

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

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

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

| <b>Table of contents</b>                                                     | <b>Pages</b>  |
|------------------------------------------------------------------------------|---------------|
| <b>Report on review of interim financial information</b>                     | <b>1</b>      |
| <b>Condensed consolidated statement of financial position</b>                | <b>2</b>      |
| <b>Condensed consolidated income statement (Un-audited)</b>                  | <b>3</b>      |
| <b>Condensed consolidated statement of comprehensive income (Un-audited)</b> | <b>4</b>      |
| <b>Condensed consolidated statement of changes in equity</b>                 | <b>5</b>      |
| <b>Condensed consolidated statement of cash flows (Un-audited)</b>           | <b>6</b>      |
| <b>Notes to the condensed consolidated financial statements</b>              | <b>7 - 23</b> |

## Report on Review of Interim Financial Information

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

### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of **Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)** (the "Company") and its Subsidiaries (collectively the "Group") as of 30 September 2014 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from 1 January 2014 to 30 September 2014. Management of the Group is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, 'Interim Financial Reporting' ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of review*

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects in accordance with IAS 34.

### *Emphasis of matter*

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

Deloitte & Touche (M.E.)



Anis F. Sadek  
Registration Number 521  
13 November 2014



**Condensed consolidated statement of financial position  
as at 30 September 2014**

|                                                                                              | Note | 30 September<br>2014<br>(Un-audited)<br>AED | 31 December<br>2013<br>(Audited)<br>AED |
|----------------------------------------------------------------------------------------------|------|---------------------------------------------|-----------------------------------------|
| <b>ASSETS</b>                                                                                |      |                                             |                                         |
| Cash and bank balances                                                                       | 4    | 65,624,884                                  | 76,500,203                              |
| Retakaful contract assets                                                                    | 5    | 178,371,754                                 | 151,513,721                             |
| Takaful receivables                                                                          |      | 74,018,059                                  | 79,858,888                              |
| Other financial assets measured at fair value<br>through other comprehensive income (FVTOCI) | 6    | 142,167,596                                 | 115,767,630                             |
| Other financial assets measured at fair value<br>through profit and loss (FVTPL)             | 6    | 28,535,004                                  | 13,046,013                              |
| Prepayments and other receivables                                                            |      | 19,365,378                                  | 19,387,184                              |
| Due from related parties                                                                     | 15   | 6,421,617                                   | 97,000                                  |
| Investment property                                                                          | 7    | 62,352,585                                  | 62,352,585                              |
| Furniture and equipment                                                                      |      | 3,898,236                                   | 4,297,714                               |
| <b>Total Assets</b>                                                                          |      | <b>580,755,113</b>                          | <b>522,820,938</b>                      |
| <b>LIABILITIES, POLICY HOLDERS' FUND AND EQUITY</b>                                          |      |                                             |                                         |
| <b>Liabilities</b>                                                                           |      |                                             |                                         |
| Due to bank                                                                                  |      | 19,997,777                                  | 19,448,778                              |
| Trade and other payables                                                                     |      | 68,814,022                                  | 66,167,609                              |
| Takaful and Retakaful payables                                                               |      | 55,083,367                                  | 59,401,357                              |
| Due to a related party                                                                       | 15   | 1,184,677                                   | 959,677                                 |
| Takaful contract liabilities                                                                 | 5    | 282,113,531                                 | 255,661,889                             |
| Ijara payables                                                                               |      | 7,380,000                                   | 9,840,000                               |
| Amounts held under Retakaful treaties                                                        |      | 3,611,448                                   | 3,188,892                               |
| <b>Total liabilities</b>                                                                     |      | <b>438,184,822</b>                          | <b>414,668,202</b>                      |
| <b>Policyholders' fund</b>                                                                   |      |                                             |                                         |
| Deficit in policyholders' fund                                                               |      | (125,032,245)                               | (97,575,338)                            |
| Qard Hassan from shareholders                                                                |      | 125,032,245                                 | 97,575,338                              |
| Proposed profit distribution to policyholders                                                |      | 1,765,346                                   | 1,765,346                               |
| Policyholders' investments revaluation reserve                                               | 8    | (8,937,961)                                 | (15,319,195)                            |
| <b>Total deficit in policyholders' fund</b>                                                  |      | <b>(7,172,615)</b>                          | <b>(13,553,849)</b>                     |
| <b>Total Policyholders' Fund and Liabilities</b>                                             |      | <b>431,012,207</b>                          | <b>401,114,353</b>                      |
| <b>Equity</b>                                                                                |      |                                             |                                         |
| Share capital                                                                                | 9    | 225,750,000                                 | 225,750,000                             |
| Statutory reserve                                                                            | 10   | 18,004,919                                  | 18,004,919                              |
| General reserve                                                                              | 11   | 18,004,919                                  | 18,004,919                              |
| Investments revaluation reserve - FVTOCI                                                     |      | (37,187,561)                                | (63,768,809)                            |
| Accumulated losses                                                                           |      | (66,514,843)                                | (69,254,375)                            |
| <b>Equity attributable to shareholders of the Parent</b>                                     |      | <b>158,057,434</b>                          | <b>128,736,654</b>                      |
| Non-controlling interest                                                                     |      | (8,314,528)                                 | (7,030,069)                             |
| <b>Total Equity</b>                                                                          |      | <b>149,742,906</b>                          | <b>121,706,585</b>                      |
| <b>Total Liabilities, Policyholders' Fund and Equity</b>                                     |      | <b>580,755,113</b>                          | <b>522,820,938</b>                      |

Basel Mohammad Al Kufairy  
Assistant General Manager - Finance & Administration

Jihad Faitrouni  
General Manager

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

**Condensed consolidated income statement (Un-audited)**  
**for the period from 1 January 2014 to 30 September 2014**

|                                               |      | Nine months ended<br>30 September |                      | Three months ended<br>30 September |                     |
|-----------------------------------------------|------|-----------------------------------|----------------------|------------------------------------|---------------------|
|                                               | Note | 2014<br>AED                       | 2013<br>AED          | 2014<br>AED                        | 2013<br>AED         |
| <b>Attributable to policyholders</b>          |      |                                   |                      |                                    |                     |
| <b>Takaful income</b>                         |      |                                   |                      |                                    |                     |
| Takaful contributions                         |      | 214,708,435                       | 211,182,537          | 81,187,799                         | 85,437,029          |
| Takaful contributions ceded to reinsurers     |      | (104,986,373)                     | (106,060,549)        | (44,757,609)                       | (48,030,063)        |
| <b>Net Takaful contributions</b>              |      | <b>109,722,062</b>                | <b>105,121,988</b>   | <b>36,430,190</b>                  | <b>37,406,966</b>   |
| Commission received on ceded reinsurance      |      | 10,992,602                        | 8,567,076            | 3,861,070                          | 3,703,484           |
| Policy and survey fees                        |      | 9,818,630                         | 8,525,717            | 3,114,893                          | 1,992,589           |
|                                               |      | <b>130,533,294</b>                | <b>122,214,781</b>   | <b>43,406,153</b>                  | <b>43,103,039</b>   |
| <b>Takaful expenses</b>                       |      |                                   |                      |                                    |                     |
| Gross claims incurred                         |      | (148,083,588)                     | (133,190,338)        | (54,154,908)                       | (33,373,216)        |
| Retakaful's share of claims                   |      | 63,114,851                        | 50,505,522           | 20,916,278                         | 5,834,491           |
| <b>Claims incurred</b>                        |      | <b>(84,968,737)</b>               | <b>(82,684,816)</b>  | <b>(33,238,630)</b>                | <b>(27,538,725)</b> |
| Commissions paid                              |      | (19,550,211)                      | (18,534,190)         | (6,436,362)                        | (6,675,366)         |
| Excess of loss of Takaful contributions       |      | (6,774,846)                       | (9,037,129)          | (3,024,000)                        | (5,346,498)         |
|                                               |      | <b>(111,293,794)</b>              | <b>(110,256,135)</b> | <b>(42,698,992)</b>                | <b>(39,560,589)</b> |
| <b>Net Takaful income</b>                     |      | <b>19,239,500</b>                 | <b>11,958,646</b>    | <b>707,161</b>                     | <b>3,542,450</b>    |
| Wakala fees                                   | 12   | (48,286,211)                      | (43,226,920)         | (15,642,004)                       | (12,362,553)        |
| <b>Net loss from Takaful operations</b>       |      | <b>(29,046,711)</b>               | <b>(31,268,274)</b>  | <b>(14,934,843)</b>                | <b>(8,820,103)</b>  |
| Investment income                             | 13   | 2,119,739                         | 979,920              | 2,211,869                          | 9,876               |
| Mudarib's fees                                | 12   | (529,935)                         | (244,980)            | (529,935)                          | (2,469)             |
| <b>Loss for the period</b>                    |      | <b>(27,456,907)</b>               | <b>(30,533,334)</b>  | <b>(13,252,909)</b>                | <b>(8,812,696)</b>  |
| <b>Attributable to shareholders</b>           |      |                                   |                      |                                    |                     |
| <b>Income</b>                                 |      |                                   |                      |                                    |                     |
| Investment income/(loss)                      | 13   | 8,889,675                         | 5,091,033            | 9,209,253                          | (915)               |
| Other income                                  |      | 5,044,543                         | 2,945,586            | 1,916,854                          | 1,132,973           |
| Wakala fees from policyholders                | 12   | 48,286,211                        | 43,226,920           | 15,642,004                         | 12,362,553          |
| Mudarib's fees from policyholders             | 12   | 529,935                           | 244,980              | 529,935                            | 2,469               |
|                                               |      | <b>62,750,364</b>                 | <b>51,508,519</b>    | <b>27,298,046</b>                  | <b>13,497,080</b>   |
| <b>Expenses</b>                               |      |                                   |                      |                                    |                     |
| General and administrative expenses           |      | (35,431,298)                      | (36,595,314)         | (12,508,475)                       | (11,414,554)        |
| Qard Hasan written off to policyholders' fund |      | (27,456,907)                      | (30,533,334)         | (13,252,909)                       | (8,812,696)         |
| <b>(Loss)/profit for the period</b>           |      | <b>(137,841)</b>                  | <b>(15,620,129)</b>  | <b>1,536,662</b>                   | <b>(6,730,170)</b>  |
| <b>Attributable to:</b>                       |      |                                   |                      |                                    |                     |
| Shareholders of the parent                    |      | 1,146,618                         | (13,848,906)         | 1,904,081                          | (6,147,808)         |
| Non-controlling interests                     |      | (1,284,459)                       | (1,771,223)          | (367,419)                          | (582,362)           |
|                                               |      | <b>(137,841)</b>                  | <b>(15,620,129)</b>  | <b>1,536,662</b>                   | <b>(6,730,170)</b>  |
| <b>Earnings/(loss) per share</b>              | 14   | <b>0.005</b>                      | <b>(0.061)</b>       | <b>0.008</b>                       | <b>(0.027)</b>      |

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

**Condensed consolidated statement of comprehensive income (Un-audited)**  
**for the period from 1 January 2014 to 30 September 2014**

|                                                                                                    | <b>Nine months ended</b> |                     | <b>Three months ended</b> |                    |
|----------------------------------------------------------------------------------------------------|--------------------------|---------------------|---------------------------|--------------------|
|                                                                                                    | <b>30 September</b>      |                     | <b>30 September</b>       |                    |
|                                                                                                    | <b>2014</b>              | <b>2013</b>         | <b>2014</b>               | <b>2013</b>        |
|                                                                                                    | <b>AED</b>               | <b>AED</b>          | <b>AED</b>                | <b>AED</b>         |
| <b>(Loss)/profit for the period</b>                                                                | <b>(137,841)</b>         | <b>(15,620,129)</b> | <b>1,536,662</b>          | <b>(6,730,170)</b> |
| <b>Other comprehensive income</b>                                                                  |                          |                     |                           |                    |
| <i>Items that will not be reclassified subsequently to profit or loss:</i>                         |                          |                     |                           |                    |
| Changes in fair value of financial assets carried at fair value through other comprehensive income | <b>28,174,162</b>        | 17,653,198          | <b>17,123,264</b>         | 8,127,971          |
| <b>Total comprehensive income for the period</b>                                                   | <b>28,036,321</b>        | 2,033,069           | <b>18,659,926</b>         | 1,397,801          |
| <b>Attributable to:</b>                                                                            |                          |                     |                           |                    |
| Shareholders of the parent                                                                         | <b>29,320,780</b>        | 3,804,292           | <b>19,027,345</b>         | 1,980,163          |
| Non-controlling interests                                                                          | <b>(1,284,459)</b>       | (1,771,223)         | <b>(367,419)</b>          | (582,362)          |
|                                                                                                    | <b>28,036,321</b>        | 2,033,069           | <b>18,659,926</b>         | 1,397,801          |

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

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

|                                                                                                          | Share<br>capital<br>AED | Statutory<br>reserve<br>AED | General<br>reserve<br>AED | Investments<br>revaluation<br>reserve -<br>FVTOCI<br>AED | Accumulated<br>losses<br>AED | Equity<br>attributable to<br>shareholders<br>of the Parent<br>AED | Non-<br>controlling<br>interests<br>AED | Total<br>AED       |
|----------------------------------------------------------------------------------------------------------|-------------------------|-----------------------------|---------------------------|----------------------------------------------------------|------------------------------|-------------------------------------------------------------------|-----------------------------------------|--------------------|
| <b>Balance at 1 January 2013 (Audited)</b>                                                               | <b>225,750,000</b>      | <b>18,004,919</b>           | <b>18,004,919</b>         | <b>(99,303,639)</b>                                      | <b>(15,377,384)</b>          | <b>147,078,815</b>                                                | <b>(4,657,059)</b>                      | <b>142,421,756</b> |
| Loss for the period                                                                                      | -                       | -                           | -                         | -                                                        | (13,848,906)                 | (13,848,906)                                                      | (1,771,223)                             | (15,620,129)       |
| Other comprehensive income<br>for the period                                                             | -                       | -                           | -                         | 17,653,198                                               | -                            | 17,653,198                                                        | -                                       | 17,653,198         |
| Total other comprehensive income/(loss)<br>for the period                                                | -                       | -                           | -                         | 17,653,198                                               | (13,848,906)                 | 3,804,292                                                         | (1,771,223)                             | 2,033,069          |
| <b>Balance at 30 September 2013<br/>(Un-audited)</b>                                                     | <b>225,750,000</b>      | <b>18,004,919</b>           | <b>18,004,919</b>         | <b>(81,650,441)</b>                                      | <b>(29,226,290)</b>          | <b>150,883,107</b>                                                | <b>(6,428,282)</b>                      | <b>144,454,825</b> |
| <b>Balance at 1 January 2014 (Audited)</b>                                                               | <b>225,750,000</b>      | <b>18,004,919</b>           | <b>18,004,919</b>         | <b>(63,768,809)</b>                                      | <b>(69,254,375)</b>          | <b>128,736,654</b>                                                | <b>(7,030,069)</b>                      | <b>121,706,585</b> |
| Profit/(loss) for the period                                                                             | -                       | -                           | -                         | -                                                        | 1,146,618                    | 1,146,618                                                         | (1,284,459)                             | (137,841)          |
| Other comprehensive income<br>for the period                                                             | -                       | -                           | -                         | 28,174,162                                               | -                            | 28,174,162                                                        | -                                       | 28,174,162         |
| Realized gain on sale of financial assets<br>carried at fair value through other<br>comprehensive income | -                       | -                           | -                         | (1,592,914)                                              | 1,592,914                    | -                                                                 | -                                       | -                  |
| Total other comprehensive income/(loss)<br>for the period                                                | -                       | -                           | -                         | 26,581,248                                               | 2,739,532                    | 29,320,780                                                        | (1,284,459)                             | 28,036,321         |
| <b>Balance at 30 September 2014<br/>(Un-audited)</b>                                                     | <b>225,750,000</b>      | <b>18,004,919</b>           | <b>18,004,919</b>         | <b>(37,187,561)</b>                                      | <b>(66,514,843)</b>          | <b>158,057,434</b>                                                | <b>(8,314,528)</b>                      | <b>149,742,906</b> |

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

**Condensed consolidated statement of cash flows (Un-audited)  
for the period from 1 January 2014 to 30 September 2014**

|                                                                    | <b>Nine months period ended<br/>30 September</b> |                     |
|--------------------------------------------------------------------|--------------------------------------------------|---------------------|
|                                                                    | <b>2014</b>                                      | <b>2013</b>         |
|                                                                    | <b>AED</b>                                       | <b>AED</b>          |
| <b>Cash flows from operating activities</b>                        |                                                  |                     |
| Loss for the period                                                | (137,841)                                        | (15,620,129)        |
| Adjustments for:                                                   |                                                  |                     |
| Depreciation of property and equipment                             | 1,184,185                                        | 1,208,973           |
| Gain on sale of investments measured at FVTPL, net                 | (8,686,051)                                      | (4,086,440)         |
| Provision for employees' end of service benefits                   | 898,151                                          | 848,167             |
| Dividend income                                                    | (1,635,935)                                      | (1,324,464)         |
| Profit income                                                      | (264,260)                                        | (290,264)           |
|                                                                    | <b>(8,641,751)</b>                               | <b>(19,264,157)</b> |
| <b>Changes in operating assets and liabilities:</b>                |                                                  |                     |
| Increase in retakaful assets                                       | (26,858,033)                                     | (13,765,248)        |
| Decrease/(increase) in takaful contract receivables                | 5,840,829                                        | (2,891,978)         |
| Increase in prepayments and other receivables                      | (47,987)                                         | (562,445)           |
| Increase in takaful contract liabilities                           | 26,451,642                                       | 20,486,205          |
| Increase in amounts held under retakaful treaties                  | 422,556                                          | 10,564              |
| Decrease/(increase) in takaful payables                            | (4,317,990)                                      | 3,274,571           |
| Increase in trade and other payables                               | 1,883,253                                        | 8,936,722           |
| (Increase)/decrease in due from related parties                    | (6,324,617)                                      | 16,271              |
| Increase in due to a related party                                 | 225,000                                          | 225,000             |
|                                                                    | <b>(11,367,098)</b>                              | <b>(3,534,495)</b>  |
| <b>Cash used in operations</b>                                     | <b>(134,991)</b>                                 | <b>(171,311)</b>    |
| <b>Net cash used in operating activities</b>                       | <b>(11,502,089)</b>                              | <b>(3,705,806)</b>  |
| <b>Investing activities</b>                                        |                                                  |                     |
| Purchase of property and equipment                                 | (784,707)                                        | (1,551,470)         |
| Purchase of other financial assets measured at FVTPL               | (26,677,702)                                     | (3,353,477)         |
| Proceeds from sale of other financial assets measured at FVTPL     | 19,874,761                                       | 16,772,858          |
| Proceeds from sale of other financial assets measured at FVTOCI    | 8,155,431                                        | -                   |
| Dividend received                                                  | 1,635,935                                        | 1,324,464           |
| Profit income received                                             | 334,053                                          | 352,745             |
|                                                                    | <b>2,537,771</b>                                 | <b>13,545,020</b>   |
| <b>Net cash from investing activities</b>                          |                                                  |                     |
| <b>Financing activities</b>                                        |                                                  |                     |
| Repayment of Ijara payables                                        | (2,460,000)                                      | (2,460,000)         |
| Increase in due to a bank                                          | 548,999                                          | 3,087,520           |
|                                                                    | <b>(1,911,001)</b>                               | <b>627,520</b>      |
| <b>Net cash (used in)/from financing activities</b>                |                                                  |                     |
| <b>Net (decrease)/increase in cash and cash equivalents</b>        | <b>(10,875,319)</b>                              | <b>10,466,734</b>   |
| Cash and cash equivalents at the beginning of the period           | 41,500,203                                       | 28,520,772          |
| <b>Cash and cash equivalents at the end of the period (Note 4)</b> | <b>30,624,884</b>                                | <b>38,987,506</b>   |

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



**Notes to the condensed consolidated financial statements  
for the period from 1 January 2014 to 30 September 2014**

**1. General information**

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

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

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

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

The Company with its subsidiaries are together referred to as the “Group” in these condensed consolidated financial statements. At 30 September 2014, the Company had the following subsidiaries:

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

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

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

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

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

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

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

**2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)**

**2.1 New and revised IFRS applied with no material effect on the condensed consolidated financial statements (continued)**

- Amendments to IAS 36 *Impairment of Assets* relating to recoverable amount disclosures. The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to the period in which an impairment loss has been recognized or reversed. They also expand and clarify the disclosure requirements applicable when an asset or CGU’s recoverable amount has been determined on the basis of fair value less costs of disposal.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* relating to novation of Derivatives and Continuation of Hedge Accounting. The amendment allows the continuation of hedge accounting when a derivative is novated to a clearing counterparty and certain conditions are met.
- IFRIC 21 *Levies*. The Interpretation was developed to address the concerns about how to account for levies that are based on financial data of a period that is different from that in which the activity that give rise to the payment of the levy occurs.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* - Guidance on Investment Entities

On 31 October 2012, the IASB published a standard on investment entities, which amends IFRS 10, IFRS 12, and IAS 27 and introduces the concept of an investment entity in IFRSs. The objective of this project is to develop an exemption from the requirement to consolidate subsidiaries for eligible investment entities (such as mutual funds, unit trusts, and similar entities), instead requiring the use of the fair value to measure those investments.

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

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

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

| <u><b>New and revised IFRS</b></u>                                                                                                                                                             | <u><b>Effective for<br/>annual periods<br/>beginning on or after</b></u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| • Amendments to IFRS 2 <i>Share based Payment</i> relating to definition of ‘vesting condition’. The amendment was part of Annual Improvements Cycle 2010-2012.                                | 1 July 2014                                                              |
| • Amendments to IFRS 3 <i>Business Combination</i> relating to contingent consideration and scope exception for joint ventures. The amendment was part of Annual Improvements Cycle 2010-2012. | 1 July 2014                                                              |

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

**2. Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)**

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

| <u><i>New and revised IFRS</i></u>                                                                                                                                                                                    | <u><i>Effective for<br/>annual periods<br/>beginning on or after</i></u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| • Amendments to IFRS 8 <i>Operating Segments</i> relating to aggregation of segments, reconciliation of segment assets. The amendment was part of Annual Improvements Cycle 2010-2012.                                | 1 July 2014                                                              |
| • Amendments to IFRS 13 <i>Fair Value Measurement</i> relating to scope of the portfolio exception in paragraph 52. The amendment was part of Annual Improvements Cycle 2011-2013.                                    | 1 July 2014                                                              |
| • IFRS 15 <i>Revenue from Contracts with Customers</i>                                                                                                                                                                | 1 January 2017                                                           |
| • Amendments to IAS 16 <i>Property, Plant and Equipment</i> relating to proportionate restatement of accumulated depreciation on revaluation. The amendment was part of Annual Improvements Cycle 2010-2012.          | 1 July 2014                                                              |
| • Amendments to IAS 19 <i>Employee Benefits</i> - to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. | 1 July 2014                                                              |
| • Amendments to IAS 24 <i>Related Party Disclosures</i> relating to management entities. The amendment was part of Annual Improvements Cycle 2010-2012.                                                               | 1 July 2014                                                              |
| • Amendments to IAS 38 <i>Intangible Assets</i> relating to proportionate restatement of accumulated depreciation on revaluation. The amendment was part of Annual Improvements Cycle 2010-2012.                      | 1 July 2014                                                              |
| • Amendments to IAS 40 <i>Investment Property</i> relating to interrelationship between IFRS 3 and IAS 40. The amendment was part of Annual Improvements Cycle 2011-2013.                                             | 1 July 2014                                                              |

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

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

**3. Accounting policies**

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

The condensed consolidated financial statements of the Group is prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standard Board and also complies with the applicable requirements of the laws in the U.A.E. The accounting policies applied in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the audited annual financial statements for the year ended 31 December 2013.

The condensed consolidated financial statements do not include all the information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's consolidated financial statements as of 31 December 2013. In addition, results for the nine months ended 30 September 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

**Significant judgments and key sources of estimation uncertainty**

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

***Critical judgements in applying accounting policies***

***Valuation of unquoted equity investments***

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

***Additional reserve***

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

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

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

**3. Accounting policies (continued)**

**Significant judgments and key sources of estimation uncertainty (continued)**

***Critical judgements in applying accounting policies (continued)***

*Provision for outstanding claims, whether reported or not*

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

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

*Fiduciary/Wakeel activities*

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

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

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

***Key sources of estimation uncertainty***

*Useful lives of furniture and equipment*

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

*Impairment losses on Takaful receivables*

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

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

**3. Accounting policies (continued)**

**Significant judgments and key sources of estimation uncertainty (continued)**

*Key sources of estimation uncertainty (continued)*

*Impairment losses on Takaful receivables (continued)*

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

*Retakaful*

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

*Liability adequacy test*

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

**Financial risk management**

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2013.

**4. Cash and bank balances**

|                                                                                                     | <b>30 September<br/>2014<br/>AED<br/>(Un-audited)</b> | <b>31 December<br/>2013<br/>AED<br/>(Audited)</b> | <b>30 September<br/>2013<br/>AED<br/>(Un-audited)</b> |
|-----------------------------------------------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|-------------------------------------------------------|
| Cash on hand                                                                                        | <b>1,433,620</b>                                      | 25,625                                            | 564,729                                               |
| Bank balances:                                                                                      |                                                       |                                                   |                                                       |
| Current accounts                                                                                    | <b>29,191,264</b>                                     | 41,474,578                                        | 38,422,777                                            |
| Fixed deposits                                                                                      | <b>35,000,000</b>                                     | 35,000,000                                        | 35,000,000                                            |
| Balance at end of the period/year                                                                   | <b>65,624,884</b>                                     | 76,500,203                                        | 73,987,506                                            |
| Less: Fixed deposits under lien and original maturity<br>over three months from the date of deposit | <b>(35,000,000)</b>                                   | (35,000,000)                                      | (35,000,000)                                          |
| <b>Cash and cash equivalents</b>                                                                    | <b>30,624,884</b>                                     | 41,500,203                                        | 38,987,506                                            |

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

**5. Retakaful contract assets and Takaful contract liabilities**

|                        | <b>Contract Liabilities</b> |                    | <b>Contract Assets</b> |                    | <b>Net</b>          |                    |
|------------------------|-----------------------------|--------------------|------------------------|--------------------|---------------------|--------------------|
|                        | <b>30 September</b>         | <b>31 December</b> | <b>30 September</b>    | <b>31 December</b> | <b>30 September</b> | <b>31 December</b> |
|                        | <b>2014</b>                 | <b>2013</b>        | <b>2014</b>            | <b>2013</b>        | <b>2014</b>         | <b>2013</b>        |
|                        | <b>AED</b>                  | <b>AED</b>         | <b>AED</b>             | <b>AED</b>         | <b>AED</b>          | <b>AED</b>         |
|                        | <b>(Un-audited)</b>         | <b>(Audited)</b>   | <b>(Un-audited)</b>    | <b>(Audited)</b>   | <b>(Un-audited)</b> | <b>(Audited)</b>   |
| Unearned contributions | <b>122,384,488</b>          | 115,830,199        | <b>72,055,152</b>      | 71,883,180         | <b>50,329,336</b>   | 43,947,019         |
| Additional reserve     | <b>26,866,952</b>           | 29,389,133         | -                      | -                  | <b>26,866,952</b>   | 29,389,133         |
| Outstanding claims     | <b>132,862,091</b>          | 110,442,557        | <b>106,316,602</b>     | 79,630,541         | <b>26,545,489</b>   | 30,812,016         |
|                        | <b>282,113,531</b>          | 255,661,889        | <b>178,371,754</b>     | 151,513,721        | <b>103,741,777</b>  | 104,148,168        |

**6. Other financial assets measured at fair value**

|                                                                                                | <b>30 September</b> | <b>31 December</b> |
|------------------------------------------------------------------------------------------------|---------------------|--------------------|
|                                                                                                | <b>2014</b>         | <b>2013</b>        |
|                                                                                                | <b>(Un-audited)</b> | <b>(Audited)</b>   |
|                                                                                                | <b>AED</b>          | <b>AED</b>         |
| <b>Financial assets measured at fair value through other comprehensive income (FVTOCI) (A)</b> |                     |                    |
| - Listed                                                                                       | <b>94,771,378</b>   | 68,371,412         |
| - Unlisted                                                                                     | <b>47,396,218</b>   | 47,396,218         |
|                                                                                                | <b>142,167,596</b>  | 115,767,630        |
| <b>Financial assets measured at fair value through profit and loss (FVTPL) (B)</b>             |                     |                    |
| Financial assets measured at FVTPL                                                             | <b>28,535,004</b>   | 13,046,013         |
| <b>Total other financial assets measured at fair value (A+B)</b>                               | <b>170,702,600</b>  | 128,813,643        |

**Investments by geographical area are as follows:**

|                  | <b>30 September</b> | <b>31 December</b> |
|------------------|---------------------|--------------------|
|                  | <b>2014</b>         | <b>2013</b>        |
|                  | <b>(Un-audited)</b> | <b>(Audited)</b>   |
|                  | <b>AED</b>          | <b>AED</b>         |
| - Within U.A.E.  | <b>114,046,360</b>  | 67,094,070         |
| - Outside U.A.E. | <b>56,656,240</b>   | 61,719,573         |
|                  | <b>170,702,600</b>  | 128,813,643        |

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

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

- i. FVTOCI listed and unlisted securities are carried at a value of AED 142,167,596 (2013: AED 115,767,630), with a decline in their fair value from original acquisition cost amounting to AED 46,125,522 (2013: AED 79,088,004). Of this amount, AED 37,187,561 (2013: AED 63,768,809) is deducted from shareholders' equity and AED 8,937,961 (2013: AED 15,319,195) is deducted from policyholders' fund in accordance with the allocation of investment losses to the shareholders and policyholders as approved by the Group's Fatwa and Sharia'a Supervisory Board at 31 December 2013.
- ii. Unlisted securities are carried at a fair value of AED 47,396,218 (2013: AED 47,396,218) mainly represent the Group's investments in shares of companies registered in Dubai, Algeria, Kuwait and certain other international markets.
- iii. The Group owns shares of Al Salam Bank - Bahrain and Al Salam Bank - Algeria which are held by the former CEO (who resigned during 2013 - see Note 21) on behalf and for the benefit of the Group [Note 15(a)].

**7. Investment property**

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

The investment property comprises a plot of land purchased in 2007. The Group used the fair value model permitted under IAS 40 for determining the carrying value of the investment property. The property is subject to a facility from a local Islamic bank and is mortgaged as security against the Ijara payable. The valuation as of 31 December 2013, which conforms to international valuation standards, was arrived at by reference to market evidence of transaction prices for comparable properties, and was determined by an independent valuation expert. The Group's management reassessed this valuation internally during the nine months period ended 30 September 2014 and no material differences were noted.

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

**8. Policyholders investment revaluation reserve**

The Group transfers to the policyholders their share of investment revaluation reserve FVTOCI from the shareholders' equity on pro rata basis. The percentage of such allocation for 30 September 2014 is identical to that used for 31 December 2013 and approved by the Company's Fatwa and Sharia'a Supervisory Board. This allocation will be revised and finalised by year end once the Fatwa and Sharia'a Supervisory Board approval is obtained.



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

**9. Share capital**

|                                                               | <b>30 September<br/>2014<br/>(Un-audited)<br/>AED</b> | <b>31 December<br/>2013<br/>(Audited)<br/>AED</b> |
|---------------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------|
| Issued and fully paid:                                        |                                                       |                                                   |
| 225,750,000 (2013: 225,750,000) ordinary shares of AED 1 each | <b>225,750,000</b>                                    | 225,750,000                                       |

**10. Statutory reserve**

In accordance with the UAE Federal Commercial Companies Law and the Company's Articles of Association, 10% of the net profit for the year is required to be transferred to statutory reserve. No transfers have been made during the nine months period ended 30 September 2014, as this will be based on the results for the year. The reserve is not available for distribution except in the circumstances stipulated by the law.

**11. General reserve**

The Group is required to transfer 10% of the profit for the year to a general reserve in accordance with its Articles of Association. No transfer has been made to the general reserve during the nine months period ended 30 September 2014, as this will be based on the results for the year.

**12. Wakala fees and Mudarib's share**

The Group manages the Takaful operations for the policyholders and charges 25% of the gross Takaful contributions net of gross unearned contribution as Wakala fees (2013: 25%). During the period, no Wakala fee was charged on gross Takaful contributions amounting to AED 27,295,698 (2013: AED 43,760,445) as the Group retained insignificant risk on such contributions and commission income from such business was significantly lower than the normal commission. Management, therefore, decided not to charge Wakala fee on these Takaful contributions. The Wakala fee was charged on a total gross contribution of AED 193,144,844 (2013: AED 172,907,679).

Wakala fee is calculated as follows:

|                                                       | <b>Nine months period ended<br/>30 September<br/>2014<br/>(Un-audited)<br/>AED</b> | <b>2013<br/>(Un-audited)<br/>AED</b> |
|-------------------------------------------------------|------------------------------------------------------------------------------------|--------------------------------------|
| Gross Takaful contributions                           | <b>342,825,030</b>                                                                 | 351,525,053                          |
| Less: Unearned contribution                           | <b>(122,384,488)</b>                                                               | (134,856,929)                        |
| Net Takaful contributions                             | <b>220,440,542</b>                                                                 | 216,668,124                          |
| Less: Takaful contributions not subject to Wakala fee | <b>(27,295,698)</b>                                                                | (43,760,445)                         |
|                                                       | <b>193,144,844</b>                                                                 | 172,907,679                          |
| Percentage                                            | <b>25%</b>                                                                         | 25%                                  |
| Wakala fee for the period                             | <b>48,286,211</b>                                                                  | 43,226,920                           |

The Group also manages the policyholders' investment funds and is entitled to 25% of net investment income earned by the policyholders' investment funds as the Mudarib's share. The Mudarib's share was AED 529,935 for the period (2013: AED 244,980).

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

**13. Investment income**

|                                                    | <b>Nine months period ended<br/>30 September</b> |                     |
|----------------------------------------------------|--------------------------------------------------|---------------------|
|                                                    | <b>2014</b>                                      | <b>2013</b>         |
|                                                    | <b>(Un-audited)</b>                              | <b>(Un-audited)</b> |
|                                                    | <b>AED</b>                                       | <b>AED</b>          |
| Gain on sale of investments measured at FVTPL, net | <b>8,686,051</b>                                 | 4,086,440           |
| <i>Other investment income</i>                     |                                                  |                     |
| Income from investment deposits                    | <b>264,260</b>                                   | 290,264             |
| Dividend income                                    | <b>1,635,935</b>                                 | 1,346,464           |
| Rental income                                      | <b>357,145</b>                                   | 318,820             |
| Other income                                       | <b>66,023</b>                                    | 28,965              |
|                                                    | <b>11,009,414</b>                                | 6,070,953           |
| <i>Allocated to:</i>                               |                                                  |                     |
| Policyholders                                      | <b>2,119,739</b>                                 | 979,920             |
| Shareholders                                       | <b>8,889,675</b>                                 | 5,091,033           |
|                                                    | <b>11,009,414</b>                                | 6,070,953           |

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

**14. Basic and diluted earnings per share**

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

|                                                                 | <b>Nine months period ended<br/>30 September</b> |                     |
|-----------------------------------------------------------------|--------------------------------------------------|---------------------|
|                                                                 | <b>2014</b>                                      | <b>2013</b>         |
|                                                                 | <b>(Un-audited)</b>                              | <b>(Un-audited)</b> |
| Profit/(loss) for the period (AED)                              | <b>1,146,618</b>                                 | (13,848,906)        |
| Weighted average number of shares outstanding during the period | <b>225,750,000</b>                               | 225,750,000         |
| Earnings/(loss) per share (AED)                                 | <b>0.005</b>                                     | (0.061)             |

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

**15. Related party transactions**

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24: *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. The management decides on the terms and conditions of the transactions with related parties. At the reporting date, amounts due from/to related parties were included in the following accounts:

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

|                                                                     | 30 September 2014 (Un-audited) |                                    |              | 31 December 2013 (Audited)   |                                    |              |
|---------------------------------------------------------------------|--------------------------------|------------------------------------|--------------|------------------------------|------------------------------------|--------------|
|                                                                     | Major<br>shareholders<br>AED   | Other<br>related<br>parties<br>AED | Total<br>AED | Major<br>shareholders<br>AED | Other<br>related<br>parties<br>AED | Total<br>AED |
| Investment deposits                                                 | -                              | 5,000,000                          | 5,000,000    | -                            | 5,000,000                          | 5,000,000    |
| Carrying value of<br>investments in ordinary<br>shares [Note 15(a)] | -                              | 41,827,229                         | 41,827,229   | -                            | 44,006,063                         | 44,006,063   |
| Contributions<br>receivable/(payable)                               | 613,114                        | -                                  | 613,114      | 1,520,906                    | (477,480)                          | 1,043,426    |
| Cash and bank balances                                              | -                              | 4,570,312                          | 4,570,312    | -                            | 5,856,455                          | 5,856,455    |
| Due from related parties<br>[Note 15(b)]                            | -                              | 6,421,617                          | 6,421,617    | -                            | 97,000                             | 97,000       |
| Due to a related party                                              | -                              | 1,184,677                          | 1,184,677    | -                            | 959,677                            | 959,677      |

- (a) A major shareholder, who is a member of the Board of Directors, is also a Board Member of Al Salam Bank - Algeria and Al Salam Bank - Bahrain. The Group has equity investments in Al Salam Bank - Algeria and Al Salam Bank - Bahrain amounting AED 41.82 million (31 December 2013: AED 44 million). The acquisition price of these transactions was approved by the Board of Directors at the time of the transactions.

Out of the total shareholding at the reporting date, 106,530 shares amounting AED 11 million of Al Salam Bank - Algeria were held by the former CEO (who resigned during 2013 and no longer qualifies as a related party- see Note 21) on trust and for the benefit of the Group and the total shares of Al Salam Bank - Bahrain (5,476,149 shares) are held by a company controlled by the former CEO (who resigned during 2013 and no longer qualifies as a related party- see Note 21), in trust and for the benefit of the Group.

- (b) Due from related parties represents the following:

|                                                                 | 2014<br>AED<br>(Un-audited) | 2013<br>AED<br>(Audited) |
|-----------------------------------------------------------------|-----------------------------|--------------------------|
| <i>Entities owned by the Chairman of the Board of Directors</i> |                             |                          |
| Fast Rent A Car LLC, United Arab Emirates                       | 4,320,637                   | -                        |
| Emirates Cab LLC, United Arab Emirates                          | 2,000,457                   | -                        |
| Fast Service Centre LLC, United Arab Emirates                   | 3,523                       | -                        |
| <i>Shareholder of a subsidiary</i>                              |                             |                          |
| Agility Global Health Solutions (Pty) Ltd, United Arab Emirates | 97,000                      | 97,000                   |
| <b>Total</b>                                                    | <b>6,421,617</b>            | <b>97,000</b>            |

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

**15. Related party transactions (continued)**

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

|                                        | 30 September 2014 (Un-audited) |                                    |              | 30 September 2013 (Un-audited) |                                    |              |
|----------------------------------------|--------------------------------|------------------------------------|--------------|--------------------------------|------------------------------------|--------------|
|                                        | Major<br>shareholders<br>AED   | Other<br>related<br>parties<br>AED | Total<br>AED | Major<br>shareholders<br>AED   | Other<br>related<br>parties<br>AED | Total<br>AED |
| Gross contributions                    | 1,319,755                      | 11,684,003                         | 13,003,758   | 966,368                        | -                                  | 966,368      |
| Gross claims                           | 762,386                        | 11,026,931                         | 11,789,317   | 193,250                        | 360,836                            | 554,086      |
| Profit share on<br>investment deposits | -                              | 106,250                            | 106,250      | -                              | 171,107                            | 171,107      |

*Compensation of key management personnel is as follows:*

|                                                     | 30 September<br>2014<br>AED<br>(Un-audited) | 30 September<br>2013<br>AED<br>(Un-audited) |
|-----------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Short term employee benefits                        | 861,581                                     | 1,718,646                                   |
| End of service benefits                             | 29,843                                      | 72,373                                      |
| Total compensation paid to key management personnel | 891,424                                     | 1,791,019                                   |

**16. Segmental information**

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

- **Takaful activities** include the general, life and medical insurance business undertaken by the Group.
- **Investment activities** represent investment and cash management for the Group's own account.

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

16. Segmental information (continued)

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

|                                                | Period from 1 January 2014<br>to 30 September 2014 |                                   | Period from 1 January 2013<br>to 30 September 2013 |                                   | Total                     |                           |
|------------------------------------------------|----------------------------------------------------|-----------------------------------|----------------------------------------------------|-----------------------------------|---------------------------|---------------------------|
|                                                | Attributable to                                    |                                   | Attributable to                                    |                                   |                           |                           |
|                                                | Policyholders<br>Un-audited<br>AED                 | Shareholders<br>Un-audited<br>AED | Policyholders<br>Un-audited<br>AED                 | Shareholders<br>Un-audited<br>AED | 2014<br>Un-audited<br>AED | 2013<br>Un-audited<br>AED |
| <i>Takaful</i>                                 |                                                    |                                   |                                                    |                                   |                           |                           |
| Takaful income                                 | 130,533,294                                        | -                                 | 122,214,781                                        | -                                 | 130,533,294               | 122,214,781               |
| Takaful expenses                               | (111,293,794)                                      | -                                 | (110,256,135)                                      | -                                 | (111,293,794)             | (110,256,135)             |
| <b>Net Takaful income</b>                      | <b>19,239,500</b>                                  | <b>-</b>                          | <b>11,958,646</b>                                  | <b>-</b>                          | <b>19,239,500</b>         | <b>11,958,646</b>         |
| Wakala fees                                    | (48,286,211)                                       | 48,286,211                        | (43,226,920)                                       | 43,226,920                        | -                         | -                         |
| Mudarib fees                                   | (529,935)                                          | 529,935                           | (244,980)                                          | 244,980                           | -                         | -                         |
|                                                | <b>(29,576,646)</b>                                | <b>48,816,146</b>                 | <b>(31,513,254)</b>                                | <b>43,471,900</b>                 | <b>19,239,500</b>         | <b>11,958,646</b>         |
| <i>Investment</i>                              |                                                    |                                   |                                                    |                                   |                           |                           |
| Investment income                              | 2,119,739                                          | 8,889,675                         | 979,920                                            | 5,091,033                         | 11,009,414                | 6,070,953                 |
| Unallocated expenses                           | 2,119,739                                          | 8,889,675                         | 979,920                                            | 5,091,033                         | 11,009,414                | 6,070,953                 |
|                                                | -                                                  | (30,386,755)                      | -                                                  | (33,649,728)                      | (30,386,755)              | (33,649,728)              |
| <b>Loss attributable to policyholders</b>      | <b>(27,456,907)</b>                                |                                   | <b>(30,533,334)</b>                                |                                   |                           |                           |
| Write off of Qard Hasan to policyholders' fund |                                                    | (27,456,907)                      |                                                    | (30,533,334)                      |                           |                           |
| <b>Loss for the period</b>                     |                                                    | <b>(137,841)</b>                  |                                                    | <b>(15,620,129)</b>               | <b>(137,841)</b>          | <b>(15,620,129)</b>       |

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

16. Segmental information (continued)

Other information

|                     | Takaful                                     |                                         | Investment                                  |                                         | Total                                       |                                         |
|---------------------|---------------------------------------------|-----------------------------------------|---------------------------------------------|-----------------------------------------|---------------------------------------------|-----------------------------------------|
|                     | 30 September<br>2014<br>(Un-audited)<br>AED | 31 December<br>2013<br>(Audited)<br>AED | 30 September<br>2014<br>(Un-audited)<br>AED | 31 December<br>2013<br>(Audited)<br>AED | 30 September<br>2014<br>(Un-audited)<br>AED | 31 December<br>2013<br>(Audited)<br>AED |
| Segment assets      | <u>311,699,928</u>                          | <u>295,654,710</u>                      | <u>269,055,185</u>                          | <u>227,166,228</u>                      | <u>580,755,113</u>                          | <u>522,820,938</u>                      |
| Segment liabilities | <u>423,632,207</u>                          | <u>391,274,353</u>                      | <u>7,380,000</u>                            | <u>9,840,000</u>                        | <u>431,012,207</u>                          | <u>401,114,353</u>                      |

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

**17. Seasonality of results**

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

**18. Contingencies**

- (a) At 30 September 2014, the Group did not have any contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise (31 December 2013: Nil).
- (b) During the Company's Annual General Meeting (AGM) held on 25 April 2013, all members of the Board of Directors resigned and were not absolved from their liability for the consolidated financial statements for the year ended on 31 December 2012 by the shareholders. During the meeting, the shareholders requested the Emirates Securities and Commodities Authority (ESCA) to assemble an independent committee to investigate certain transactions executed during the term of the resigned Board of Directors. The new Board of Directors appointed on 29 July 2013 is confident that the outcome of such investigation will be in the Group's favour and therefore, no contingency provisions have been recorded by the Group.

**19. Fiduciary/Wakeel activities**

Financial assets held by the Group in Wakala (trust), where the Group is acting in a Wakeel (agent/trustee) capacity on behalf of its customers relating to unit-linked life takaful products which are not recorded on the condensed consolidated statement of financial position of the Group. Such financial assets held in a fiduciary capacity under Wakala arrangements as a Wakeel amounted to AED 426.80 million (2013: AED 389.69 million). The life takaful components of the unit-linked takaful products to which the Group has an insurance risk, has been unbundled and recorded as takaful contracts in the Group's interim financial information in accordance with International Financial Reporting Standard 4 (IFRS 4: insurance contracts).

**20. Fair value 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. Differences can therefore arise between book value under historical cost method and fair value estimates.

**20.1 Fair value of financial instruments carried at amortised cost**

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

**20.2 Fair value of financial and non-financial items carried at fair value**

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

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

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and

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

**20. Fair value measurements (continued)**

**20.2 Fair value of financial and non-financial items carried at fair value (continued)**

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

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on the present value calculation of the expected future cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

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

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

|                                       | Level 1<br>AED'000 | Level 2<br>AED'000 | Level 3<br>AED'000 | Total<br>AED'000 |
|---------------------------------------|--------------------|--------------------|--------------------|------------------|
| <b>30 September 2014 (Un-audited)</b> |                    |                    |                    |                  |
| <i>Other financial assets FVTOCI</i>  | 94,772             | -                  | 47,396             | 142,168          |
| <i>Other financial assets FVTPL</i>   | 28,535             | -                  | -                  | 28,535           |
| <i>Investment properties</i>          | -                  | -                  | 62,353             | 62,353           |
|                                       | <u>123,307</u>     | <u>-</u>           | <u>109,749</u>     | <u>233,056</u>   |
| <b>31 December 2013 (Audited)</b>     |                    |                    |                    |                  |
| <i>Other financial assets FVTOCI</i>  | 68,372             | -                  | 47,396             | 115,768          |
| <i>Other financial assets FVTPL</i>   | 13,046             | -                  | -                  | 13,046           |
| <i>Investment properties</i>          | -                  | -                  | 62,353             | 62,353           |
|                                       | <u>81,418</u>      | <u>-</u>           | <u>109,749</u>     | <u>191,167</u>   |

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

|                                      | 30 September<br>2014<br>(Un-audited)<br>AED'000 | 31 December<br>2013<br>(Audited)<br>AED'000 |
|--------------------------------------|-------------------------------------------------|---------------------------------------------|
| At the beginning of the period/year  | 47,396                                          | 47,400                                      |
| Changes in fair value                | -                                               | (4)                                         |
| <b>At the end of the period/year</b> | <u>47,396</u>                                   | <u>47,396</u>                               |



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

**20. Fair value measurements (continued)**

**20.2 Fair value of financial and non-financial items carried at fair value (continued)**

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

**21. Significant transactions**

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

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

- (a) The advance of AED 5,358,581 to invest in a real estate project in the emirate of Ajman will be returned to the Company.
- (b) Transfer of shares of Al Salam Bank - Bahrain (currently held under the name of Leader Capital) together with the payment of any associated dividends due, to the Company's name.
- (c) Transfer of legal ownership of Al Salam Bank - Algeria shares held by the former CEO to the Company's name.

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

**22. Comparative figures**

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

|                                                       | As reported<br>previously<br>2013<br>AED | Reclassification<br>AED | As currently<br>reported<br>in 2013<br>AED |
|-------------------------------------------------------|------------------------------------------|-------------------------|--------------------------------------------|
| <b><i>Condensed consolidated income statement</i></b> |                                          |                         |                                            |
| <i>Attributable to policyholders</i>                  |                                          |                         |                                            |
| Takaful contributions                                 | 333,133,923                              | (121,951,386)           | 211,182,537                                |
| Retakaful contributions ceded                         | (228,011,935)                            | 121,951,386             | (106,060,549)                              |

**23. Approval of the condensed consolidated financial statements**

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 13 November 2014.