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

Review report and interim financial information for the period from 1 January 2014 to 30 June 2014

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 June 2014 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from 1 January 2014 to 30 June 2014. 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

We draw attention to note 21 to the condensed consolidated financial statements which explains that the former Chief Executive Officer (henceforth "CEO") of the Group resigned on 10 July 2013. The Company entered into an agreement with the former CEO on 9 July 2013 for the payment for and/or 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 agreement will result in the realization of a minimum of the carrying value of assets due from him or held by the former CEO on trust and for the benefit of the Group and therefore no adjustments to the carrying value of the assets are required. Our conclusion is not qualified in respect of the above matter.

Deloitte & Touche (M.E.)

ديلويت اند توش
Deloitte & Touche

Anis F. Sadek
Registration Number 521
22 July 2014

Condensed consolidated statement of financial position
as at 30 June 2014

	Note	30 June 2014 (Un-audited) AED	31 December 2013 (Audited) AED
ASSETS			
Cash and bank balances	4	63,734,634	76,500,203
Retakaful contract assets	5	178,660,226	151,513,721
Takaful receivables		81,394,461	79,858,888
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	6	120,928,082	115,767,630
Other financial assets measured at fair value through profit and loss (FVTPL)	6	18,822,497	13,046,013
Prepayments and other receivables		19,053,269	19,387,184
Due from related parties	15	9,613,457	97,000
Investment property	7	62,352,585	62,352,585
Furniture and equipment		3,823,555	4,297,714
Total Assets		558,382,766	522,820,938
LIABILITIES, POLICY HOLDERS' FUND AND EQUITY			
Liabilities			
Due to bank		19,964,536	19,448,778
Trade and other payables		56,081,447	66,167,609
Takaful and Retakaful payables		64,380,617	59,401,357
Due to related parties	15	1,110,237	959,677
Takaful contract liabilities	5	284,473,190	255,661,889
Ijara payables		9,020,000	9,840,000
Amounts held under Retakaful treaties		3,558,625	3,188,892
Total liabilities		438,588,652	414,668,202
Policyholders' fund			
Deficit in policyholders' fund		(111,779,336)	(97,575,338)
Qard Hassan from shareholders		111,779,336	97,575,338
Proposed profit distribution to policyholders		1,765,346	1,765,346
Policyholders' investments revaluation reserve	8	(13,054,212)	(15,319,195)
Total deficit in policyholders' fund		(11,288,866)	(13,553,849)
Total Policyholders' Fund and Liabilities		427,299,786	401,114,353
Equity			
Share capital	9	225,750,000	225,750,000
Statutory reserve	10	18,004,919	18,004,919
General reserve	11	18,004,919	18,004,919
Investments revaluation reserve - FVTOCI		(54,310,825)	(63,768,809)
Accumulated losses		(68,418,924)	(69,254,375)
Equity attributable to shareholders of the Parent		139,030,089	128,736,654
Non-controlling interest		(7,947,109)	(7,030,069)
Total Equity		131,082,980	121,706,585
Total Liabilities, Policyholders' Fund and Equity		558,382,766	522,820,938

Basel Mohammad Al Kufairy
Assistant General Manager - Finance & Administration

Jihad Faitrouny
General Manager

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 2014 to 30 June 2014

	Note	6 months ended 30 June		3 months ended 30 June	
		2014	2013	**2014**	2013
		AED	AED	**AED**	AED
Attributable to policyholders:					
Takaful income					
Takaful contributions		**133,520,636**	125,745,508	**69,435,254**	66,930,772
Takaful contributions ceded to reinsurers		**(60,228,764)**	(58,030,486)	**(33,011,254)**	(30,982,358)
Net takaful contributions		**73,291,872**	67,715,022	**36,424,000**	35,948,414
Commission received on ceded Reinsurance		**7,131,532**	4,863,592	**3,261,935**	2,217,359
Policy and survey fees		**6,703,737**	6,533,128	**2,885,286**	3,021,953
		87,127,141	79,111,742	**42,571,221**	41,187,726
Takaful expenses					
Gross claims incurred		**(93,928,680)**	(99,817,122)	**(39,474,526)**	(42,739,919)
Reinsurers' share of claims		**42,198,573**	44,671,031	**14,612,407**	16,133,405
Claims incurred		**(51,730,107)**	(55,146,091)	**(24,862,119)**	(26,606,514)
Commissions paid		**(13,113,849)**	(11,858,824)	**(7,284,995)**	(5,294,693)
Excess of loss Takaful contributions		**(3,750,846)**	(3,690,631)	**(1,083,855)**	(2,974,714)
		(68,594,802)	(70,695,546)	**(33,230,969)**	(34,875,921)
Net Takaful income		**18,532,339**	8,416,196	**9,340,252**	6,311,805
Wakala fees	12	**(32,644,207)**	(30,864,367)	**(15,398,152)**	(15,632,037)
Net loss from Takaful operations		**(14,111,868)**	(22,448,171)	**(6,057,900)**	(9,320,232)
Investment (loss)/income	13	**(92,130)**	970,044	**(1,538,994)**	782,772
Mudarib's fees	12	**-**	(242,511)	**361,716**	(195,693)
Loss for the period		**(14,203,998)**	(21,720,638)	**(7,235,178)**	(8,733,153)
Attributable to shareholders:					
Income					
Investment (loss)/income	13	**(319,578)**	5,091,948	**(6,522,327)**	4,076,272
Wakala fees from policyholders	12	**32,644,207**	30,864,367	**15,398,152**	15,632,037
Mudarib's fees from policyholders	12	**-**	242,511	**(361,716)**	195,693
Other income		**3,127,689**	1,812,613	**1,707,971**	948,333
		35,452,318	38,011,439	**10,222,080**	20,852,335
Expenses					
General and administrative expenses		**(22,922,823)**	(25,180,760)	**(9,808,439)**	(13,263,843)
Write off of Qard Hasan to policyholders' fund		**(14,203,998)**	(21,720,638)	**(7,235,178)**	(8,733,153)
Loss for the period		**(1,674,503)**	(8,889,959)	**(6,821,537)**	(1,144,661)
Attributable to:					
Shareholders of the parent		**(757,463)**	(7,701,098)	**(6,385,777)**	(555,837)
Non-controlling interests		**(917,040)**	(1,188,861)	**(435,760)**	(588,824)
		(1,674,503)	(8,889,959)	**(6,821,537)**	(1,144,661)
Loss per share	14	**(0.003)**	(0.034)	**(0.028)**	(0.002)

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 2014 to 30 June 2014

	6 months ended 30 June		3 months ended 30 June	
	2014	2013	**2014**	2013
	AED	AED	**AED**	AED
Loss for the period	**(1,674,503)**	(8,889,959)	**(6,821,537)**	(1,144,661)
Other comprehensive income/(loss)				
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	**11,050,898**	9,525,227	**(6,404,500)**	4,814,903
Total comprehensive income/ (loss) for the period	**9,376,395**	635,268	**(13,226,037)**	3,670,242
Attributable to:				
Shareholders of the parent	**10,293,435**	1,824,129	**(12,790,277)**	4,259,066
Non-controlling interests	**(917,040)**	(1,188,861)	**(435,760)**	(588,824)
	9,376,395	635,268	**(13,226,037)**	3,670,242

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

Condensed consolidated statement of changes in equity for the period from 1 January 2014 to 30 June 2014

	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 2013 (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	-	-	-	-	(7,701,098)	(7,701,098)	(1,188,861)	(8,889,959)
Other comprehensive income for the period	-	-	-	9,525,227	-	9,525,227	-	9,525,227
Total other comprehensive income/(loss) for the period	-	-	-	9,525,227	(7,701,098)	1,824,129	(1,188,861)	635,268
Balance at 30 June 2013 (Un-audited)	**225,750,000**	**18,004,919**	**18,004,919**	**(89,778,412)**	**(23,078,482)**	**148,902,944**	**(5,845,920)**	**143,057,024**
Balance at 1 January 2014 (Audited)	**225,750,000**	**18,004,919**	**18,004,919**	**(63,768,809)**	**(69,254,375)**	**128,736,654**	**(7,030,069)**	**121,706,585**
Loss for the period	-	-	-	-	(757,463)	(757,463)	(917,040)	(1,674,503)
Other comprehensive income for the period	-	-	-	11,050,898	-	11,050,898	-	11,050,898
Realized gain on sale of financial assets carried at fair value through other comprehensive income	-	-	-	(1,592,914)	1,592,914	-	-	-
Total other comprehensive income/(loss) for the period	-	-	-	9,457,984	835,451	10,293,435	(917,040)	9,376,395
Balance at 30 June 2014 (Un-audited)	**225,750,000**	**18,004,919**	**18,004,919**	**(54,310,825)**	**(68,418,924)**	**139,030,089**	**(7,947,109)**	**131,082,980**

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 2014 to 30 June 2014

	Six months period ended 30 June	
	2014	2013
	AED	AED
Cash flows from operating activities		
Loss for the period	**(1,674,503)**	(8,889,959)
Adjustments for:		
Depreciation of furniture and equipment	**775,329**	769,532
Loss/(gain) on revaluation on investments measured at FVTPL, net	**2,526,051**	(4,295,926)
Provision for employees' end of service benefits	**477,164**	443,719
Dividend income	**(1,635,935)**	(1,324,464)
Profit income	**(213,995)**	(202,625)
	254,111	(13,499,723)
Changes in operating assets and liabilities:		
Increase in retakaful contract assets	**(27,146,505)**	(28,104,788)
Increase in takaful receivables	**(1,535,573)**	(3,719,349)
Decrease/(increase) in prepayments and other receivables	**232,751**	(540,145)
(Increase)/decrease in due from related parties	**(9,516,457)**	16,271
Increase in takaful contract liabilities	**28,811,301**	39,083,201
Increase in amounts held under retakaful treaties	**369,733**	50,786
Increase/(decrease) in takaful payables	**4,979,260**	(3,508,633)
Increase in due to related parties	**150,560**	150,000
(Decrease)/increase in trade and other payables	**(10,504,826)**	1,944,298
Cash used in operations	**(13,905,645)**	(8,128,082)
Employees' end of service benefits paid	**(58,500)**	(146,950)
Net cash used in operating activities	**(13,964,145)**	(8,275,032)
Cash flows from investing activities		
Purchase of property and equipment	**(301,170)**	(1,134,214)
Purchase of other financial assets measured at FVTPL	**(30,116,910)**	(11,937,827)
Proceeds from sale of other financial assets measured at FVTPL	**21,814,373**	18,804,475
Proceeds from sale of other financial assets measured at FVTOCI	**8,155,431**	-
Dividend received	**1,635,935**	1,324,464
Profit income received	**315,159**	326,428
Net cash from investing activities	**1,502,818**	7,383,326
Cash flows from financing activities		
Repayment of Ijara payables	**(820,000)**	(1,640,000)
Increase in due to a bank	**515,758**	2,061,974
Net cash (used in)/from financing activities	**(304,242)**	421,974
Net decrease in cash and cash equivalents	**(12,765,569)**	(469,732)
Cash and cash equivalents at the beginning of the period	**41,500,203**	28,520,772
Cash and cash equivalents at the end of the period (Note 4)	**28,734,634**	28,051,040

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 2014 to 30 June 2014

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 June 2014, the Company had the following subsidiaries:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership %	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
Technik Auto Service Centre Co. L.L.C	United Arab Emirates	100.00	100.00	Vehicles' repair services
Amity Health L.L.C.	United Arab Emirates	51.00	51.00	Medical billing services

The former CEO (who resigned during 2013 - see Note 21) holds 1% of Nawat Investments L.L.C and a related party holds 1% of Technik Auto Service Centre Co. L.L.C on behalf and for the benefit of the Company.

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

In the current period, the Group has adopted the following new and revised or amended IFRSs or interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.

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 IAS 36 *Impairment of Assets* relating to recoverable amount disclosures. The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognized 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.

- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* relating to novation of Derivatives and Continuation of Hedge Accounting. The amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.

- IFRIC 21 *Levies*. The 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.

- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* - 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 objective of this project is to develop an exemption from the requirement to consolidate subsidiaries for eligible investment entities (such as mutual funds, unit trusts, and similar entities), instead requiring the use of the fair value to measure those investments.

  The application of amendment does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2.2 New and revised standards and interpretation are in issue but not yet effective

The Group has not applied the following new and revised standards and interpretation that have been issued but are not yet effective:

New and revised IFRSs	***Effective for annual periods beginning on or after***
• Amendments to IFRS 2 *Share based Payment* relating to definition of 'vesting condition'. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• Amendments to IFRS 3 *Business Combination* relating to contingent consideration and scope exception for joint ventures. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

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

2.2 New and revised standards and interpretation are in issue but not yet effective (continued)

New and revised IFRSs	*Effective for annual periods beginning on or after*
• Amendments to IFRS 8 *Operating Segments* relating to aggregation of segments, reconciliation of segment assets. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• Amendments to IFRS 13 *Fair Value Measurement* relating to scope of the portfolio exception in paragraph 52. The amendment was part of Annual Improvements Cycle 2011-2013.	1 July 2014
• IFRS 14 *Regulatory Deferral Accounts* issued in January 2014 specifies the financial reporting requirements for 'regulatory deferral account balances' that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation.	1 January 2016
• IFRS 15 *Revenue from Contracts with Customers*	1 January 2017
• Amendments to IAS 16 *Property, Plant and Equipment* relating to proportionate restatement of accumulated depreciation on revaluation. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• Amendments to IAS 19 *Employee Benefits* - to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.	1 July 2014
• Amendments to IAS 24 *Related Party Disclosures* relating to management entities. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• Amendments to IAS 38 *Intangible Assets* relating to proportionate restatement of accumulated depreciation on revaluation. The amendment was part of Annual Improvements Cycle 2010-2012.	1 July 2014
• Amendments to IAS 40 *Investment Property* relating to interrelationship between IFRS 3 and IAS 40. The amendment was part of Annual Improvements Cycle 2011-2013.	1 July 2014

As of date of issuance of these condensed consolidated financial statements, management is still in the process of evaluating the impact of these new and revised standards and interpretations on the condensed consolidated financial statements.

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

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 2013.

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 2013. In addition, results for the six months ended 30 June 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

Significant judgments and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, management has made judgments that have the most significant effect on the amounts recognized in the interim financial information and applied certain assumptions concerning the future, and other key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below:

Critical judgements in applying accounting policies

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on net book value (NBV) of the underlying investment. Management believes that the fair value using NBV approximates the fair value if valuation models were applied, as these investments are held in entities operating in the financial services industry where majority of the assets and liabilities are held at fair value.

Additional reserve

Management assesses the additional reserve for different Takaful classes as mentioned below:

a) For life Takaful, the management appoints an external actuary on an annual basis to calculate the required technical reserve taking into consideration of mortality rates and other probabilities which might vary from actuals once incurred;
b) Medical Takaful additional reserve is calculated on daily pro-rata basis; and
c) For other Takaful classes, based on past experience, uses the industry standard "1/8th method" to assess any potential shortfall in the unearned contribution reserve when compared to requirements of Federal Law No. 6 of 2007.

3. Accounting policies (continued)

Significant judgments and key sources of estimation uncertainty (continued)

Critical judgements in applying accounting policies (continued)

Provision for outstanding claims, whether reported or not

Considerable judgement by management is required in the estimation of amounts due to Takaful contract holders arising from claims made under Takaful contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possibly significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Fiduciary/Wakeel activities

When assessing the recognition of certain financial assets relating to unit-linked life takaful products and their corresponding asset backed liabilities, management has determined that these financial assets along with their corresponding asset backed liabilities should not be recorded on the condensed consolidated statement of financial position of the Group under IFRS as they are fiduciary activities as disclosed in Note 19.

Management's judgement for the above treatment is determined based on the following critical considerations:

- it is not probable that these financial assets will generate a future economic benefit for the Group;
- the Group does not have any exposure to risk and rewards of such financial assets, such risks and rewards accrue wholly to the customers;
- the assets are managed by an independent third party fund manager who has the ultimate discretion over the assets under management; and
- the Group only acts as a pass through vehicle for the investment proceeds received and redemptions requested from or by customers.

Key sources of estimation uncertainty

Useful lives of furniture and equipment

Furniture and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, which depends on operational factors. The management has not considered any residual value as it is deemed immaterial.

Impairment losses on Takaful receivables

The Group reviews its Takaful receivables on a regular basis to assess whether a provision for impairment should be recorded in the condensed consolidated income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

3. Accounting policies (continued)

Significant judgments and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Impairment losses on Takaful receivables (continued)

In addition to specific provisions against individually significant Takaful receivables, the Group also makes a collective impairment provision against Takaful receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for Takaful receivables within each grade and is adjusted to reflect current economic changes.

Retakaful

The Group is exposed to disputes with, and possibility of defaults by, its Retakaful providers. The Group monitors on a quarterly basis the evolution of disputes with and the financial strength of its Retakaful providers and seek legal opinion on such disputes as and when needed.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of Takaful contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the condensed consolidated income statement.

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 2013.

4. Cash and bank balances

	30 June 2014 AED (Un-audited)	31 December 2013 AED (Audited)	30 June 2013 AED (Un-audited)
Cash on hand	**1,144,279**	25,625	368,523
Bank balances:			
Current accounts	**27,590,355**	41,474,578	27,682,517
Fixed deposits	**35,000,000**	35,000,000	35,000,000
Balance at end of the period/year	**63,734,634**	76,500,203	63,051,040
Less: Fixed deposits under lien and original maturity over three months from the date of deposit	**(35,000,000)**	(35,000,000)	(35,000,000)
Cash and cash equivalents	**28,734,634**	41,500,203	28,051,040

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

5. Retakaful contract assets and Takaful contract liabilities

	Contract Liabilities		Contract Assets		Net	
	30 June 2014 AED (Un-audited)	31 December 2013 AED (Audited)	**30 June 2014 AED (Un-audited)**	31 December 2013 AED (Audited)	**30 June 2014 AED (Un-audited)**	31 December 2013 AED (Audited)
Unearned contributions	**132,445,473**	115,830,199	**78,357,700**	71,883,180	**54,087,773**	43,947,019
Additional reserve	**24,061,547**	29,389,133	**-**	-	**24,061,547**	29,389,133
Outstanding claims	**127,966,170**	110,442,557	**100,302,526**	79,630,541	**27,663,644**	30,812,016
	284,473,190	255,661,889	**178,660,226**	151,513,721	**105,812,964**	104,148,168

6. Other financial assets measured at fair value

	30 June 2014 (Un-audited) AED	31 December 2013 (Audited) AED
Financial assets measured at fair value through other comprehensive income (FVTOCI) (A)		
- Listed	**73,531,864**	68,371,412
- Unlisted	**47,396,218**	47,396,218
	120,928,082	115,767,630
Financial assets measured at fair value through profit and loss (FVTPL) (B)		
Financial assets measured at FVTPL	**18,822,497**	13,046,013
Total other financial assets measured at fair value (A+B)	**139,750,579**	128,813,643

Investments by geographical area are as follows:

	30 June 2014 (Un-audited) AED	31 December 2013 (Audited) AED
- Within U.A.E.	**70,342,174**	67,094,070
- Outside U.A.E.	**69,408,405**	61,719,573
	139,750,579	128,813,643

6. Other financial assets measured at fair value (continued)

i. FVTOCI listed and unlisted securities are carried at a value of AED 120,928,082 (2013: AED 115,767,630), with a decline in their fair value from original acquisition cost amounting to AED 67,365,037 (2013: AED 79,088,004). Of this amount, AED 54,310,825 (2013: AED 63,768,809) is deducted from shareholders' equity and AED 13,054,212 (2013: AED 15,319,195) 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 2013.

ii. Unlisted securities are carried at fair value at a value of AED 47,396,218 (2013: AED 47,396,218) mainly represent the Group's investments in shares of companies registered in Dubai, Algeria, Kuwait and certain other international markets.

iii. The Group holds shares of Al Salam Bank - Bahrain and Al Salam Bank - Algeria which are held by the former CEO (who resigned during 2013 - see Note 21) on behalf and for the benefit of the Group [Note 15(a)].

7. Investment property

	30 June 2014 AED	31 December 2013 AED
	(Un-audited)	(Audited)
Balance at beginning of the period/year	**62,352,585**	64,352,585
Loss on revaluation of investment property	-	(2,000,000)
Balance at end of the period/year	**62,352,585**	62,352,585

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 the Ijara payable. The valuation as of 31 December 2013, which conforms to international valuation standards, was arrived at by reference to market evidence of transaction prices for comparable properties, and was determined by an independent valuation expert. The Group's management reassessed this valuation internally during the six months period ended 30 June 2014 and no material differences were noted.

The fair value of the Group's investment property is based on unobservable inputs i.e. level 3 as disclosed in Note 20.

8. 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 June 2014 is identical to that used for 31 December 2013 and approved by the Company's Fatwa and Sharia'a Supervisory Board. This allocation will be revised and finalised by year end once the Fatwa and Sharia'a Supervisory Board approval is obtained.

Notes to the condensed consolidated financial statements for the period from 1 January 2014 to 30 June 2014 (continued)

9. Share capital

	30 June 2014 (Un-audited) AED	31 December 2013 (Audited) AED
Issued and fully paid:		
225,750,000 (2013: 225,750,000) ordinary shares of AED 1each	**225,750,000**	225,750,000

10. 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 Six months period ended 30 June 2014, 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.

11. 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 six months period ended 30 June 2014, as this will be based on the results for the year.

12. 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 (2013: 25%). During the period, no Wakala fee was charged on gross Takaful contributions amounting to AED 15,931,494 (2013: AED 19,909,860) 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 130,576,829 (2013: AED 123,457,467).

Wakala fee is calculated as follows:

	Six months period ended 30 June	
	2014 (Un-audited) AED	2013 (Un-audited) AED
Gross Takaful contributions	**278,953,796**	293,360,062
Less: Unearned contribution	**(132,445,473)**	(149,992,735)
Net Takaful contributions	**146,508,323**	143,367,327
Less: Takaful contributions not subject to Wakala fee	**(15,931,494)**	(19,909,860)
	130,576,829	123,457,467
Percentage	**25%**	25%
Wakala fee for the period	**32,644,207**	30,864,367

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 nil for the period as policyholders incurred losses on their investment funds (2013: AED 242,511).

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

13. Investment (loss)/income

	Six months period ended 30 June	
	2014 (Un-audited) AED	2013 (Un-audited) AED
(Loss)/gain on revaluation on investments measured at FVTPL, net	**(2,526,051)**	4,295,926
Other investment income		
Income from investment deposits	**213,995**	202,625
Dividend income	**1,635,935**	1,324,464
Rental Income	**232,145**	210,000
Other income	**32,268**	28,977
	(411,708)	6,061,992
Allocated to:		
Policyholders	**(92,130)**	970,044
Shareholders	**(319,578)**	5,091,948
	(411,708)	6,061,992

Investment (loss)/income is allocated amongst the shareholders and the policyholders on a pro rata basis. The percentage of allocation for 30 June 2014 is identical to that used for 31 December 2013 and approved by the Group's Fatwa and Sharia'a Supervisory Board on an annual basis.

14. 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:

	Six months period ended 30 June	
	2014 (Un-audited)	2013 (Un-audited)
Loss for the period (AED)	**(757,463)**	(7,701,098)
Weighted average number of shares outstanding during the period	**225,750,000**	225,750,000
Loss per share (AED)	**(0.003)**	(0.034)

15. 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 (IAS) 24: *Related Party Disclosures*. 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 June 2014 (Un-audited)			31 December 2013 (Audited)		
	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 15(a)]	**-**	**42,155,798**	**42,155,798**	-	44,006,063	44,006,063
Contributions receivable/(payable)	**1,597,915**	**9,515,897**	**11,113,812**	1,520,906	(477,480)	1,043,426
Cash and bank balances	**-**	**4,935,808**	**4,935,808**	-	5,856,455	5,856,455
Due from related parties [Note 15(b)]	**-**	**9,613,457**	**9,613,457**	-	97,000	97,000
Due to related parties	**-**	**1,110,237**	**1,110,237**	-	959,677	959,677

(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 42 million (31 December 2013: AED 44 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 former CEO (who resigned during 2013 and no longer qualifies as a related party- see Note 21) on trust and for the benefit of the Group and the total shares of Al Salam Bank - Bahrain (5,476,149 shares) are held by a company controlled by the former CEO (who resigned during 2013 and no longer qualifies as a related party- see Note 21), in trust and for the benefit of the Group.

(b) Due from related parties represents the following:

	2014 AED (Un-audited)	2013 AED (Audited)
Entities owned by the Chairman of the Board of Directors		
Fast Rent A Car LLC, UAE	**6,097,983**	-
Emirates Cab LLC, UAE	**3,412,362**	-
Fast Service Centre LLC, UAE	**6,112**	-
Shareholder of a subsidiary		
Agility Global Health Solutions (Pty) Ltd, UAE	**97,000**	97,000
Total	**9,613,457**	97,000

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

15. Related party transactions (continued)

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

	30 June 2014 (Un-audited)			30 June 2013 (Un-audited)		
	Major shareholders AED	**Other related parties AED**	**Total AED**	Major shareholders AED	Other related parties AED	Total AED
Gross contributions	**904,993**	**11,141,274**	**12,046,267**	800,454	-	800,454
Gross claims	**677,686**	**3,275,211**	**3,952,897**	108,000	179,595	287,595
Profit share on investment deposits	**-**	**62,500**	**62,500**	-	121,107	121,107

Compensation of key management personnel is as follows:

	30 June 2014 AED (Un-audited)	30 June 2013 AED (Un-audited)
Short term employee benefits	**824,387**	1,180,768
End of service benefits	**19,786**	41,676
Total compensation paid to key management personnel	**844,173**	1,222,444

16. 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 2014 to 30 June 2014

16. Segmental information (continued)

The following table presents segment information for the Six months period ended 30 June 2014 and 30 June 2013.

	Period from 1 January 2014 to 30 June 2014 Attributable to		Period from 1 January 2013 to 30 June 2013 Attributable to		**Total**	
	Policyholders (Un-audited) AED	**Shareholders (Un-audited) AED**	Policyholders (Un-audited) AED	Shareholders (Un-audited) AED	**2014 (Un-audited) AED**	2013 (Un-audited) AED
Takaful						
Takaful income	**87,127,141**	-	79,111,742	-	**87,127,141**	79,111,742
Takaful expenses	**(68,594,802)**	-	(70,695,546)	-	**(68,594,802)**	(70,695,546)
Net Takaful income	**18,532,339**	-	8,416,196	-	**18,532,339**	8,416,196
Wakala fees	**(32,644,207)**	**32,644,207**	(30,864,367)	30,864,367	-	-
Mudarib fees	-	-	(242,511)	242,511	-	-
	(14,111,868)	**32,644,207**	(22,690,682)	31,106,878	**18,532,339**	8,416,196
Investment						
Investment (loss)/income	**(92,130)**	**(319,578)**	970,044	5,091,948	**(411,708)**	6,061,992
	(92,130)	**(319,578)**	970,044	5,091,948	**(411,708)**	6,061,992
Unallocated expenses	-	**(22,922,823)**	-	(25,180,760)	**(22,922,823)**	(25,180,760)
Other income	-	**3,127,689**	-	1,812,613	**3,127,689**	1,812,613
Loss attributable to policyholders	**(14,203,998)**		(21,720,638)			
Write off of Qard Hasan to policyholders' fund		**(14,203,998)**		(21,720,638)		
Loss for the period		**(1,674,503)**		(8,889,959)	**(1,674,503)**	(8,889,959)

**Notes to the condensed consolidated financial statements (continued)
for the period from 1 January 2014 to 30 June 2014**

16. Segmental information (continued)

Other information

	Takaful		Investment		Total	
	30 June 2014 (Un-audited) AED	31 December 2013 (Audited) AED	**30 June 2014 (Un-audited) AED**	31 December 2013 (Audited) AED	**30 June 2014 (Un-audited) AED**	31 December 2013 (Audited) AED
Segment assets	**320,279,602**	295,654,710	**238,103,164**	227,166,228	**558,382,766**	522,820,938
Segment liabilities	**418,279,786**	391,274,353	**9,020,000**	9,840,000	**427,299,786**	401,114,353

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

17. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated income statement for the six months period ended 30 June 2014 and 2013.

18. Contingencies

(a) At 30 June 2014, the Group did not have any 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 (31 December 2013: Nil).

(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.

19. Fiduciary/Wakeel activities

Financial assets held by the Group in Wakala (trust), where the Group is acting in a Wakeel (agent/ trustee) capacity on behalf of its customers relating to unit-linked life takaful products which are not recorded on the condensed consolidated statement of financial position of the Group. Such financial assets held in a fiduciary capacity under Wakala arrangements as a Wakeel amounted to AED 407.35 million (2013: AED 389.69 million). The life takaful components of the unit-linked takaful products to which the Group has an insurance risk, has been unbundled and recorded as takaful contracts in the Group's interim financial information in accordance with International Financial Reporting Standard 4 (IFRS 4: insurance contracts).

20. 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 at amortised cost 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

20. Fair value of financial instruments (continued)

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

- 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.

Fair value of the financial assets that are measured at fair value on a recurring basis

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 June 2014 (Un-audited)				
Other financial assets FVTOCI	**73,532**	-	**47,396**	**120,928**
Other financial assets FVTPL	**18,822**	-	-	**18,822**
	92,354	-	**47,396**	**139,750**
31 December 2013 (Audited)				
Other financial assets FVTOCI	68,372	-	47,396	115,768
Other financial assets FVTPL	13,046	-	-	13,046
	81,418	-	47,396	128,814

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

	30 June 2014 (Un-audited) AED'000	31 December 2013 (Audited) AED'000
At the beginning of the period/year	**47,396**	47,400
Changes in fair value	-	(4)
At the end of the period/year	**47,396**	47,396

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.

Notes to the condensed consolidated financial statements
for the period from 1 January 2014 to 30 June 2014 (continued)

21. Significant transactions

The former CEO of the Group resigned on 10 July 2013. The Company entered into an agreement with the former 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 these 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 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 (currently held under the name of Leader Capital) together with the payment of any associated dividends due, to the Company's name.

(c) Transfer of legal ownership of Al Salam Bank - Algeria shares held by the former CEO to the Company's name.

The Company has received an amount of AED 2.3 million during the previous year against the advance mentioned in clause (a) above, in addition to receiving dividends of Al Salam Bank - Bahrain pertaining to previous years amounting to AED 0.46 million.

22. Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation for the current year. These changes have been made to improve the quality and comparability of information presented. Such reclassification does not affect previously reported net profit or equity and accordingly, a 3 year condensed consolidated statement of financial position has not been presented. The table below summarises the reclassification for the line items affected in the interim financial information:

	As reported previously 2013	**Reclassification**	**As currently reported in 2013**
	AED	AED	AED
Condensed consolidated income statement			
Attributable to policyholders			
Takaful contributions	204,295,680	(78,550,172)	125,745,508
Retakaful contributions ceded	(136,580,658)	78,550,172	(58,030,486)

23. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 22 July 2014.