Deloitte

Dubai Islamic Insurance &
Reinsurance Co. (Aman) (PSC)
Dubai - United Arab Emirates

Review report and interim
financial information
for the period from 1 January 2013
to 30 September 2013

Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)

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Report on Review of Interim Financial Information

The Board of Directors
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC) (the "Company") and its Subsidiaries (collectively the "Group") as of 30 September 2013 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from 1 January 2013 to 30 September 2013. Management of the Group is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, '*Interim Financial Reporting*' ("IAS 34"). 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 IAS 34.

Emphasis of matter

Without qualifying our conclusion, we draw attention to Note 17 (b) to the interim financial information which explains that during the Company's Annual General Meeting (AGM) held on 25 April 2013, all members of the Board of Directors resigned and were not absolved from their liability for the consolidated financial statements for the year ended on 31 December 2012 by the shareholders. During the meeting, the shareholders requested the Emirates Securities and Commodities Authority (ESCA) to assemble an independent committee to investigate certain transactions executed during the term of the resigned Board of Directors. The new Board of Directors appointed on 29 July 2013 is confident that the outcome of such investigation will be in the Group's favour and therefore, no contingency provisions have been recorded by the Group.

Deloitte & Touche (M.E.)

Anis F. Sadek
Registration Number 521
13 November 2013

Condensed consolidatedstatement of financial position as at 30 September2013

	Note	30 September 2013 (Un-audited) AED	31 December 2012 (Audited) AED
ASSETS			
Cash and cash equivalents		**38,987,506**	28,520,772
Investment deposits		**35,000,000**	35,000,000
Retakaful contract assets	4	**175,486,058**	161,720,810
Takaful receivables		**92,530,184**	89,638,206
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	5	**97,489,144**	76,438,064
Other financial assets measured at fair value through profit and loss (FVTPL)	5	**10,557,422**	19,890,263
Prepayments and other receivables		**23,759,364**	23,259,400
Due from related parties	14	**97,000**	113,271
Investment property	6	**64,352,585**	64,352,585
Furniture and equipment		**5,059,501**	4,717,004
Total Assets		**543,318,764**	503,650,375
LIABILITIES, POLICY HOLDERS' FUND AND EQUITY			
Liabilities			
Due to bank		**21,071,404**	17,983,884
Trade and other payables		**59,898,848**	50,285,270
Takaful and Retakaful payables		**51,297,339**	48,022,768
Due to a related party	14	**884,677**	659,677
Takaful contract liabilities	4	**265,682,372**	245,196,167
Ijara payables		**10,660,000**	13,120,000
Amounts held under Retakaful treaties		**3,320,002**	3,309,438
Total liabilities		**412,814,642**	378,577,204
Policyholders' fund			
Deficit in policyholders' fund		**(66,864,191)**	(36,330,857)
Qard Hassan from shareholders		**66,864,191**	36,330,857
Proposed profit distribution to policyholders		**1,765,346**	1,765,346
Policyholders' investments revaluation reserve	7	**(15,716,049)**	(19,113,931)
Total deficit in policyholders' fund		**(13,950,703)**	(17,348,585)
Total Policyholders' Fund and Liabilities		**398,863,939**	361,228,619
Equity			
Share capital	8	**225,750,000**	225,750,000
Statutory reserve	9	**18,004,919**	18,004,919
General reserve	10	**18,004,919**	18,004,919
Investments revaluation reserve - FVTOCI		**(81,650,441)**	(99,303,639)
Accumulated losses		**(29,226,290)**	(15,377,384)
Equity attributable to shareholders of the Parent		**150,883,107**	147,078,815
Non-controlling interest		**(6,428,282)**	(4,657,059)
Total Equity		**144,454,825**	142,421,756
Total Liabilities, Policyholders' Fund and Equity		**543,318,764**	503,650,375

M. Musa Al Shawahin
General Manager

Mohammed Omier Bin Yousef
Chairman

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

Condensed consolidated income statement (Un-audited) for the period from 1 January 2013 to 30 September 2013

	Note	Nine months ended 30 September		Three months ended 30 September	
		2013	2012	2013	2012
		AED	AED	AED	AED
Attributable to policyholders					
Takaful income					
Takaful contributions		333,133,923	319,957,367	128,838,243	120,470,556
Takaful contributions ceded to reinsurers		(228,011,935)	(225,532,234)	(91,431,277)	(87,907,800)
Net Takaful contributions		105,121,988	94,425,133	37,406,966	32,562,756
Commission received on ceded reinsurance		8,567,076	8,701,435	3,703,484	4,019,073
Policy and survey fees		8,525,717	4,854,212	1,992,589	1,168,915
		122,214,781	107,980,780	43,103,039	37,750,744
Takaful expenses					
Gross claims incurred		(133,190,338)	(96,916,840)	(33,373,216)	(41,130,206)
Retakaful's share of claims		50,505,522	39,152,343	5,834,491	20,601,874
Claims incurred		(82,684,816)	(57,764,497)	(27,538,725)	(20,528,332)
Commissions paid		(18,534,190)	(15,959,976)	(6,675,366)	(5,183,938)
Excess of loss of Takaful contributions		(9,037,129)	(5,515,690)	(5,346,498)	(2,825,621)
		(110,256,135)	(79,240,163)	(39,560,589)	(28,537,891)
Net Takaful income		11,958,646	28,740,617	3,542,450	9,212,853
Wakala fees	11	(43,226,920)	(41,981,097)	(12,362,553)	(12,315,878)
Net loss from Takaful operations		(31,268,274)	(13,240,480)	(8,820,103)	(3,103,025)
Investment income	12	979,920	608,823	9,876	297,602
Mudarib's fees	11	(244,980)	(152,206)	(2,469)	(74,401)
Loss for the period		(30,533,334)	(12,783,863)	(8,812,696)	(2,879,824)
Attributable to shareholders					
Income					
Investment income/(loss)	12	5,091,033	3,155,842	(915)	1,512,009
Other income		2,945,586	1,343,323	1,132,973	995,375
Wakala fees from policyholders	11	43,226,920	41,981,097	12,362,553	12,315,878
Mudarib's fees from policyholders	11	244,980	152,206	2,469	74,401
		51,508,519	46,632,468	13,497,080	14,897,663
Expenses					
General and administrative expenses		(36,595,314)	(36,782,923)	(11,414,554)	(13,076,525)
Qard Hasan written off to policyholders' fund		(30,533,334)	(12,783,863)	(8,812,696)	(2,879,824)
Loss for the period		(15,620,129)	(2,934,318)	(6,730,170)	(1,058,686)
Attributable to:					
Shareholders of the parent		(13,848,906)	(800,369)	(6,147,808)	(147,640)
Non-controlling interests		(1,771,223)	(2,133,949)	(582,362)	(911,046)
		(15,620,129)	(2,934,318)	(6,730,170)	(1,058,686)
Loss per share	13	(0.061)	(0.003)	(0.027)	(0.001)

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

Condensed consolidated statement of comprehensive income (Un-audited)
for the period from 1 January 2013 to 30 September 2013

	Nine months ended 30 September		Three months ended 30 September	
	2013	2012	**2013**	2012
	AED	AED	**AED**	AED
Loss for the period	**(15,620,129)**	(2,934,318)	**(6,730,170)**	(1,058,686)
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Changes in fair value of financial assets carried at fair value through other comprehensive income	**17,653,198**	4,209,196	**8,127,971**	2,813,557
Total comprehensive income for the period	**2,033,069**	1,274,878	**1,397,801**	1,754,871
Attributable to:				
Shareholders of the parent	**3,804,292**	3,408,827	**1,980,163**	2,665,917
Non-controlling interests	**(1,771,223)**	(2,133,949)	**(582,362)**	(911,046)
	2,033,069	1,274,878	1,397,801	1,754,871

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

Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)

Condensed consolidated statement of changes in equity
for the period from 1 January 2013 to 30 September 2013

	Share capital AED	Statutory reserve AED	General reserve AED	Investments revaluation reserve - FVTOCI AED	Accumulated losses AED	Equity attributable to shareholders of the Parent AED	Non-controlling interests AED	Total AED
Balance at 1 January 2012 (Audited)	**225,750,000**	**16,453,241**	**16,453,241**	**(102,655,247)**	**(19,318,830)**	**136,682,405**	**(2,132,300)**	**134,550,105**
Loss for the period	-	-	-	-	(800,369)	(800,369)	(2,133,949)	(2,934,318)
Other comprehensive income for the period	-	-	-	4,209,196	-	4,209,196	-	4,209,196
Total other comprehensive income/(loss) for the period	-	-	-	4,209,196	(800,369)	3,408,827	(2,133,949)	1,274,878
Balance at 30 September 2012 (Un-audited)	**225,750,000**	**16,453,241**	**16,453,241**	**(98,446,051)**	**(20,119,199)**	**140,091,232**	**(4,266,249)**	**135,824,983**
Balance at 31 December 2012 (Audited)	**225,750,000**	**18,004,919**	**18,004,919**	**(99,303,639)**	**(15,377,384)**	**147,078,815**	**(4,657,059)**	**142,421,756**
Loss for the period	-	-	-	-	(13,848,906)	(13,848,906)	(1,771,223)	(15,620,129)
Other comprehensive income for the period	-	-	-	17,653,198	-	17,653,198	-	17,653,198
Total other comprehensive income/(loss) for the period	-	-	-	17,653,198	(13,848,906)	3,804,292	(1,771,223)	2,033,069
Balance at 30 September 2013 (Un-audited)	**225,750,000**	**18,004,919**	**18,004,919**	**(81,650,441)**	**(29,226,290)**	**150,883,107**	**(6,428,282)**	**144,454,825**

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

Condensed consolidated statement of cash flows (Un-audited) for the period from 1 January 2013 to 30 September 2013

	Nine months period ended 30 September 2013 AED	2012 AED
Cash flows from operating activities		
Loss for the period	**(15,620,129)**	(2,934,318)
Adjustments for:		
Depreciation of property and equipment	**1,208,973**	707,487
Loss on revaluation of other financial assets measured at FVTPL	**106,222**	769,441
Gain on sale of investments measured at FVTPL	**(4,192,662)**	(2,792,271)
Provision for employees' end of service benefits	**848,167**	639,879
	(17,649,429)	(3,609,782)
Changes in operating assets and liabilities:		
Increase in retakaful assets	**(13,765,248)**	(13,992,694)
Increase in takaful contract receivables	**(2,891,978)**	(8,659,834)
(Increase)/decrease in prepayments and other receivables	**(499,964)**	4,200,129
Increase in takaful contract liabilities	**20,486,205**	25,521,198
Increase/(decrease) in amounts held under retakful treaties	**10,564**	(172,633)
Increase in takaful payables	**3,274,571**	6,616,988
Increase in trade and other payables	**8,936,722**	1,849,914
Decrease in due from related parties	**16,271**	-
Increase/(decrease) in due to a related party	**225,000**	(359,677)
Cash (used in)/generated from operations	**(1,857,286)**	11,393,609
Employees' end of service benefits paid	**(171,311)**	(179,475)
Net cash (used in)/from operating activities	**(2,028,597)**	11,214,134
Investing activities		
Purchase of property and equipment	**(1,551,470)**	(3,786,419)
Purchases of FVTPL investments	**(3,353,577)**	(22,934,127)
Proceeds from sale of FVTPL investments	**16,772,858**	10,297,878
Net cash from/(used in) investing activities	**11,867,811**	(16,422,668)
Financing activities		
Ijara repaid	**(2,460,000)**	(2,460,000)
Increase in due to a bank	**3,087,520**	2,766,793
Net cash from financing activities	**627,520**	306,793
Net increase/(decrease) in cash and cash equivalents	**10,466,734**	(4,901,741)
Cash and cash equivalents at the beginning of the period	**28,520,772**	22,038,098
Cash and cash equivalents at the end of the period	**38,987,506**	17,136,357

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

Notes to the condensed consolidated financial statements
for the period from 1 January 2013 to 30 September 2013

1. General information

Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC) (the "Company") is a public shareholding Company and is registered under the Commercial Companies Law of 1984 (as amended). The Company carries out general Takaful (insurance) business in accordance with the teachings of Islamic Sharia'a. The Company is also licensed to engage in reinsurance and life Takaful business. The registered address of the Company is P.O. Box 157, Dubai, United Arab Emirates.

The Company obtained its commercial license on 12 March 2003 and commenced operations on 8 April 2003.

The Company mainly issues short term Takaful contracts in connection with motor, marine, fire and engineering, general accident risks and Company life and medical risks (collectively known as general Takaful). The Company also invests in investment securities and properties.

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

The Company with its subsidiaries are together referred to as the "Group" in these condensed consolidated financial statements. At 30 September 2013, the Company had the following subsidiaries:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership profit %	Proportion of voting power held %	Principal activity
Nawat Investments L.L.C.	United Arab Emirates	100.00	100.00	Investment in commercial, industrial and agricultural enterprises and management
Amity Health L.L.C.	United Arab Emirates	51.00	51.00	Medical billing services
Technik Auto Service Centre Co. L.L.C	United Arab Emirates	100.00	100.00	Vehicles' repair services

The previous CEO (who resigned during the period - see Note 19) holds 1% of Nawat Investments L.L.C and Technik Auto Service Centre Co. L.L.C on behalf and for the benefit of the Group.

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 consolidated financial statements

The following new and revised IFRSs have been adopted in these condensed consolidated 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.

Notes to the condensed consolidated financial statements
for the period from 1 January 2013 to 30 September 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 consolidated financial statements (continued)

- 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.
- 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.
- 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 servicing 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.

Notes to the condensed consolidated financial statements
for the period from 1 January 2013 to 30 September 2013 (continued)

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

2.2 Amendments to IFRSs affecting presentation and disclosure only

The following revised IFRSs have been adopted in these condensed consolidated 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.

- 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 IFRSs is in issue but not yet effective

The Group 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 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

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

3. Accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The condensed consolidated financial statements of the Group is prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standard Board and also complies with the applicable requirements of the laws in the U.A.E. The accounting policies applied in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the audited annual financial statements for the year ended 31 December 2012.

Notes to the condensed consolidated financial statements for the period from 1 January 2013 to 30 September 2013 (continued)

3. Accounting policies (continued)

The condensed consolidated financial statements do not include all the information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's consolidated financial statements as of 31 December 2012. In addition, results for the nine months ended 30 September 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

Significant judgments and key sources of estimation uncertainty

The preparation of condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2012.

Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2012.

4. Takaful contract liabilities and retakaful contract assets

	30 September 2013 (Un-audited) AED	31 December 2012 (Audited) AED
Gross		
Unearned contributions	**134,856,929**	133,054,576
Additional reserve	**16,928,894**	13,245,010
Outstanding claims	**113,896,549**	98,896,581
Total Takaful contract liabilities	**265,682,372**	245,196,167
Recoverable from retakaful		
Unearned contributions	**84,134,186**	86,345,737
Outstanding claims	**91,351,872**	75,375,073
Total recoverable from retakaful	**175,486,058**	161,720,810
Net		
Unearned contributions	**50,722,743**	46,708,839
Additional reserve	**16,928,894**	13,245,010
Outstanding claims	**22,544,677**	23,521,508
	90,196,314	83,475,357

Notes to the condensed consolidated financial statements
for the period from 1 January 2013 to 30 September 2013 (continued)

5. Other financial assets measured at fair value

	30 September 2013 (Un-audited) AED	31 December 2012 (Audited) AED
Financial assets measured at fair value through other comprehensive income (FVTOCI) (A)		
- Listed	**50,093,756**	29,037,341
- Unlisted	**47,395,388**	47,400,723
	97,489,144	76,438,064
Financial assets measured at fair value through profit and loss (FVTPL) (B)		
Financial assets measured at FVTPL	**10,557,422**	19,890,263
Total other financial assets measured at fair value (A+B)	**108,046,566**	96,328,327

Investments by geographical area are as follows:

	30 September 2013 (Un-audited) AED	31 December 2012 (Audited) AED
- Within U.A.E.	**48,175,830**	38,409,801
- Outside U.A.E.	**59,870,736**	57,918,526
	108,046,566	96,328,327

i. FVTOCI listed securities are carried at a value of AED 50,093,756 (2012: AED 29,037,341), with a decline in their fair value from original acquisition cost amounting to AED 97,366,490 (2012: AED 118,417,570). Of this amount, AED 81,650,441 (2012: AED 99,303,639) is deducted from shareholders' equity and AED 15,716,049 (2012: AED 19,113,931) is deducted from policyholders' fund in accordance with the allocation of investment losses to the shareholders and policyholders as approved by the Group's Fatwa and Sharia'a Supervisory Board at 31 December 2012.

ii. Unlisted securities are carried at fair value at a value of AED 47,395,388 (2012: AED 47,400,723) mainly represent the Group's investments in shares of companies registered in Dubai, Algeria, Kuwait and certain other international markets.

iii. Out of the financial assets measured at FVTPL, an amount of Nil (2012: AED 293,286) is held by the previous CEO (who resigned during the period - see Note 19) on behalf and for the benefit of the Group which has been transferred back to the Group and disposed off during the period.

iv. The Group holds shares of Al Salam Bank - Bahrain and Al Salam Bank - Algeria which are held by the previous CEO (who resigned during the period - see Note 19)on behalf and for the benefit of the Group [Note 14(a)].

Notes to the condensed consolidated financial statements for the period from 1 January 2013 to 30 September 2013 (continued)

6. Investment property

The investment property comprises a plot of land purchased in 2007. The Group used the fair value model permitted under IAS 40 for determining the carrying value of the investment property. The property is subject to a facility from a local Islamic bank and is mortgaged as security against an Ijara payable. The valuation as of 31 December 2012, which conforms to international valuation standards, was arrived at by reference to market evidence of transaction prices for similar properties, and was determined by an independent valuation expert. The Group's management reassessed this valuation internally during the nine months period ended 30 September 2013 and no material differences were noted.

7. Policyholders investment revaluation reserve

The Group transfers to the policyholders their share of investment revaluation reserve FVTOCI from the shareholders' equity on pro rata basis. The percentage of such allocation for 30 September 2013 is identical to that used for 31 December 2012 and approved by the Company's Fatwa and Sharia'a Supervisory Board. This allocation will be revised and finalised by year end once the Board approval is obtained. When the Group disposes of these investments, any gains or losses realized will be distributed between the shareholders and policyholders and, should such disposal result in a realized loss, the portion allocated to policyholders would require an additional Qard Hasan of an equivalent amount from the shareholders.

8. Share capital

	30 September 2013 (Un-audited) AED	31 December 2012 (Audited) AED
Issued and fully paid:		
225,750,000 (2012: 225,750,000) ordinary shares of AED 1each	**225,750,000**	225,750,000

9. Statutory reserve

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of the net profit for the year is required to be transferred to statutory reserve. No transfers have been made during the nine months period ended 30 September 2013, as this will be based on the results for the year. The reserve is not available for distribution except in the circumstances stipulated by the law.

10. General reserve

The Group is required to transfer 10% of the profit for the year to a general reserve in accordance with its Articles of Association. No transfer has been made to the general reserve during the nine months period ended 30 September 2013, as this will be based on the results for the year.

11. Wakala fees and Mudarib's share

The Group manages the Takaful operations for the policyholders and charges 25% of the gross Takaful contributions net of gross unearned contribution as Wakala fees (2012: 25%). During the period, no Wakala fee was charged on gross Takaful contributions amounting to AED 165,711,831 (2012: AED 168,850,923) as the Group retained insignificant risk on such contributions and commission income from such business was significantly lower than the normal commission. Management therefore decided not to charge Wakala fee on these Takaful contributions. The Wakala fee was charged on a total gross contribution of AED 172,907,679 (2012: AED 167,924,389).

Wakala fee is calculated as follows:

	Nine months period ended 30 September	
	2013 (Un-audited) AED	2012 (Un-audited) AED
Gross Takaful contributions	**473,476,439**	381,721,825
Less: Unearned contribution	**(134,856,929)**	(44,946,513)
Net Takaful contributions	**338,619,510**	336,775,312
Less: Takaful contributions not subject to Wakala fee	**(165,711,831)**	(168,850,923)
	172,907,679	167,924,389
Percentage	**25%**	25%
Wakala fee for the period	**(43,226,920)**	(41,981,097)

The Group also manages the policyholders' investment funds and is entitled to 25% of net investment income earned by the policyholders' investment funds as the Mudarib's share. The Mudarib's share was AED 244,980 for the period (2012: AED 152,206).

Notes to the condensed consolidated financial statements
for the period from 1 January 2013 to 30 September 2013 (continued)

12. Investment income/(loss)

	Nine months period ended 30 September	
	2013	2012
	(Un-audited)	(Un-audited)
	AED	AED
Fair value gains and losses		
Fair value loss on investments carried at FVTPL	**(106,222)**	(769,441)
Realized gains and losses		
Gain from sale of investments carried at FVTPL	**4,192,662**	2,792,271
Other investment income		
Income from investment deposits	**290,264**	347,611
Income from investment in real estate funds	**-**	32,367
Dividend income	**1,346,464**	1,136,857
Rental Income	**318,820**	225,000
Other income	**28,965**	-
	6,070,953	3,764,665
Allocated to:		
Policyholders	**979,920**	608,823
Shareholders	**5,091,033**	3,155,842
	6,070,953	3,764,665

Investment income and losses are allocated amongst the shareholders and the policyholders on a pro rata basis. The percentage of allocation for 30 September 2013 is identical to that used for 31 December 2012 and approved by the Group's Fatwa and Sharia'a Supervisory Board on an annual basis.

13. Basic and diluted earnings per share

Earnings per share are calculated by dividing profit attributable to the shareholders of the parent for the period by the weighted average number of shares outstanding during the period as follows:

	Nine months period ended 30 September	
	2013	2012
	(Un-audited)	(Un-audited)
Net loss for the period (AED)	**(13,848,906)**	(800,369)
Weighted average number of shares outstanding during the period	**225,750,000**	225,750,000
Loss per share (AED)	**(0.061)**	(0.003)

Notes to the condensed consolidated financial statements
for the period from 1 January 2013 to 30 September 2013 (continued)

14. Related party transactions

The Group 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, amounts due from/to related parties were included in the following accounts:

The significant balances outstanding at reporting date in respect of related parties included in the condensed consolidated financial statements are as follows:

	30 September 2013			31 December 2012		
	Major shareholders AED	**Other related parties AED**	**Total AED**	Major shareholders AED	Other related parties AED	Total AED
Investment deposits	-	**5,000,000**	**5,000,000**	-	5,000,000	5,000,000
Carrying value of investments in ordinary shares [Note 14(a)]	-	**40,924,027**	**40,924,027**	-	35,996,806	35,996,806
Contributions receivable	**1,472,284**	**23,836**	**1,496,120**	702,867	615,889	1,318,756
Cash and cash equivalents	-	**5,856,445**	**5,856,445**	-	5,611,021	5,611,021
Due from related parties [Note 14(b)]	-	**97,000**	**97,000**	-	113,271	113,271
Due to a related party	-	**884,677**	**884,677**	-	659,677	659,677
Prepayments and other receivables [Note 14(c)]	-	-	-	-	3,358,581	3,358,581

(a) A major shareholder, who is a member of the Board of Directors, is also a Board Member of Al Salam Bank - Algeria and Al Salam Bank - Bahrain. The Group has equity investments in Al Salam Bank - Algeria and Al Salam Bank - Bahrain amounting AED 40.9 million (31 December 2012: AED 35.9 million). The acquisition price of these transactions was approved by the Board of Directors at the time of the transactions.

Out of the total shareholding at the reporting date, 106,530 shares amounting AED 11 million of Al Salam Bank - Algeria were held by the previous CEO (who resigned during the period and no longer qualifies as a related party- see Note 19) on trust and for the benefit of the Group and the total shares of Al Salam Bank - Bahrain are held by a company controlled by the previous CEO (who resigned during the period and no longer qualifies as a related party- see Note 19), in trust and for the benefit of the Group.

(b) Due from related parties represents the following:

	2013 AED	2012 AED
Leader Capital LLC	-	16,271
Agility Global Health Solutions (Pty) Ltd	**97,000**	97,000
Total	**97,000**	113,271

Notes to the condensed consolidated financial statements for the period from 1 January 2013 to 30 September 2013 (continued)

14. Related party transactions (continued)

(c) The Group carries an advance of AED 2,000,000 (2012: AED 3,358,581) (net of allowance for doubtful debts) which was paid to a company owned by the previous CEO (who resigned during the period and no longer qualifies as a related party- see Note 19) to invest in a real estate project. The outstanding balance is shown under other receivables at the end of reporting date.

The income and expenses in respect of related parties included in the condensed consolidated financial statements are as follows:

	30 September 2013			30 September 2012		
	Major shareholders AED	**Other related parties AED**	**Total AED**	Major shareholders AED	Other related parties AED	Total AED
Gross contributions	**966,368**	**-**	**966,368**	869,805	1,002,644	1,872,449
Gross claims	**193,250**	**360,836**	**554,086**	444,420	3,031,655	3,476,075
Profit share on investment deposits	**-**	**171,107**	**171,107**	-	209,700	209,700

Compensation of key management personnel is as follows:

	30 September 2013 AED	30 September 2012 AED
Short term employee benefits	**1,718,646**	2,492,212
End of service benefits	**72,373**	87,330
Total compensation paid to key management personnel	**1,791,019**	2,579,542

15. Segmental information

Operating Segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Company's management in order to allocate resources to the segment and to assess its performance. Information reported to the Company's board of directors for the purpose of resource allocation and assessment of performance is based on following strategic business activities:

- **Takaful activities** include the general, life and medical insurance business undertaken by the Group.

- **Investment activities** represent investment and cash management for the Group's own account.

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2013 to 30 September 2013

15. Segmental information (continued)

The following table presents segment information for the nine months period ended 30 September 2013 and 30 September 2012.

	Period from 1 January 2013 to 30 September 2013 Attributable to		Period from 1 January 2012 to 30 September 2012 Attributable to		**Total**	
	Policyholders Un-audited AED	**Shareholders Un-audited AED**	Policyholders Un-audited AED	Shareholders Un-audited AED	**2013 Un-audited AED**	2012 Un-audited AED
Takaful						
Takaful income	**122,214,781**	**-**	107,980,780	-	**122,214,781**	107,980,780
Takaful expenses	**(110,256,135)**	**-**	(79,240,163)	-	**(110,256,135)**	(79,240,163)
Net Takaful income	**11,958,646**	**-**	28,740,617	-	**11,958,646**	28,740,617
Wakala fees	**(43,226,920)**	**43,226,920**	(41,981,097)	41,981,097	**-**	-
Mudarib fees	**(244,980)**	**244,980**	(152,206)	152,206	**-**	-
	(31,513,254)	**43,471,900**	(13,392,686)	42,133,303	**11,958,646**	28,740,617
Investment						
Investment income	**979,920**	**5,091,033**	608,823	4,499,165	**6,070,953**	5,107,988
	979,920	**5,091,033**	608,823	4,499,165	**6,070,953**	5,107,988
Unallocated expenses	**-**	**(33,649,728)**	-	(36,782,923)	**(33,649,728)**	(36,782,923)
Loss attributable to policyholders	**(30,533,334)**		(12,783,863)			
Write off of Qard Hasan to policyholders' fund		**(30,533,334)**		(12,783,863)		
Loss for the period		**(15,620,129)**		(2,934,318)	**(15,620,129)**	(2,934,318)

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2013 to 30 September 2013

15. Segmental information (continued)

Other information

	Takaful		Investment		Total	
	30 September 2013 Un-audited AED	31 December 2012 Audited AED	**30 September 2013 Un-audited AED**	31 December 2012 Audited AED	**30 September 2013 Un-audited AED**	31 December 2012 Audited AED
Segment assets	**333,919,613**	304,610,882	**209,399,151**	199,039,493	**543,318,764**	503,650,375
Segment liabilities	**388,203,939**	348,108,619	**10,660,000**	13,120,000	**398,863,939**	361,228,619

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2013 to 30 September 2013

16. Seasonality of results

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

17. Contingencies

(a) At 30 September 2013, the Group had contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to Nil (31 December 2012: AED 537,787).

(b) During the Company's Annual General Meeting (AGM) held on 25 April 2013, all members of the Board of Directors resigned and were not absolved from their liability for the consolidated financial statements for the year ended on 31 December 2012 by the shareholders. During the meeting, the shareholders requested the Emirates Securities and Commodities Authority (ESCA) to assemble an independent committee to investigate certain transactions executed during the term of the resigned Board of Directors. The new Board of Directors appointed on 29 July 2013 is confident that the outcome of such investigation will be in the Group's favour and therefore, no contingency provisions have been recorded by the Group.

18. 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. Differences can therefore arise between book value under historical cost method and fair value estimates.

(a) Fair value of financial instruments measured at amortised cost

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

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

Valuation of financial instruments recorded at fair value, is based on quoted market prices and other valuation techniques.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on the present value calculation of the expected future cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2013 to 30 September 2013

18. Fair value of financial instruments (continued)

(b) Valuation techniques and assumptions applied for the purposes of measuring fair value (continued)

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).

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'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
30 September 2013 (Unaudited)				
Other financial assets FVTOCI	**50,094**	-	**47,396**	**97,490**
Other financial assets FVTPL	**10,557**	-	-	**10,557**
	60,651	-	**47,396**	**108,047**
31 December 2012				
Other financial assets FVTOCI	29,038	-	47,400	76,438
Other financial assets FVTPL	19,890	-	-	19,890
	48,928	-	47,400	96,328

Reconciliation of Level 3 fair value measurement of other financial assets measured at FVTOCI:

	30 September 2013 (Un-audited) AED'000	31 December 2012 (Audited) AED'000
At the beginning of the period/year	**47,400**	33,708
Additions during the period/year	-	9,689
Changes in fair value	**(4)**	(2,104)
Reclassification	-	6,107
At the end of the period/year	**47,396**	47,400

The investments classified under Level 3 category have been fair-valued based on information available for each investment. Based on the information available the valuation has been carried on net asset value or valuation provided by the portfolio managers.

19. Significant events

The previous CEO of the Group resigned on 10 July 2013. The Company entered into an agreement with the previous CEO on 9 July 2013 for the payment/transfer of certain assets and investments that were held by him on trust and for the benefit of the Group. The Board of Directors is confident that this arrangements agreed will result in the realization of a minimum of the carrying value of assets due from him or held by him on trust and for the benefit of the Group and therefore no adjustments to the carrying value of the assets are required.

The settlement agreement referred to above contains the following 3 clauses:

(a) The advance of AED 5,358,581 (disclosed in the note 14 (c) at net) to invest in a real estate project in the emirate of Ajman will be returned to the Company.

(b) Transfer of shares of Al Salam Bank - Bahrain together with any associated dividends due, in the name of the Company which are currently held under the name of Leader Capital.

(c) Transfer of legal ownership of Al Salam Bank - Algeria shares held by the previous CEO to the Company's name which are governed under the rules and regulations applicable in Algeria.

The Company has received an amount of AED 1.3 million during the period against the advance mentioned in clause (a) above and AED 1 million subsequently on 5 November 2013.

20. Comparatives

Due to the resignation of the previous CEO of the Group as mentioned in note 19 above, the comparative figures provided in the related party note for previous period may not be readily comparable to current period figures, as the previous CEO is no longer considered as a related party to the Group effective from 10 July 2013.

21. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 13 November 2013.