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

**Review report and interim financial information for the nine months period ended 30 September 2016**

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

**Contents**

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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 30 September 2016 and the related condensed statements of income, comprehensive income, changes in equity and cash flows for the nine months 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
Registration No. 386
30 October 2016

## Condensed statement of financial position at 30 September 2016

| | Notes | 30 September 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Policyholders' assets** | | | |
| Retakaful contract assets | 4 | **31,908** | 19,360 |
| Takaful and retakaful receivables | 5 | **30,105** | 16,834 |
| Prepayments and other receivables | | **7,236** | 1,644 |
| Due from related parties | 6 | **9,325** | 5,446 |
| Due from Shareholders | | **-** | 19,861 |
| Other financial assets measured at fair value through profit and loss (FVTPL) | 9 | **2,661** | - |
| Cash and bank balances | 7 | **59,102** | 26,754 |
| **Total policyholders' assets** | | **140,337** | 89,899 |
| **Shareholders' assets** | | | |
| Property and equipment | | **275** | 248 |
| Investment properties | 8 | **264,671** | 266,733 |
| Due from policyholders | | **5,274** | - |
| Prepayments and other receivables | | **5,760** | 1,450 |
| Other financial assets measured at fair value through profit and loss (FVTPL) | 9 | **39,302** | 43,203 |
| Other financial assets measured at fair value through other comprehensive income (FVTOCI) | 9 | **2,423** | 2,729 |
| Statutory deposits | 10 | **10,000** | 10,000 |
| Cash and bank balances | 7 | **25,885** | 23,536 |
| **Total Shareholders' assets** | | **353,590** | 347,899 |
| **Total assets** | | **493,927** | 437,798 |

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

**Condensed statement of financial position**
**at 30 September 2016 (continued)**

| | Notes | 30 September 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|---|
| **POLICYHOLDERS' LIABILITIES AND FUND** | | | |
| **Policyholders' liabilities** | | | |
| Takaful contract liabilities | 4 | **119,092** | 66,087 |
| Takaful and retakaful payables | | **42,024** | 24,809 |
| Other liabilities | | **4,456** | 5,016 |
| Due to Shareholders | | **5,274** | - |
| Due to related parties | 6 | **-** | 5 |
| **Total policyholders' liabilities** | | **170,846** | 95,917 |
| **Policyholders' fund** | | | |
| Deficit in policyholders' fund | | **(30,699)** | (6,018) |
| Qard Hassan from Shareholders | | **30,699** | 6,018 |
| **Total policyholders' fund** | | **-** | - |
| **Total policyholders' liabilities and fund** | | **170,846** | 95,917 |
| **SHAREHOLDERS' EQUITY AND LIABILITIES** | | | |
| **Shareholders' equity** | | | |
| Share capital | 11 | **154,000** | 154,000 |
| Statutory reserve | 12 | **57,955** | 57,955 |
| General reserve | 13 | **50,064** | 50,064 |
| Investments revaluation reserve - FVTOCI | | **-** | (444) |
| Retained earnings | | **51,197** | 50,885 |
| **Total Shareholders' equity** | | **313,216** | 312,460 |
| **Shareholders' liabilities** | | | |
| Provision for employees' end of service indemnity | | **1,944** | 1,834 |
| Other liabilities | | **7,921** | 7,726 |
| Due to policyholders | | **-** | 19,861 |
| **Total Shareholders' liabilities** | | **9,865** | 29,421 |
| **Total Shareholders' liabilities and equity** | | **323,081** | 341,881 |
| **Total policyholders' liabilities and fund, Shareholders' liabilities and equity** | | **493,927** | 437,798 |

**Managing Director**

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

**Condensed statement of income (unaudited)**
**for the nine months period ended 30 September 2016**

| | Three months period ended 30 September | | Nine months period ended 30 September | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **AED'000** | AED'000 | **AED'000** | AED'000 |
| **Attributable to policyholders** | | | | |
| **Takaful income** | | | | |
| Gross contribution written | **42,920** | 22,199 | **125,832** | 70,424 |
| Movement in unearned contributions | **(8,275)** | (990) | **(22,046)** | (2,147) |
| Takaful contributions revenue | **34,645** | 21,209 | **103,786** | 68,277 |
| Retakaful contributions ceded | **(13,593)** | (4,177) | **(34,513)** | (22,282) |
| Movement in retakaful share of unearned contributions | **2,706** | (285) | **1,728** | 724 |
| **Retakaful share of contributions** | **(10,887)** | (4,462) | **(32,785)** | (21,558) |
| Net takaful revenue | **23,758** | 16,747 | **71,001** | 46,719 |
| Discount received on retakaful contributions | **984** | 931 | **5,103** | 6,018 |
| Policy fees | **168** | 84 | **418** | 210 |
| **Total takaful income** | **24,910** | 17,762 | **76,522** | 52,947 |
| **Takaful expenses** | | | | |
| Gross claims incurred | **(34,101)** | (18,624) | **(93,829)** | (50,492) |
| Retakaful share of claims incurred | **11,029** | 5,941 | **31,034** | 15,592 |
| **Net claims incurred** | **(23,072)** | (12,683) | **(62,795)** | (34,900) |
| Other takaful expenses | **(393)** | (2,293) | **(693)** | (6,564) |
| **Total takaful expenses** | **(23,465)** | (14,976) | **(63,488)** | (41,464) |
| **Net takaful income** | **1,445** | 2,786 | **13,034** | 11,483 |
| Investment and other income | **145** | - | **306** | - |
| Wakala fees (Note 15) | **(12,875)** | (6,658) | **(37,749)** | (18,792) |
| Mudarib fees (Note 15) | **(45)** | - | **(81)** | - |
| **Loss for the period attributable to policyholders** | **(11,330)** | (3,872) | **(24,490)** | (7,309) |

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

## Condensed statement of income (unaudited)
## for the nine months period ended 30 September 2016 (continued)

| | Notes | Three months period ended 30 September 2016 AED'000 | Three months period ended 30 September 2015 AED'000 | Nine months period ended 30 September 2016 AED'000 | Nine months period ended 30 September 2015 AED'000 |
|---|---|---|---|---|---|
| **Attributable to Shareholders** | | | | | |
| Investment and other income | 14 | **6,130** | 3,821 | **24,059** | 17,489 |
| Wakala fees from policyholders | | **12,875** | 6,658 | **37,749** | 18,792 |
| Mudarib's fee | | **45** | - | **81** | - |
| Policy acquisition cost | | **(3,581)** | - | **(12,174)** | - |
| General and administration expenses | | **(4,391)** | (3,819) | **(13,704)** | (13,232) |
| **Income for the period before Qard Hassan** | | **11,078** | 6,660 | **36,011** | 23,049 |
| Provision against Qard Hassan to policyholders | | **(11,330)** | (3,872) | **(24,490)** | (7,309) |
| **(Loss)/profit for the period attributable to Shareholders** | | **(252)** | 2,788 | **11,521** | 15,740 |
| **(Loss)/earnings per share** | 16 | **(0.002)** | 0.02 | **0.075** | 0.10 |

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

## Condensed statement of comprehensive income (unaudited)
## for the nine months period ended 30 September 2016

| | Three months period ended 30 September | | Nine months period ended 30 September | |
|---|---|---|---|---|
| | **2016** | 2015 | **2016** | 2015 |
| | **AED'000** | AED'000 | **AED'000** | AED'000 |
| **Attributable to Shareholders** | | | | |
| (Loss)/profit for the period | **(252)** | 2,788 | **11,521** | 15,740 |
| **Other comprehensive income /(loss)** | | | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | | | |
| Net fair value gain on investments at FVTOCI | **-** | - | **20** | - |
| Loss on sale of investments designated at FVTOCI | **-** | - | **(5)** | - |
| Board of Directors' remunerations | **-** | - | **-** | (800) |
| **Other comprehensive income/ (loss) for the period** | **-** | - | **15** | (800) |
| **Total comprehensive (loss)/ income for the period attributable to Shareholders** | **(252)** | 2,788 | **11,536** | 14,940 |

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

## Condensed statement of changes in equity
## for the nine months period ended 30 September 2016

| | Share capital AED'000 | Statutory reserve AED'000 | General reserve AED'000 | Investments 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 | - | - | - | - | 15,740 | 15,740 |
| Other comprehensive loss for the period | - | - | - | - | (800) | (800) |
| Total comprehensive income for the period | - | - | - | - | 14,940 | 14,940 |
| Dividends (Note 17) | - | - | - | - | (23,100) | (23,100) |
| Balance at 30 September 2015 (Unaudited) | 154,000 | 56,609 | 48,718 | (403) | 55,057 | 313,981 |
| Balance at 31 December 2015 (Audited) | 154,000 | 57,955 | 50,064 | (444) | 50,885 | 312,460 |
| Profit for the period | - | - | - | - | 11,521 | 11,521 |
| Other comprehensive income/(loss) for the period | - | - | - | 20 | (5) | 15 |
| Total comprehensive income for the period | - | - | - | 20 | 11,516 | 11,536 |
| Transfer to retained earnings on disposal of investments designated at FVTOCI | - | - | - | 424 | (424) | - |
| Dividends (Note 17) | - | - | - | - | (10,780) | (10,780) |
| **Balance at 30 September 2016 (Unaudited)** | **154,000** | **57,955** | **50,064** | - | **51,197** | **313,216** |

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

## Condensed statement of cash flows (unaudited)
## for the nine months period ended 30 September 2016

| | Nine months period ended 30 September 2016 AED'000 | 2015 AED'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the period | **11,521** | 15,740 |
| Adjustments for: | | |
| Depreciation of property and equipment | **125** | 110 |
| Other investment income | **(16,555)** | (17,252) |
| Fair value loss on investment properties | **2,062** | 1,723 |
| Gain on financial assets at FVTPL | **(9,464)** | (1,097) |
| Provision for employees' end of service benefits | **277** | 270 |
| **Operating cash flows before changes in operating assets and liabilities** | **(12,034)** | (506) |
| Increase in retakaful contract assets | **(12,548)** | (1,766) |
| Increase in takaful receivables | **(13,271)** | (4,647) |
| Increase in due from related parties | **(3,879)** | (2,661) |
| (Increase)/decrease in prepayments and other receivables | **(9,902)** | 1,456 |
| Increase in takaful contract liabilities | **53,005** | 4,550 |
| Increase in takaful payables | **17,215** | 2,929 |
| Decrease in other liabilities | **(365)** | (544) |
| Decrease in due to related parties | **(5)** | - |
| **Cash generated from/(used in) operations** | **18,216** | (1,189) |
| Employee's end of service benefits paid | **(167)** | (269) |
| **Net cash generated from/(used in) operating activities** | **18,049** | (1,458) |
| **Cash flows from investing activities** | | |
| Purchase of property and equipment | **(152)** | (29) |
| Purchase of investments properties | **-** | (1,368) |
| Purchase of investments in securities | **(30,190)** | (5,795) |
| Proceeds from sale of investments in securities | **41,215** | 24,127 |
| Rental income received | **14,328** | 13,570 |
| Profit received on wakala deposit | **303** | 301 |
| Dividend received | **1,924** | 3,381 |
| (Increase)/decrease in wakala deposits with maturity over 3 months | **(15,000)** | 10,000 |
| **Net cash generated from investing activities** | **12,428** | 44,187 |
| **Cash flows from financing activities** | | |
| Dividends paid | **(10,780)** | (23,100) |
| Board of Directors' remuneration paid | **-** | (800) |
| **Net cash used in financing activities** | **(10,780)** | (23,900) |
| **Net increase in cash and cash equivalents** | **19,697** | 18,829 |
| 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 18)** | **59,987** | 36,946 |

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

**Notes to the condensed financial statements**
**for the nine months period ended 30 September 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 nine months period ended 30 September 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.<br><br>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.<br><br>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*<br><br>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.<br><br>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.<br><br>Specifically, the standard introduces a 5-step approach to revenue recognition:<br><br>• Step 1: Identify the contract(s) with a customer.<br>• Step 2: Identify the performance obligations in the contract.<br>• Step 3: Determine the transaction price.<br>• Step 4: Allocate the transaction price to the performance obligations in the contract.<br>• Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation. | 1 January 2018 |

**Notes to the condensed financial statements**
**for the nine months period ended 30 September 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 15 *Revenue from Contracts with Customers (continued)*<br>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.<br><br>Amendments were further issued on IFRS 15 clarifying some requirements and providing additional relief for companies that are implementing the new standard. The amendments do not change the underlying principles of the standard but clarify how those principles should be applied. | |
| 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 2 *Share-based Payment* that clarify the classification and measurement of share-based payment transactions. | 1 January 2018 |
| 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 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.

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 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 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 financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2015.

These 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 nine months period ended 30 September 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.

**Notes to the condensed financial statements**
**for the nine months period ended 30 September 2016 (continued)**

## 3. Summary of significant accounting policies (continued)

### 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 Qard 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 Hassan (a finance cost free loan with no repayment terms). The Company maintains a full provision against the Qard Hassan.

### 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 the statement of income attributable to policyholders.

**Notes to the condensed financial statements**
**for the nine months period ended 30 September 2016 (continued)**

## 3. Summary of significant accounting policies (continued)

### 3.5 Financial assets

All financial assets are recognised and derecognised on the 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 at FVTPL, unless the Company designates an investment that is not held for trading 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 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.

**Notes to the condensed financial statements**
**for the nine months period ended 30 September 2016 (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) (continued)*

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 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.

*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 assets, 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 the statement of income.

## 3. Summary of significant accounting policies (continued)

### 3.5 Financial assets (continued)

*3.5.5 Impairment of financial assets (continued)*

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.

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.

**Notes to the condensed financial statements**
**for the nine months period ended 30 September 2016 (continued)**

## 3. Summary of significant accounting policies (continued)

### 3.7 Property and equipment (continued)

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 the statement of income.

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

## 4. Takaful contract liabilities and retakaful contract assets

| | **30 September 2016 (Unaudited) AED'000** | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| **Gross** | | |
| Takaful contract liabilities: | | |
| Unearned contribution | **63,551** | 41,505 |
| Claims reported unsettled | **39,242** | 18,082 |
| Claims incurred but not reported* | **16,299** | 6,500 |
| **Total takaful contract liabilities, gross** | **119,092** | 66,087 |
| **Recoverable from retakaful** | | |
| Retakaful contract assets: | | |
| Unearned contribution | **12,571** | 10,843 |
| Claims reported unsettled | **19,337** | 8,517 |
| **Total retakaful share of takaful liabilities** | **31,908** | 19,360 |
| Net | | |
| Unearned contribution | **50,980** | 30,662 |
| Claims reported unsettled | **19,905** | 9,565 |
| Claims incurred but not reported | **16,299** | 6,500 |
| | **87,184** | 46,727 |

*Claims incurred but not reported include an unallocated loss adjustment expenses reserve of AED 1,158 thousands (31 December 2015: Nil).

**Notes to the condensed financial statements**
**for the nine months period ended 30 September 2016 (continued)**

## 5. Takaful and retakaful receivables

| | 30 September 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| Takaful receivable | **23,775** | 12,814 |
| Receivables from takaful companies | **7,757** | 4,183 |
| Receivables from retakaful companies | **9** | 1,273 |
| | **31,541** | 18,270 |
| Less: Allowance for doubtful receivables | **(1,436)** | (1,436) |
| | **30,105** | 16,834 |

## 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:

| | 30 September 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| **Due from related parties:** | | |
| Al Redah Insurance Brokers (LLC), Dubai | **9,295** | 5,440 |
| Other related parties | **30** | 6 |
| | **9,325** | 5,446 |
| **Due to related parties:** | | |
| Other related parties | **-** | 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.

**Notes to the condensed financial statements**
**for the nine months period ended 30 September 2016 (continued)**

## 6. Related party transactions (continued)

### b) Transactions with related parties

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

| | Three months period ended 30 September | | Nine months period ended 30 September | |
|---|---|---|---|---|
| | **2016 (Unaudited) AED'000** | 2015 (Unaudited) AED'000 | **2016 (Unaudited) AED'000** | 2015 (Unaudited) AED'000 |
| Gross contribution written for related parties | **149** | 61 | **830** | 438 |
| Management expenses (net) | **-** | 41 | **707** | 744 |
| Contribution written through a related party broker | **3,511** | 3,270 | **14,824** | 11,633 |
| Policy acquisition costs | **448** | 338 | **1,993** | 1,621 |
| Claims paid - net | **36** | 16 | **75** | 50 |
| Claims paid through related party broker | **30** | - | **56** | 75 |

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

### c) Compensation of Board of Directors and key management personnel

| | Three months period ended 30 September | | Nine months period ended 30 September | |
|---|---|---|---|---|
| | **2016 (Unaudited) AED'000** | 2015 (Unaudited) AED'000 | **2016 (Unaudited) AED'000** | 2015 (Unaudited) AED'000 |
| Short-term benefits | **404** | 360 | **1,019** | 1,080 |
| Long-term benefits | **68** | 69 | **519** | 922 |
| Board of Directors' remuneration | **-** | - | **800** | 800 |

**Notes to the condensed financial statements**
**for the nine months period ended 30 September 2016 (continued)**

## 7. Cash and bank balances

| | 30 September 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| Cash on hand | **138** | 44 |
| Bank balances: | | |
| Wakala deposits | **50,000** | 10,000 |
| Current accounts | **34,849** | 40,246 |
| | **84,987** | 50,290 |
| Attributable to: | | |
| Policyholders | **59,102** | 26,754 |
| Shareholders | **25,885** | 23,536 |
| | **84,987** | 50,290 |

## 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 | **(2,062)** | **-** | **-** | **(2,062)** |
| **Balance at 30 September 2016 (Unaudited)** | **9,741** | **-** | **254,930** | **264,671** |
| 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 3.56 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 nine months period ended 30 September 2016 (continued)**

## 9. Other financial assets

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

| | **30 September 2016 (Unaudited) AED'000** | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| **Other financial assets measured at fair value through profit and loss (FVTPL)** | | |
| Quoted U.A.E. equity securities | **41,448** | 42,688 |
| Unquoted U.A.E. equity securities | **515** | 515 |
| | **41,963** | 43,203 |
| Allocated as follows: | | |
| Attributable to policyholders | **2,661** | - |
| Attributable to Shareholders | **39,302** | 43,203 |
| | **41,963** | 43,203 |
| **Other financial assets measured at fair value through other comprehensive income (FVTOCI)** | | |
| Quoted U.A.E. equity securities | **-** | 306 |
| Unquoted U.A.E. equity securities | **2,423** | 2,423 |
| | **2,423** | 2,729 |

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)** | |
|---|---|---|---|---|
| | **Nine months period ended 30 September 2016 (Unaudited) AED'000** | Year ended 31 December 2015 (Audited) AED'000 | **Nine months period ended 30 September 2016 (Unaudited) AED'000** | Year ended 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 | **-** | - | **30,190** | 8,517 |
| Sold during the period/year | **(326)** | - | **(33,717)** | (26,132) |
| Change in fair value | **20** | (41) | **2,287** | (285) |
| **Fair value at the end of the period/year** | **2,423** | 2,729 | **41,963** | 43,203 |

## 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 30 September 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. Statutory reserve

In accordance with United Arab Emirates Federal Commercial Companies Law No. 2 of 2015 and Company's Articles of Association, 10% of net profit for the year is required to be transferred to statutory reserve. The Company may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the law.

## 13. General reserve

In accordance with the Company's Articles of association, an amount equal to 10% of net profit for the year is transferred to a general reserve. This reserve can be used for specific purposes to be decided upon by the Company's Shareholders based on the recommendations of the board of directors. Transfers to this reserve are required to be made until such time as it equals 50% of the Company's paid up capital

## 14. Investment and other income

| | **Three months period ended 30 September** | | **Nine months period ended 30 September** | |
|---|---|---|---|---|
| | **2016 (Unaudited) AED'000** | 2015 (Unaudited) AED'000 | **2016 (Unaudited) AED'000** | 2015 (Unaudited) AED'000 |
| Profit on disposal of financial investments at FVTPL | **527** | 123 | **7,177** | 996 |
| Unrealised gain/(loss) on financial investments at FVTPL | **904** | (2,342) | **2,287** | 101 |
| Profit on wakala deposit | **121** | 253 | **303** | 301 |
| Dividends from financial investments at FVTPL | **406** | 1,758 | **1,924** | 3,381 |
| Fair value loss on investment properties | **(687)** | (688) | **(2,062)** | (1,723) |
| Income from investment properties | **4,764** | 4,597 | **14,328** | 13,570 |
| Other income | **95** | 120 | **102** | 863 |
| | **6,130** | 3,821 | **24,059** | 17,489 |

**Notes to the condensed financial statements**
**for the nine months period ended 30 September 2016 (continued)**

## 15. Wakala and Mudarib fees

*Wakala fees*

Wakala fees for the period ended 30 September 2016 amounted to AED 37.75 million (30 September 2015: AED 18.8 million). The fees are calculated at maximum rate of 30% of gross takaful contributions. Wakala fee is charged to the statement of income when incurred.

*Mudarib fees*

The Shareholders also manage the policyholders' investment funds and charge Mudarib fees. Mudarib fees are charged at 30% of realised investment income.

## 16. 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 months period ended 30 September | | Nine months period ended 30 September | |
|---|---|---|---|---|
| | **2016 (Unaudited)** | 2015 (Unaudited) | **2016 (Unaudited)** | 2015 (Unaudited) |
| (Loss)/profit for the period attributable to Shareholders (in AED '000) | **(252)** | 2,788 | **11,521** | 15,740 |
| Number of ordinary shares outstanding | **154,000,000** | 154,000,000 | **154,000,000** | 154,000,000 |
| Basic and diluted (loss)/earnings per share (in AED) | **(0.002)** | 0.02 | **0.075** | 0.10 |

Diluted (loss)/earnings per share as of 30 September 2016 and 30 September 2015 are equivalent to basic (loss)/earnings per share as the Company did not issue any new instrument that would impact (loss)/earnings per share when executed.

## 17. 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).

**Notes to the condensed financial statements**
**for the nine months period ended 30 September 2016 (continued)**

## 18. Cash and cash equivalents

| | 30 September 2016 (Unaudited) AED'000 | 30 September 2015 (Unaudited) AED'000 |
|---|---|---|
| Cash and bank balances (Note 7) | **84,987** | 36,946 |
| Wakala deposits with maturity over 3 months | **(25,000)** | - |
| | **59,987** | 36,946 |

## 19. Contingent liabilities

| | 30 September 2016 (Unaudited) AED'000 | 31 December 2015 (Audited) AED'000 |
|---|---|---|
| Letters of guarantee | **10,341** | 10,441 |

## 20. 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, Mudarib 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 nine months period ended 30 September 2016 (continued)**

## 20. Segment information (continued)

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

| | **Nine months period ended 30 September 2016 (Unaudited)** | | | Nine months period ended 30 September 2015 (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 income | **76,522** | **-** | **76,522** | 52,947 | - | 52,947 |
| Total takaful expenses | **(63,488)** | **-** | **(63,488)** | (41,464) | - | (41,464) |
| **Net takaful income** | **13,034** | **-** | **13,034** | 11,483 | - | 11,483 |
| Wakala fees | **(37,749)** | **37,749** | **-** | (18,792) | 18,792 | - |
| Mudarib fees | **(81)** | **81** | **-** | - | - | - |
| Investment and other income | **306** | **-** | **306** | - | - | - |
| | **(24,490)** | **37,830** | **13,340** | (7,309) | 18,792 | 11,483 |
| ***Investment*** | | | | | | |
| Investment and other income | **-** | **24,059** | **24,059** | - | 17,489 | 17,489 |
| Policy acquisition cost | **-** | **(12,174)** | **(12,174)** | - | - | - |
| General and administration expenses | **-** | **(13,704)** | **(13,704)** | - | (13,232) | (13,232) |
| **(Loss)/profit for the period** | **(24,490)** | **36,011** | **11,521** | (7,309) | 23,049 | 15,740 |

**Notes to the condensed financial statements**
**for the nine months period ended 30 September 2016 (continued)**

## 20. Segment information (continued)

**Other information**

| | Takaful | | Investment | | Total | |
|---|---|---|---|---|---|---|
| | **30 September 2016 (Unaudited) AED'000** | 31 December 2015 (Audited) AED'000 | **30 September 2016 (Unaudited) AED'000** | 31 December 2015 (Audited) AED'000 | **30 September 2016 (Unaudited) AED'000** | 31 December 2015 (Audited) AED'000 |
| Segment assets | **140,337** | 89,899 | **353,590** | 347,899 | **493,927** | 437,798 |
| Segment liabilities | **170,846** | 95,917 | **9,865** | 29,421 | **180,711** | 125,338 |

| | Takaful Nine months period ended 30 September | | Investment Nine months period ended 30 September | | Total Nine months period ended 30 September | |
|---|---|---|---|---|---|---|
| | **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 | **-** | - | **152** | 29 | **152** | 29 |
| Depreciation of property and equipment | **-** | - | **125** | 110 | **125** | 110 |

**Notes to the condensed financial statements**
**for the nine months period ended 30 September 2016 (continued)**

## 21. Seasonality of results

Investment and other income for the current period includes dividends income of AED 1,924 thousand (nine months period ended 30 September 2015: AED 3,381 thousand), which is of a seasonal nature.

## 22. 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 nine months period ended 30 September 2016 (continued)**

## 22. Fair value measurements (continued)

| Financial assets | Fair value as at 30 September 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 | - | 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 | **41,448** | 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.

## 23. 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.

## 24. Approval of condensed financial statements

The condensed financial statements were approved by the Board of Directors and authorised for issue on 30 October 2016.