352,710)**	-
Effect of amortisation during the period/year	**362,731**	1,019,196
Profit received during the period/year	**(27,755)**	(701,078)
At end of the period/year	**8,920,028**	19,937,762

8. Investment property

	30 September 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. Development work-in-progress

	30 September 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Balance, at the end of the period/year	**8,141,175**	-

Notes to the condensed financial statements
for the period ended 30 September 2013 (continued)

9. Development work-in-progress (continued)

Development work-in-progress represents payments made for acquiring 50% investment in the Axis Gold 1 Real Estate Project based in U.A.E. The project is promoted by Gulf General Investment Company (P.S.C.), a related party acting as custodian of the Company's share of investment in the project.

10. Share capital

	30 September 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 30 September 2013 (continued)

11. Net earned contributions

	Three months period ended 30 September 2013			Three months period ended 30 September 2012		
	Medical (Unaudited) AED	**Life (Unaudited) AED**	**Total (Unaudited) AED**	Medical (Unaudited) AED	Life (Unaudited) AED	Total (Unaudited) AED
Gross contributions written	**27,254,598**	**1,449,026**	**28,703,624**	5,418,395	528,142	5,946,537
Change in unearned contributions	**(1,081,313)**	**374,684**	**(706,629)**	8,117,956	27,813	8,145,769
Change in payables to policy holders of investment linked contracts	**-**	**22,414**	**22,414**	-	(54,605)	(54,605)
Takaful contributions earned	**26,173,285**	**1,846,124**	**28,019,409**	13,536,351	501,350	14,037,701
Retakaful contributions	**14,626,700**	**566,270**	**15,192,970**	4,136,366	269,504	4,405,870
Changes in unearned contributions	**565,757**	**(352,970)**	**212,787**	3,686,204	23,012	3,709,216
Retakaful contributions ceded	**15,192,457**	**213,300**	**15,405,757**	7,822,570	292,516	8,115,086
Net earned contributions	**10,980,828**	**1,632,824**	**12,613,652**	5,713,781	208,834	5,922,615

Notes to the condensed financial statements
for the period ended 30 September 2013 (continued)

11. Net earned contributions (continued)

	Nine months period ended 30 September 2013			Nine months period ended 30 September 2012		
	Medical (Unaudited) AED	**Life (Unaudited) AED**	**Total (Unaudited) AED**	Medical (Unaudited) AED	Life (Unaudited) AED	Total (Unaudited) AED
Gross contributions written	**65,983,458**	**7,409,943**	**73,393,401**	56,356,833	6,658,821	63,015,654
Change in unearned contributions	**1,204,240**	**(339,403)**	**864,837**	(33,693,802)	(537,916)	(34,231,718)
Change in payables to policy holders of investment linked contracts	**-**	**(2,699,136)**	**(2,699,136)**	-	(4,790,229)	(4,790,229)
Takaful contributions earned	**67,187,698**	**4,371,404**	**71,559,102**	22,663,031	1,330,676	23,993,707
Retakaful contributions	**32,957,524**	**525,905**	**33,483,429**	37,739,743	1,158,905	38,898,648
Changes in unearned contributions	**7,111,654**	**124,546**	**7,236,200**	(25,219,025)	(351,756)	(25,570,781)
Retakaful contributions ceded	**40,069,178**	**650,451**	**40,719,629**	12,520,718	807,149	13,327,867
Net earned contributions	**27,118,520**	**3,720,953**	**30,839,473**	10,142,313	523,527	10,665,840

Notes to the condensed financial statements
for the period ended 30 September 2013 (continued)

12. Wakalah fees

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

13. Basic and diluted loss per share

	Three months period ended 30 September		Nine months period ended 30 September	
	2013	2012	**2013**	2012
	Unaudited	Unaudited	**Unaudited**	Unaudited
Loss for the period attributable to shareholders (in AED)	**(5,340,592)**	(3,170,307)	**(17,400,839)**	(12,770,263)
Number of shares	**150,000,000**	150,000,000	**150,000,000**	150,000,000
Basic loss per share (in AED)	**(0.04)**	(0.02)	**(0.12)**	(0.09)

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.

14. Cash and cash equivalents

	30 September 2013 (Unaudited) AED	30 September 2012 (Unaudited) AED
Cash and bank balances	**13,459,896**	24,473,793
Investment deposits with maturity over three months from the date of placements	**-**	(14,000,000)
	13,459,896	10,473,793

15. Segment information

The Company is organised 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 30 September 2013 (continued)

15. Segment information (continued)

	Nine months period ended 30 September 2013 (Unaudited)					
	Underwriting			Shareholders		
	Medical AED	**Life AED**	**Total AED**	**Investments AED**	**Others AED**	**Total AED**
Segment revenue	**67,187,698**	**4,371,404**	**71,559,102**	**1,867,892**	**1,116,594**	**2,984,486**
(Loss)/profit for the period	**(15,539,493)**	**(43,724)**	**(15,583,217)**	**1,867,892**	**(19,268,731)**	**(17,400,839)**

	Nine months period ended 30 September 2012 (Unaudited)					
	Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	22,663,031	1,330,676	23,993,707	1,436,247	2,287,765	3,724,012
(Loss)/profit for the period	(3,784,287)	(699,046)	(4,483,333)	1,436,247	(14,206,510)	(12,770,263)

Notes to the condensed financial statements
for the period ended 30 September 2013 (continued)

15. Segment information (continued)

	30 September 2013 (Unaudited)						
	Underwriting			Shareholders			
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED	Grand Total AED
Segment assets	**65,414,424**	**10,866,401**	**76,280,825**	**68,902,300**	**30,869,291**	**99,771,591**	**176,052,416**
Segment liabilities	**89,105,716**	**11,460,119**	**100,565,835**	**-**	**8,072,429**	**8,072,429**	**108,638,264**

	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 30 September 2013 (continued)

16. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

16.1 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:

16.2 Fair value of financial and non – financial items carried at fair value

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

The fair values of assets and 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 and non – financial items 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 September 2013 (Unaudited)				
Investments at fair value through profit or loss				
Equity securities	**25,315,331**	**-**	-	**25,315,331**
Debt securities and mutual funds	**-**	**16,025,766**	-	**16,025,766**
Investments carried at amortised cost				
Debt securities	**-**	**8,920,028**	-	**8,920,028**
Investment properties	**-**	**18,641,175**	**-**	**18,641,175**
	25,315,331	**43,586,969**	**-**	**68,902,300**

Notes to the condensed financial statements for the period ended 30 September 2013 (continued)

16. Fair value measurements (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
Investment properties	-	10,500,000	-	10,500,000
	-	61,248,997	-	61,248,997

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.

17. Contingencies and commitments

	30 September 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Letters of guarantee	**582,000**	262,272
Commitments towards acquisition of property and equipment	**-**	251,850
Commitment towards development work-in-progress	**8,141,175**	-

18. Seasonality of results

No income of seasonal nature was recorded in the condensed statement of comprehensive income for the nine months period ended 30 September 2013 and 2012.

19. Approval of condensed financial statements

The condensed financial statements were approved and authorised for issue on 13 November 2013.