Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance (Formerly Arabian Scandinavian Insurance Company P.L.C.)

Review report and interim financial information for the period from 1 January 2015 to 31 March 2015

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance

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Report on review of interim financial information

The Board of Directors
Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed statement of financial position of **Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance** as at 31 March 2015 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("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.

Deloitte & Touche (M.E.)

Musa Ramahi
Partner
Registration No. 872
4 May 2015

Condensed statement of financial position
at 31 March 2015

	Notes	31 March 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
ASSETS			
Cash and bank balances	4	**22,548**	28,117
Statutory deposits	5	**10,000**	10,000
Retakaful contract assets	6	**20,307**	20,197
Takaful receivables		**18,578**	14,675
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	7	**2,765**	2,770
Other financial assets measured at fair value through profit and loss (FVTPL)	7	**40,120**	61,103
Prepayments and other receivables		**8,851**	5,464
Due from related parties	8	**5,024**	3,448
Investment properties	9	**268,701**	268,020
Property and equipment		**344**	360
Total assets		**397,238**	414,154
LIABILITIES, POLICYHOLDERS' FUND AND EQUITY			
Liabilities			
Takaful contract liabilities	6	**57,743**	58,264
Takaful payables		**28,656**	25,299
Other liabilities		**9,978**	8,449
Due to related parties	8	**6**	1
Total liabilities		**96,383**	92,013
Policyholders' fund			
Deficit in policyholders' fund		**(1,372)**	-
Qard Hassan from shareholders		**1,372**	-
Total policyholders' fund		**-**	-
Liabilities and policyholders' fund		**96,383**	92,013
Equity			
Share capital	10	**154,000**	154,000
Statutory reserve		**56,609**	56,609
General reserves		**48,718**	48,718
Investments revaluation reserve		**(408)**	(403)
Retained earnings		**41,936**	63,217
Total equity		**300,855**	322,141
Total liabilities, policyholders' fund and equity		**397,238**	414,154

Managing Director

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

Condensed statement of income (unaudited)
for the period from 1 January 2015 to 31 March 2015

	Three month period ended 31 March	
	2015	2014
	AED'000	AED'000
Attributable to policyholders'		
Takaful income		
Gross contribution written	**21,671**	-
Movement in unearned contributions	**21**	-
Takaful contributions revenue	**21,692**	-
Retakaful contributions ceded	**(7,649)**	-
Movement in retakaful share of unearned contributions	**4**	-
Retakaful share of contributions	**(7,645)**	-
Net takaful revenue	**14,047**	-
Discount received on retakaful contributions	**1,720**	-
Policy fees	**35**	-
Total takaful income	**15,802**	-
Takaful expenses		
Gross claims incurred	**(15,981)**	-
Retakaful share of claims incurred	**4,824**	-
Net claims incurred	**(11,157)**	-
Policy acquisition cost	**(1,850)**	-
Total takaful expenses	**(13,007)**	-
Net takaful income	**2,795**	-
Wakala fees (Note 12)	**(4,167)**	-
Net loss from takaful operations	**(1,372)**	-
Loss for the period attributable to policyholders	**(1,372)**	-

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

Condensed statement of income (unaudited)
for the period from 1 January 2015 to 31 March 2015 (continued)

	Notes	Three month period ended 31 March 2015 AED'000	2014 AED'000
Attributable to shareholders			
Gross insurance premium		-	21,181
Insurance premium ceded to re-insurers		-	(8,208)
Net insurance premium		-	12,973
Gross claims incurred		-	(9,096)
Insurance claims recovered from re-insurers		-	1,915
Net claims incurred		-	(7,181)
Gross commission earned		-	1,676
Less: commission incurred		-	(1,994)
Net commission incurred		-	(318)
Underwriting profit		-	5,474
General and administrative expenses relating to underwriting activities		-	(5,197)
Net underwriting profit		-	277
Investment and other income	11	**4,553**	2,063
Wakala fees from policyholders	12	**4,167**	-
General and administrative expenses		**(4,729)**	-
Income for the period before Qard Hassan		**3,991**	2,340
Provision against Qard Hassan to policyholders		**(1,372)**	-
Profit for the period attributable to shareholders		**2,619**	2,340
Earnings per share	13	**0.02**	0.02

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

Condensed statement of comprehensive income (unaudited) for the period from 1 January 2015 to 31 March 2015

	Three month period ended 31 March	
	2015	2014
	AED'000	AED'000
Attributable to shareholders		
Profit for the period	**2,619**	2,340
Other comprehensive loss		
Items that will not be reclassified subsequently to profit or loss		
Net fair value loss on investments at FVTOCI	**(5)**	-
Board of directors' remuneration	**(800)**	(2,000)
Other comprehensive loss for the period	**(805)**	(2,000)
Total comprehensive income for the period attributable to shareholders'	**1,814**	340

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

Condensed statement of changes in equity
for the period from 1 January 2015 to 31 March 2015

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Investment revaluation reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 31 December 2013 (Audited)	140,000	53,502	45,612	-	82,364	321,478
Profit for the period	-	-	-	-	2,340	2,340
Other comprehensive loss for the period	-	-	-	-	(2,000)	(2,000)
Total comprehensive income for the period	-	-	-	-	340	340
Bonus shares issued during the period (Note 14)	14,000	-	-	-	(14,000)	-
Dividend (Note 14)	-	-	-	-	(28,000)	(28,000)
Balance at 31 March 2014 (Unaudited)	154,000	53,502	45,612	-	40,704	293,818
Balance at 31 December 2014 (Audited)	154,000	56,609	48,718	(403)	63,217	322,141
Profit for the period	-	-	-	-	2,619	2,619
Other comprehensive loss for the period	-	-	-	(5)	(800)	(805)
Total comprehensive (loss)/income for the period	-	-	-	(5)	1,819	1,814
Dividend (Note 14)	-	-	-	-	(23,100)	(23,100)
Balance at 31 March 2015 (Unaudited)	**154,000**	**56,609**	**48,718**	**(408)**	**41,936**	**300,855**

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

Condensed statement of cash flows (unaudited) for the period from 1 January 2015 to 31 March 2015

	Three month period ended 31 March	
	2015	2014
	AED'000	AED'000
Cash flows from operating activities		
Profit for the period	**2,619**	2,340
Adjustments for:		
Depreciation of property and equipment	**37**	41
Loss on financial assets at FVTPL	**507**	2,682
Fair value loss on investment properties	**687**	687
Other investment income	**(5,739)**	(5,425)
Provision for employees' end of service benefits	**91**	89
Operating cash flows before changes in operating assets and liabilities	**(1,798)**	414
(Increase)/decrease in retakaful contract assets	**(110)**	4,845
(Increase)/decrease in takaful receivables	**(3,903)**	3,000
Increase in due from related parties	**(1,576)**	(1,854)
Increase in prepayments and other receivables	**(1,779)**	(1,318)
Decrease in takaful contract liabilities	**(521)**	(4,970)
Increase in takaful payables	**3,357**	971
Increase in other liabilities	**1,438**	1,697
Increase/(decrease) in due to related parties	**5**	(66)
Cash (used in)/generated from operations	**(4,887)**	2,719
Employee's end of service benefits paid	**-**	(45)
Net cash (used in)/generated from operating activities	**(4,887)**	2,674
Cash flows from investing activities		
Purchase of property and equipment	**(21)**	(5)
Purchase of investments properties	**(1,368)**	(1,503)
Purchase of investments in securities	**-**	(82,595)
Proceeds from sale of investments in securities	**20,476**	37,497
Rental income received	**4,131**	3,525
Decrease in wakala deposits with maturity over 3 months	**10,000**	9,941
Net cash generated from/(used in) investing activities	**33,218**	(33,140)
Cash flows from financing activities		
Dividend paid	**(23,100)**	(28,000)
Board of Directors' remuneration paid	**(800)**	(2,000)
Net cash used in financing activities	**(23,900)**	(30,000)
Net increase/(decrease) in cash and cash equivalents	**4,431**	(60,466)
Cash and cash equivalents at the beginning of the period	**18,117**	73,518
Cash and cash equivalents at the end of the period (Note 15)	**22,548**	13,052

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

Notes to the condensed financial statements for the period from 1 January 2015 to 31 March 2015

1. General information

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance - Dubai (the "Company") is a public shareholding company and was registered in 1992 under U.A.E. Federal Commercial Companies Law No. 8 of 1984 (as amended) relating to commercial companies in U.A.E. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E under registration number 6. The address of the Company's registered office is P.O. Box 1993, Dubai, United Arab Emirates.

The Shareholders Extraordinary General Assembly Meeting held on 19 March 2014 approved conversion of the Company's business from conventional insurance to Takaful insurance. The Board of Directors appointed Fatwa and Sharia'a Supervisory Board for overseeing the compliance with Sharia'a.

During the period, the Company started issuing short term takaful contracts in connection with non-life takaful such as motor, marine, fire, engineering, medical and general accident risks (collectively known as general takaful) and the name of the Company was changed to Arabian Scandinavian Insurance Company P.L.C. - Takaful ASCANA Insurance. The Company only operates in U.A.E., through its Dubai and Abu Dhabi offices.

As the Company transitioned to takaful insurance during the period, the Company's Fatwa and Sharia'a Supervisory Board is responsible for ensuring the appropriate allocation of the financial impact of the legacy conventional insurance business between the shareholders and policyholders.

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

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

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

New and revised IFRS	Effective for annual periods beginning on or after
• Amendments to IAS 19 *Employee Benefits* 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

2.2 New and revised IFRS in issue but not yet effective and not early adopted

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

New and revised IFRS	Effective for annual periods beginning on or after
• Finalised version of IFRS 9 (IFRS 9 *Financial Instruments (2014)*) was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model.	1 January 2018

Notes to the condensed financial statements
for the period from 1 January 2015 to 31 March 2015 (continued)

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

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

New and revised IFRS	Effective for annual periods beginning on or after
A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.	
• IFRS 14 *Regulatory Deferral Accounts* issued in January 2014 specifies the financial reporting requirements for 'regulatory deferral account balance' that arise when an entity provides good 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*: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.	1 January 2017
• Annual Improvements to IFRSs 2012 - 2014 Cycle that include amendments to IFRS 5, IFRS 7 and IAS 19.	1 July 2016
• Amendments to IAS 16 and IAS 38 to clarify the acceptable methods of depreciation and amortisation.	1 January 2016
• Amendments to IFRS 11 to clarify accounting for acquisitions of Interests in Joint Operations.	1 January 2016
• Amendments to IFRS 10 and IAS 28 clarify that the recognition of the gain or loss on the sale or contribution of assets between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business.	1 January 2016
• Amendments to IAS 27 allow an entity to account for investments in subsidiaries, joint ventures and associates either at cost, in accordance with IAS 39/IFRS 9 or using the equity method in an entity's separate financial statements.	1 January 2016
• Amendments to IFRS 10, IFRS 12 and IAS 28 clarifying certain aspects of applying the consolidation exception for investment entities.	1 January 2016

Notes to the condensed financial statements
for the period from 1 January 2015 to 31 March 2015 (continued)

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

2.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

New and revised IFRS	Effective for annual periods beginning on or after
• Amendments to IAS 1 to address perceived impediments to preparers exercising their judgment in presenting their financial reports.	1 January 2016
• Amendments to IAS 16 and IAS 41 require biological assets that meet the definition of a bearer plant to be accounted for as property, plant and equipment in accordance with IAS 16.	1 January 2016

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's condensed financial statements for the period of initial application and adoption of these new standards, interpretations and amendments, except for IFRS 9, may have no material impact on the condensed financial statements of the Company in the period of initial application.

The application of the finalised version of IFRS 9 may have significant impact on amounts reported and disclosures made in the Company's condensed financial statements in respect of Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application until the Company performs a detailed review.

3. Summary of significant accounting policies

3.1 Basis of preparation

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

The condensed financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated. All values are rounded to the nearest thousands dirham, except when otherwise indicated.

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

The accounting policies, critical accounting judgements and key sources of estimation used in the preparation of these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2014.

These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 2014. In addition, results for the three months period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

Notes to the condensed financial statements
for the period from 1 January 2015 to 31 March 2015 (continued)

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

The Company's takaful and financial risk management objectives and policies are consistent with those disclosed in the audited financial statements for the year ended 31 December 2014.

The articles of association of the Company require that separate accounts be maintained for takaful operations on behalf of the policyholders.

As per the requirement of Securities and Commodities Authority notification dated 12 October 2008, below are the significant accounting policies.

3.2 Product classification

Takaful contracts are those contracts where a group of participants (the "policyholders") mutually guarantee one another against prescribed uncertain future events of loss or damage, where the Company acts as a Wakil (agent) on their behalf in managing the Islamic insurance operations in consideration for a Wakala fee. The contribution amounts (premiums) paid net of the Wakala fee are considered as funds available for Mudarba, where the Company acts as Mudarib, investing some of these funds in consideration of a pre-agreed share of the realised profit or loss, (Mudarib fee) if any. The policyholders further donate their contribution to those other policyholders who suffer a prescribed event of loss or damage, payable per the policies of the Company, in its capacity as an agent. As a general guideline, the Company determines whether there is significant takaful risk, by comparing benefits paid with benefits payable if the insured event did not occur.

In case of deficit in policyholders operation, such deficit is funded by the shareholders as a Quard Hassan loan.

The Company does not have any investment contracts or any takaful contracts with Discretionary Participation Features (DPF).

3.3 Surplus/deficit in policyholders' fund

If the surplus in the policyholders' fund at the end of a year is sufficiently large, a percentage of the surplus shall be distributed between policyholders that have not made a claim, in proportion to their risk contributions to the fund after accounting for reserves. The distributions will be approved by the Company's Shari'a Supervisory Board. Any remaining surplus after the distribution will remain in the policyholders ' fund.

A deficiency in policyholders' fund is made good by a profit free loan (Qard Hassan) from the shareholders' fund. This loan is to be repaid from future surpluses arising from takaful operations on a priority basis. This loan is tested for impairment annually and the portion of the loan that is considered impaired is charged to the statement of income.

On liquidation of the fund, the accumulated surplus in the policyholders ' fund, if any, after meeting all obligations (including repayment of the outstanding amount of profit free loan), will be dealt with after consulting with the Company's Shari'a Supervisory Board. In case of an accumulated deficit, any profit free loan outstanding at the time of liquidation will not be repayable by the policyholders' fund and the shareholders' fund will forego such outstanding amount.

Any deficit in the policyholders' fund, except for deficits arising from a decline in the fair value of securities, is financed by the shareholders through a Qard Hasan (a finance cost free loan with no repayment terms). The Company maintains a full provision against the Qard Hasan.

Notes to the condensed financial statements
for the period from 1 January 2015 to 31 March 2015 (continued)

3. Summary of significant accounting policies (continued)

3.4 Wakala fees

The Company manages the takaful operations on behalf of the policyholders for a wakala fee which is recognised on an accrual basis. A similar amount is shown as expense in condensed statement of income attributable to policyholders.

3.5 Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL), which are initially measured at fair value.

Financial assets of the Company are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), at fair value through other comprehensive income (FVTOCI) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective profit rate method is a method of calculating the amortised cost of a financial asset and of allocating profit income over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3.5.1 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.5.2 Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in condensed statement of income.

Dividend income on investments in equity instruments at FVTPL is recognised in condensed statement of income when the Company's right to receive the dividends is established in accordance with IAS 18 *Revenue*.

Notes to the condensed financial statements
for the period from 1 January 2015 to 31 March 2015 (continued)

3. Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

3.5.3 Financial assets at fair value through other comprehensive income (FVTOCI)

On initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss will not be reclassified to condensed statement of income on disposal of the investments, but reclassified to retained earnings.

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI.

Dividends on these investments in equity instruments are recognised in condensed statement of income when the Company's right to receive the dividends is established in accordance with IAS 18 *Revenue*, unless the dividends clearly represent a recovery of part of the cost of the investment.

3.5.4 Takaful and other receivables

Takaful receivables, other receivables and statutory deposits are measured at amortised cost using the effective profit method, less any impairment. Profit income is recognised by applying the effective profit rate, except for short- term receivables when the recognition of profit would be immaterial.

3.5.5 Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in profit or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the condensed financial statements
for the period from 1 January 2015 to 31 March 2015 (continued)

3. Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

3.5.5 Impairment of financial assets (continued)

For certain categories of financial asset, such as takaful insurance receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of takaful receivables, where the carrying amount is reduced through the use of an allowance account. When takaful receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in condensed statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through condensed statement of income to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3.5.6 Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained profit in the asset and an associated liability for amounts it may have to pay.

3.6 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property.

Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the condensed statement of income in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the condensed statement of income in the period of retirement or disposal.

Notes to the condensed financial statements
for the period from 1 January 2015 to 31 March 2015 (continued)

3. Summary of significant accounting policies (continued)

3.6 Investment properties (continued)

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

3.7 Property and equipment

Property and equipment are carried at cost less any accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in condensed statement of income.

The useful life considered in the calculation of depreciation of all the assets is 4 years.

4. Cash and bank balances

	31 March 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Cash on hand	**49**	10
Bank balances		
Current accounts	**12,499**	12,939
Call accounts	**-**	168
Wakala deposits	**10,000**	15,000
	22,499	28,107
	22,548	28,117

5. Statutory deposits

Statutory deposit represents wakala deposits under lien against the guarantees issued in favor of Insurance Authority of U.A.E. in accordance with Article 42 of United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations.

Notes to the condensed financial statements
for the period from 1 January 2015 to 31 March 2015 (continued)

6. Takaful contract liabilities and retakaful contract assets

	31 March 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Gross		
Takaful contract liabilities:		
Unearned contribution	**34,902**	34,923
Claims reported unsettled	**17,241**	17,741
Claims incurred but not reported	**5,600**	5,600
Total takaful contract liabilities, gross	**57,743**	58,264
Recoverable from retakaful		
Retakaful contract assets:		
Unearned contribution	**9,278**	9,274
Claims reported unsettled	**11,029**	10,923
Total retakaful share of takaful liabilities	**20,307**	20,197
Net		
Unearned contribution	**25,624**	25,649
Claims reported unsettled	**6,212**	6,818
Claims incurred but not reported	**5,600**	5,600
	37,436	38,067

7. Financial investments

Other financial assets measured at FVTOCI

Other financial assets measured at FVTOCI comprise the following:

	31 March 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Quoted equity securities in U.A.E.	**342**	347
Unquoted equity securities in U.A.E.	**2,423**	2,423
	2,765	2,770

Notes to the condensed financial statements
for the period from 1 January 2015 to 31 March 2015 (continued)

7. Financial investments (continued)

Other financial assets measured at FVTPL

Other financial assets measured at FVTPL comprise the following:

	31 March 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Quoted equity securities in U.A.E.	**39,605**	60,588
Unquoted equity securities in U.A.E.	**515**	515
	40,120	61,103

8. Related party transactions

a) At the reporting date, amounts due from/to related parties were as follows:

	31 March 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Due from related parties:		
Al Redah Insurance Brokers (LLC), Dubai	**5,014**	3,447
Other related parties	**10**	1
	5,024	3,448

	31 March 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Due to related parties:		
Al Kazim Real Estate, Dubai	**5**	-
Other related parties	**1**	1
	6	1

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by related parties.

Notes to the condensed financial statements
for the period from 1 January 2015 to 31 March 2015 (continued)

8. Related party transactions (continued)

b) Transactions with related parties

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

	Three month period ended	
	31 March 2015 (Unaudited) AED'000	31 March 2014 (Unaudited) AED'000
Gross contribution written for related parties	**225**	249
Management expenses (net)	**509**	531
Contribution written through a related party broker	**5,268**	5,616
Policy acquisition costs	**736**	781
Claims paid – net	**17**	12
Claims paid through related party broker	**73**	29
Office rent	**181**	179

Transactions with related parties were carried out on terms agreed with the management.

c) Compensation of Board of Directors and key management personnel

	Three month period ended	
	31 March 2015 (Unaudited) AED'000	31 March 2014 (Unaudited) AED'000
Short-term benefits	**360**	360
Long-term benefits	**689**	1,114
Board of Directors' remuneration	**800**	2,000

9. Investment properties

	Land AED'000	**Property under construction AED'000**	**Other real estate AED'000**	**Total AED'000**
Balance at 1 January 2015 (Audited)	**25,647**	**14,028**	**228,345**	**268,020**
Additions during the period	**-**	**1,368**	**-**	**1,368**
Changes in fair value during the period	**(687)**	**-**	**-**	**(687)**
Transfer during the period	**-**	**(15,396)**	**15,396**	**-**
Balance at 31 March 2015 (Unaudited)	**24,960**	**-**	**243,741**	**268,701**
Balance at 1 January 2014 (Audited)	22,602	2,419	201,543	226,564
Additions during the year	-	11,609	-	11,609
Changes in fair value during the year	3,045	-	26,802	29,847
Balance at 31 December 2014 (Audited)	25,647	14,028	228,345	268,020

Notes to the condensed financial statements
for the period from 1 January 2015 to 31 March 2015 (continued)

9. Investment properties (continued)

The fair value was determined based on the market comparable approach that reflects recent transactions prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the period. The fair value is mainly based on unobservable inputs (i.e. level 3). All investment properties are located in U.A.E.

During the period, property under construction amounting AED 15.4 million was transferred to other real estate as the construction is completed. The property under construction was stated at cost on 31 December 2014 as fair value was not reliably determinable.

Investment property amounting to AED 7.35 million (31 December 2014: AED 8.04 million) is registered in the name of related parties on trust and for the benefit of the Company.

10. Share capital

At 31 March 2015, authorised, issued and fully paid share capital comprised 154,000,000 shares of AED 1 each (31 December 2014: 154,000,000 shares of AED 1 each).

11. Investment and other income

	Three month period ended	
	31 March 2015 (Unaudited) AED'000	31 March 2014 (Unaudited) AED'000
Profit on disposal of financial investments at FVTPL	**873**	2,430
Unrealised loss on financial investments at FVTPL	**(1,380)**	(5,112)
Profit on wakala deposit	**8**	-
Dividends from financial investments at FVTPL	**1,600**	1,900
Fair value loss on investment properties	**(687)**	(687)
Income from investment properties	**4,131**	3,525
Other income	**8**	7
	4,553	2,063

12. Wakala and Mudarib's fees

Wakala fees

Wakala fee for the period ended 31 March 2015 amounted to AED 4.17 million (31 March 2014: Nil). The fee is calculated at maximum of 30% of gross takaful contributions. Wakala fee is charged to the statement of income when incurred.

Mudarib's fee

The shareholders also manage the policyholders' investment funds and charge Mudarib's fee. Mudarib's fee is charged at 30% of realised investment income. No Mudarib's fee was charged during the period as there was no realised investment income pertaining to policyholders.

Notes to the condensed financial statements
for the period from 1 January 2015 to 31 March 2015 (continued)

13. Earnings per share

Earnings per share are calculated by dividing the profit for the period by the number of ordinary shares outstanding as of the end of the period as follows:

	Three month period ended 31 March 2015 (Unaudited)	31 March 2014 (Unaudited)
Profit for the period attributable to shareholders (in AED'000)	**2,619**	2,340
Number of ordinary shares outstanding	**154,000,000**	154,000,000
Basic and diluted earnings per share (in AED)	**0.02**	0.02

Diluted earnings per share as of 31 March 2015 and 31 March 2014 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

14. Dividends

At the Annual General Meeting held on 16 March 2015, the shareholders approved a cash dividend of 15% of share capital, AED 15 fils per share, amounting to AED 23 million (2014: cash dividend of 20% of share capital, AED 20 fils per share, amounting to AED 28 million and bonus share of 10% of share capital, AED 10 fils per share, amounting to AED 14 million). The shareholders also approved the Board of Directors' remuneration for 2014 of AED 0.8 million (2013: AED 2 million).

15. Cash and cash equivalents

	Three month period ended 31 March 2015 (Unaudited) AED'000	31 March 2014 (Unaudited) AED'000
Bank balances and cash (Note 4)	**22,548**	27,632
Wakala deposits under lien	-	(11,450)
Wakala deposits with maturity over 3 months	-	(3,130)
	22,548	13,052

Notes to the condensed financial statements
for the period from 1 January 2015 to 31 March 2015 (continued)

16. Commitments and contingent liabilities

	31 March 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000
Letters of guarantee	**10,886**	10,915

17. Segment information

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

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

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

Notes to the condensed financial statements
for the period from 1 January 2015 to 31 March 2015 (continued)

17. Segment information (continued)

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

	31 March 2015 (Unaudited)			31 March 2014 (Unaudited)		
	Attributable to policyholders AED'000	**Attributable to Shareholders AED'000**	**Total AED'000**	Attributable to policyholders AED'000	Attributable to shareholders AED'000	Total AED'000
Takaful						
Total takaful/underwriting income	**15,802**	**-**	**15,802**	-	12,973	12,973
Total takaful/underwriting expenses	**(13,007)**	**-**	**(13,007)**	-	(7,499)	(7,499)
Net takaful/underwriting income	**2,795**	**-**	**2,795**	-	5,474	5,474
Wakala fees	**(4,167)**	**4,167**	**-**	-	-	-
Expenses allocated to policyholders	**-**	**-**	**-**	-	(5,197)	(5,197)
	(1,372)	**4,167**	**2,795**	-	277	277
Investment						
Investment and other income	**-**	**4,553**	**4,553**	-	2,063	2,063
Unallocated general and administration expenses	**-**	**(4,729)**	**(4,729)**	-	-	-
Profit for the period	**(1,372)**	**3,991**	**2,619**	-	2,340	2,340

Notes to the condensed financial statements
for the period from 1 January 2015 to 31 March 2015 (continued)

17. Segment information (continued)

Other information

	Takaful		**Investment**		**Total**	
	31 March 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000	**31 March 2015 (Unaudited) AED'000**	31 December 2014 (Audited) AED'000	**31 March 2015 (Unaudited) AED'000**	31 December 2014 (Audited) AED'000
Segment assets	**52,499**	38,320	**344,739**	375,834	**397,238**	414,154
Segment liabilities	**86,405**	83,564	**9,978**	8,449	**96,383**	92,013

	Takaful 31 March		**Investment 31 March**		**Total 31 March**	
	2015 (Unaudited) AED'000	2014 (Unaudited) AED'000	**2015 (Unaudited) AED'000**	2014 (Unaudited) AED'000	**2015 (Unaudited) AED'000**	2014 (Unaudited) AED'000
Capital expenditure	**-**	-	**21**	5	**21**	5
Depreciation and amortisation	**-**	-	**37**	41	**37**	41

Notes to the condensed financial statements
for the period from 1 January 2015 to 31 March 2015 (continued)

18. Seasonality of results

No income of seasonal nature was recorded in the condensed statement of income for the three month period ended 31 March 2015 and 2014.

19. Fair value measurements

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

Fair value of financial instruments carried at amortised cost

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

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

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2014.

Fair value measurements recognised in the condensed statement of financial position

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

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

Notes to the condensed financial statements for the period from 1 January 2015 to 31 March 2015 (continued)

19. Fair value measurements (continued)

Financial assets	Fair value as at 31 March 2015 (Unaudited) AED'000	31 December 2014 (Audited) AED'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Financial assets at FVTOCI						
Quoted equity securities	**342**	347	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	**2,423**	2,423	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value.
Financial assets at FVTPL						
Quoted equity securities	**39,605**	60,588	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	**515**	515	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value.

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

20. Fatwa and Shari'a Supervisory Board

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

According to the Company's Fatwa and Sharia'a Supervisory Board, the Company is required to identify any income deemed to be derived from transactions not acceptable under Islamic Sharia'a principles, as interpreted by Fatwa and Sharia'a Supervisory Board, and to set aside such amount in a separate account for Shareholders who may resolve to pay the same for local charitable causes and activities.

21. Comparative figures

Certain comparative figures have been reclassified in order to conform to the presentation adopted for the current period due to conversion of the Company's business from conventional insurance to Takaful insurance. These changes have been made to improve the quality and comparability of information presented and does not affect previously reported results or equity.

22. Approval of condensed financial statements

The condensed financial statements were approved by the Board of Directors and authorised for issue on 4 May 2015.