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

Review report and interim financial information for the three months period ended 31 March 2016

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

Contents

Deloitte & Touche (M.E.)
UAB Tower – Level 13
Al Buhairah Corniche
P.O. Box 5470
Sharjah
United Arab Emirates

Tel: +971 (0) 6 517 9500
Fax: +971 (0) 6 517 9501
www.deloitte.com/middleeast

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 2016 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.)

Samir Madbak
Office Managing Partner
Registration No. 386
11 May 2016

Condensed statement of financial position
at 31 March 2016

	Notes	31 March 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
ASSETS			
Policyholders' assets			
Retakaful contract assets	4	**23,028**	19,360
Takaful and retakaful receivables	5	**19,259**	16,834
Prepayments and other receivables		**3,135**	1,644
Due from related parties	6	**9,169**	5,446
Due from shareholders		**12,531**	19,861
Cash and bank balances	7	**39,248**	26,754
Total policyholders' assets		**106,370**	89,899
Shareholders' assets			
Property and equipment		**287**	248
Investment properties	8	**266,046**	266,733
Prepayments and other receivables		**6,080**	1,450
Other financial assets measured at fair value through profit and loss (FVTPL)	9	**44,549**	43,203
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	9	**2,749**	2,729
Statutory deposits	10	**10,000**	10,000
Cash and bank balances	7	**28,255**	23,536
Total shareholders' assets		**357,966**	347,899
Total assets		**464,336**	437,798

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

Condensed statement of financial position
at 31 March 2016

	Notes	31 March 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
POLICYHOLDERS' LIABILITIES AND FUND			
Policyholders' liabilities			
Takaful contract liabilities	4	**87,057**	66,087
Takaful and retakaful payables		**28,307**	24,809
Other liabilities		**5,062**	5,016
Due to related parties	6	**-**	5
Total policyholders' liabilities		**120,426**	95,917
Policyholders' fund			
Deficit in policyholders' fund		**(13,889)**	(6,018)
Qard Hassan from shareholders		**13,889**	6,018
Total policyholders' fund		**-**	-
Total policyholders' liabilities and fund		**120,426**	95,917
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	11	**154,000**	154,000
Statutory reserve		**57,955**	57,955
General reserves		**50,064**	50,064
Investments revaluation reserve - FVTOCI		**(424)**	(444)
Retained earnings		**49,846**	50,885
Total shareholders' equity		**311,441**	312,460
Shareholders' liabilities			
Provision for employees' end of service indemnity		**1,885**	1,834
Other liabilities		**18,053**	7,726
Due to policyholders		**12,531**	19,861
Total shareholders' liabilities		**32,469**	29,421
Total shareholders' liabilities and equity		**343,910**	341,881
Total policyholders' liabilities and fund, shareholders' liabilities and equity		**464,336**	437,798

Managing Director

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

Condensed statement of income (unaudited)
for the three months period ended 31 March 2016

	Three month period ended 31 March	
	2016	2015
	AED'000	AED'000
Attributable to policyholders'		
Takaful income		
Gross contribution written	**41,951**	21,671
Movement in unearned contributions	**(7,977)**	21
Takaful contributions revenue	**33,974**	21,692
Retakaful contributions ceded	**(9,686)**	(7,649)
Movement in retakaful share of unearned contributions	**210**	4
Retakaful share of contributions	**(9,476)**	(7,645)
Net takaful revenue	**24,498**	14,047
Discount received on retakaful contributions	**2,031**	1,720
Policy fees	**119**	35
Total takaful income	**26,648**	15,802
Takaful expenses		
Gross claims incurred	**(26,960)**	(15,981)
Retakaful share of claims incurred	**5,046**	4,824
Net claims incurred	**(21,914)**	(11,157)
Other underwriting expenses	**(61)**	-
Total takaful expenses	**(21,975)**	(11,157)
Net takaful income	**4,673**	4,645
Other income	**41**	-
Wakala fees (Note 13)	**(12,585)**	(4,167)
Net (loss)/profit from takaful operations	**(7,871)**	478
(Loss)/profit for the period attributable to policyholders	**(7,871)**	478

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

Condensed statement of income (unaudited)
for the three months period ended 31 March 2016 (continued)

	Notes	Three month period ended 31 March	
		2016	2015
		AED'000	AED'000
Attributable to shareholders			
Investment income	12	**14,677**	4,537
Other income		**88**	16
Wakala fees from policyholders	13	**12,585**	4,167
Policy acquisition cost		**(4,918)**	(1,850)
General and administrative expenses		**(4,820)**	(4,729)
Income for the period before Qard Hassan		**17,612**	2,141
(Provision)/reversal of provision against Qard Hassan to policyholders		**(7,871)**	478
Profit for the period attributable to shareholders		**9,741**	2,619
Earnings per share (AED)	14	**0.06**	0.02

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

Condensed statement of comprehensive income (unaudited)
for the three months period ended 31 March 2016

	Three month period ended 31 March	
	2016	2015
	AED'000	AED'000
Attributable to shareholders		
Profit for the period	**9,741**	2,619
Other comprehensive income/(loss)		
Items that will not be reclassified subsequently to profit or loss		
Net fair value gain/(loss) on investments at FVTOCI	**20**	(5)
Board of directors' remuneration	**-**	(800)
Other comprehensive income/(loss) for the period	**20**	(805)
Total comprehensive income for the period attributable to shareholders	**9,761**	1,814

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

Condensed statement of changes in equity for the three months period ended 31 March 2016

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Investment revaluation reserve (FVTOCI) AED'000	Retained earnings AED'000	Total AED'000
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 income/(loss) for the period	-	-	-	(5)	1,819	1,814
Dividend (Note 15)	-	-	-	-	(23,100)	(23,100)
Balance at 31 March 2015 (Unaudited)	**154,000**	**56,609**	**48,718**	**(408)**	**41,936**	**300,855**
Balance at 31 December 2015 (Audited)	154,000	57,955	50,064	(444)	50,885	312,460
Profit for the period	-	-	-	-	9,741	9,741
Other comprehensive income for the period	-	-	-	20	-	20
Total comprehensive income for the period	-	-	-	20	9,741	9,761
Dividend (Note 15)	-	-	-	-	(10,780)	(10,780)
Balance at 31 March 2016 (Unaudited)	**154,000**	**57,955**	**50,064**	**(424)**	**49,846**	**311,441**

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

Condensed statement of cash flows (unaudited)
for the three months period ended 31 March 2016

	Three month period ended 31 March	
	2016	2015
	AED'000	AED'000
Cash flows from operating activities		
Profit for the period	9,741	2,619
Adjustments for:		
Depreciation of property and equipment	39	37
(Gain)/loss on financial assets at FVTPL	(9,001)	499
Fair value loss on investment properties	687	687
Other investment income	(6,363)	(5,731)
Provision for employees' end of service benefits	95	91
Operating cash flows before changes in operating assets and liabilities	(4,802)	(1,798)
Increase in retakaful contract assets	(3,668)	(110)
Increase in takaful and retakaful receivables	(2,425)	(3,903)
Increase in due from related parties	(3,723)	(1,576)
Increase in prepayments and other receivables	(6,121)	(1,779)
Increase/(decrease) in takaful contract liabilities	20,970	(521)
Increase in takaful and retakaful payables	3,498	3,357
(Decrease)/increase in other liabilities	(407)	1,438
(Decrease)/increase in due to related parties	(5)	5
Cash generated from/(used in) operations	3,317	(4,887)
Employee's end of service benefits paid	(44)	-
Net cash generated from/(used in) operating activities	3,273	(4,887)
Cash flows from investing activities		
Purchase of property and equipment	(78)	(21)
Purchase of investments properties	-	(1,368)
Purchase of investments in securities	(5,999)	-
Proceeds from sale of investments in securities	13,654	20,476
Dividends received	1,495	-
Rental income received	4,868	4,131
(Increase)/decrease in wakala deposits with maturity over 3 months	(15,000)	10,000
Net cash (used in)/generated from investing activities	(1,060)	33,218
Cash flows from financing activities		
Dividend paid	-	(23,100)
Board of Directors' remuneration paid	-	(800)
Net cash used in financing activities	-	(23,900)
Net increase in cash and cash equivalents	2,213	4,431
Cash and cash equivalents at the beginning of the period	40,290	18,117
Cash and cash equivalents at the end of the period (Note 16)	42,503	22,548

Non-cash transaction:
During the period, the shareholders approved a cash dividend of 7% of share capital amounting to AED 10,780 thousands which were not paid and were transferred to other liabilities.

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

Notes to the condensed financial statements
for the three months period ended 31 March 2016

1. General information

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance - Dubai (the "Company") is a public shareholding company registered since 1992 under U.A.E. Federal Commercial Companies Law. The Company is subject to the regulations of UAE Federal Law No. 2 of 2015, relating to commercial companies in UAE and 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 Company mainly issues 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.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these condensed financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- IFRS 14 Regulatory Deferral Accounts.
- Amendments to IAS 1 *Presentation of Financial Statements* relating to Disclosure initiative.
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortisation.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 Agriculture relating to bearer plants.
- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities.
- Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34.

Notes to the condensed financial statements
for the three months period ended 31 March 2016 (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

The Company has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
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. 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.	1 January 2018
IFRS 15 *Revenue from Contracts with Customers* In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition: • Step 1: Identify the contract(s) with a customer. • Step 2: Identify the performance obligations in the contract. • Step 3: Determine the transaction price. • Step 4: Allocate the transaction price to the performance obligations in the contract. • Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.	1 January 2018

Notes to the condensed financial statements
for the three months period ended 31 March 2016 (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 (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 16 *Leases*: IFRS 16 specifies will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17,	1 January 2019
Amendments to IAS 12 *Income taxes* seeks to clarify the requirements on recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, to address diversity in practice.	1 January 2017
Amendments to IAS 7 *Statement of Cash Flows*, which are intended to clarify the standard to improve information provided to users of financial statements about an entity's financing activities.	1 January 2017
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements for the period beginning 1 January 2017 or as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, may have no material impact on the 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 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.

On 28 December 2014, the UAE Insurance Authority issued Financial Regulations for insurance companies which were subsequently published in the UAE Official Gazette No. 575 on 28 January 2015 and came into force on 29 January 2015. The insurers are given a grace period between one to three years to comply with the Financial Regulations, depending on the section involved.

Notes to the condensed financial statements
for the three months period ended 31 March 2016 (continued)

3. Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

The Company is in the process of implementing the related requirements to comply fully with the Financial Regulations and Circular No. (4) and (9) of 2016 concerning the report requirements for insurance companies operating in the UAE. This mainly include preparation of the financial statements and disclosures based on Appendix (1) of the Financial Regulations.

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 2015.

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 2015. In addition, results for the three month period ended 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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 2015.

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).

Notes to the condensed financial statements
for the three months period ended 31 March 2016 (continued)

3. Summary of significant accounting policies (continued)

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.

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 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.

Notes to the condensed financial statements
for the three months period ended 31 March 2016 (continued)

3. Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

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 statement of income.

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

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 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 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.

Notes to the condensed financial statements
for the three months period ended 31 March 2016 (continued)

3. Summary of significant accounting policies (continued)

3.5 Financial assets (continued)

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.

For certain categories of financial asset, such as takaful 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 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 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.

Notes to the condensed financial statements
for the three months period ended 31 March 2016 (continued)

3. Summary of significant accounting policies (continued)

3.6 Investment properties (continued)

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 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 statement of income in the period of retirement or disposal.

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 statement of income.

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

Notes to the condensed financial statements
for the three months period ended 31 March 2016 (continued)

4. Takaful contract liabilities and retakaful contract assets

	31 March 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Gross		
Takaful contract liabilities:		
Unearned contribution	**49,482**	41,505
Claims reported unsettled*	**25,350**	18,082
Claims incurred but not reported	**12,225**	6,500
Total takaful/insurance contract liabilities, gross	**87,057**	66,087
Recoverable from retakaful		
Retakaful contract assets:		
Unearned contribution	**11,053**	10,843
Claims reported unsettled	**11,975**	8,517
Total retakaful share of takaful liabilities	**23,028**	19,360
Net		
Unearned contribution	**38,429**	30,662
Claims reported unsettled	**13,375**	9,565
Claims incurred but not reported	**12,225**	6,500
	64,029	46,727

*Outstanding claims includes unallocated loss adjustment expenses reserve of AED 1,555 thousands (31 December 2015: Nil).

5. Takaful and retakaful receivables

	31 March 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Takaful receivable	**15,723**	12,814
Receivables from takaful companies	**4,970**	4,183
Receivables from retakaful companies	**2**	1,273
	20,695	18,270
Less: Provisions for doubtful receivables	**(1,436)**	(1,436)
	19,259	16,834

Notes to the condensed financial statements
for the three months period ended 31 March 2016 (continued)

6. Related party transactions

The Company, in normal course of business, collects premium, settles claims and enters into transaction with other business enterprises that fall within the definition of a related party or defined by International Accounting Standard 24 (Revised). The Company's management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

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

	31 March 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Due from related parties:		
Al Redah Insurance Brokers (LLC), Dubai	**9,160**	5,440
Other related parties	**9**	6
	9,169	5,446
Due to related parties:		
Other related parties	**-**	5
	-	5

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 period/year for bad or doubtful debts in respect of the amounts owed by related parties.

b) Transactions with related parties

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

	Three month period ended 31 March 2016 (Unaudited) AED'000	31 March 2015 (Unaudited) AED'000
Gross contribution written for related parties	**389**	225
Management expenses (net)	**504**	509
Contribution written through a related party broker	**6,638**	5,268
Policy acquisition costs	**912**	736
Claims paid – net	**17**	17
Claims paid through related party broker	**8**	73
Office rent	**187**	181

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

Notes to the condensed financial statements
for the three months period ended 31 March 2016 (continued)

6. Related party transactions (continued)

c) Compensation of Board of Directors and key management personnel

	Three month period ended 31 March 2016 (Unaudited) AED'000	31 March 2015 (Unaudited) AED'000
Short-term benefits	**300**	360
Long-term benefits	**338**	689
Board of Directors' remuneration	**800**	800

7. Cash and bank balances

	31 March 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Cash on hand	**86**	44
Bank balances:		
Wakala deposits	**35,000**	10,000
Current accounts	**32,417**	40,246
	67,503	50,290
Attributable to:		
Policyholders	**39,248**	26,754
Shareholders	**28,255**	23,536
	67,503	50,290

Notes to the condensed financial statements
for the three months period ended 31 March 2016 (continued)

8. Investment properties

	Land AED'000	Property under construction AED'000	Other real estate AED'000	Total AED'000
Balance at 1 January 2016 (Audited)	**11,803**	**-**	**254,930**	**266,733**
Changes in fair value during the period	**(687)**	**-**	**-**	**(687)**
Balance at 31 March 2016 (Unaudited)	**11,116**	**-**	**254,930**	**266,046**
Balance at 1 January 2015 (Audited)	25,647	14,028	228,345	268,020
Additions during the year	338	1,368	-	1,706
Transfer during the year	(11,175)	(15,396)	26,571	-
Changes in fair value during the year	(3,007)	-	14	(2,993)
Balance at 31 December 2015 (Audited)	11,803	-	254,930	266,733

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.

Investment property amounting to AED 4.9 million (31 December 2015: AED 5.6 million) is registered in the name of related parties on trust and for the benefit of the Company.

Notes to the condensed financial statements
for the three months period ended 31 March 2016 (continued)

9. Other financial assets

The Company's other financial assets at the end of reporting period/year are detailed below:

	31 March 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Other financial assets measured at fair value through other comprehensive income (FVTOCI)		
Quoted U.A.E. equity securities	**326**	306
Unquoted U.A.E. equity securities	**2,423**	2,423
	2,749	2,729
Other financial assets measured at fair value through profit and loss (FVTPL)		
Quoted U.A.E. equity securities	**44,034**	42,688
Unquoted U.A.E. equity securities	**515**	515
	44,549	43,203

The movement in other financial assets are as follows:

	At fair value through other comprehensive income (FVTOCI)		**At fair value through profit or loss (FVTPL)**	
	31 March 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000	**31 March 2016 (Unaudited) AED'000**	31 December 2015 (Audited) AED'000
Fair value, at the beginning of the period/year	**2,729**	2,770	**43,203**	61,103
Purchased during the period/year	**-**	-	**5,999**	8,517
Sold during the period/year	**-**	-	**(11,670)**	(26,132)
Change in fair value	**20**	(41)	**7,017**	(285)
Fair value, at the end of the period/year	**2,749**	2,729	**44,549**	43,203

Notes to the condensed financial statements
for the three months period ended 31 March 2016 (continued)

10. 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. These deposits cannot be withdrawn without prior approval of the Insurance Authority.

11. Share capital

At 31 March 2016, authorised, issued and fully paid share capital comprised 154,000,000 shares of AED 1 each (31 December 2015: 154,000,000 shares of AED 1 each).

12. Investment income

	Three month period ended	
	31 March 2016 (Unaudited) AED'000	31 March 2015 (Unaudited) AED'000
Profit on disposal of financial investments at FVTPL	**1,984**	873
Unrealised gain/(loss) on financial investments at FVTPL	**7,017**	(1,380)
Dividends from financial investments at FVTPL	**1,495**	1,600
Fair value loss on investment properties	**(687)**	(687)
Income from investment properties	**4,868**	4,131
	14,677	4,537

13. Wakala and Mudarib's fees

Wakala fees

Wakala fee for the period ended 31 March 2016 amounted to AED 12.6 million (31 March 2015: AED 4.2 million). 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 three months period ended 31 March 2016 (continued)

14. Earnings per share

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

	Three month period ended	
	31 March 2016 (Unaudited)	31 March 2015 (Unaudited)
Profit for the period attributable to shareholders (in AED'000)	**9,741**	2,619
Number of ordinary shares outstanding (share)	**154,000,000**	154,000,000
Basic and diluted earnings per share (in AED)	**0.06**	0.02

Diluted earnings per share as of 31 March 2016 and 31 March 2015 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

15. Dividends

At the Annual General Meeting held on 21 March 2016, the shareholders approved a cash dividend of 7% of share capital, AED 7 fils per share, amounting to AED 10.78 million for the year 2015. (2015: cash dividend of 15% of share capital, AED 15 fils per share, amounting to AED 23.1 million for the year 2014). The shareholders also approved the Board of Directors' remuneration for 2015 of AED 0.8 million (2014: AED 0.8 million).

16. Cash and cash equivalents

	Three month period ended	
	31 March 2016 (Unaudited) AED'000	31 March 2015 (Unaudited) AED'000
Cash and bank balances (Note 7)	**67,503**	22,548
Wakala deposit with maturity over 3 months	**(25,000)**	-
	42,503	22,548

Notes to the condensed financial statements
for the three months period ended 31 March 2016 (continued)

17. Commitments and contingent liabilities

	31 March 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000
Letters of guarantee	**10,441**	10,886

18. 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.

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

Notes to the condensed financial statements
for the three months period ended 31 March 2016 (continued)

18. Segment information (continued)

Other information

	Takaful		Investment		Total	
	31 March 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000	**31 March 2016 (Unaudited) AED'000**	31 December 2015 (Audited) AED'000	**31 March 2016 (Unaudited) AED'000**	31 December 2015 (Audited) AED'000
Segment assets	**106,370**	89,899	**357,966**	347,899	**464,336**	437,798
Segment liabilities	**120,426**	95,917	**32,469**	29,421	**152,895**	125,338

	Takaful For the three months period ended 31 March		Investment For the three months period ended 31 March		Total For the three months period ended 31 March	
	2016 (Unaudited) AED'000	2015 (Unaudited) AED'000	**2016 (Unaudited) AED'000**	2015 (Unaudited) AED'000	**2016 (Unaudited) AED'000**	2015 (Unaudited) AED'000
Capital expenditure	**-**	-	**78**	21	**78**	21
Depreciation and amortisation	**-**	-	**39**	37	**39**	37

Notes to the condensed financial statements
for the three months period ended 31 March 2016 (continued)

19. Seasonality of results

Investment and other income for the current period includes dividends income of AED 1,495 thousand (Three months period ended 31 March 2015: AED 1,600 thousand), which is of a seasonal nature.

20. 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 2015.

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 three months period ended 31 March 2016 (continued)

20. Fair value measurements (continued)

Financial assets	Fair value as at 31 March 2016 (Unaudited) AED'000	31 December 2015 (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	**326**	306	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	**44,034**	42,688	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 the levels 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.

21. 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.

22. Reclassification

Certain comparative figures have been reclassified in order to conform to the presentation for the current period. 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.

23. Approval of condensed financial statements

The condensed financial statements were approved by the Board of Directors and authorised for issue on 11 May 2016.