TAKAFUL EMARAT - INSURANCE (PSC)

Review report and interim financial information for the period ended 31 December 2013

TAKAFUL EMARAT - INSURANCE (PSC)

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At 31 December 2013

STATEMENT OF FINANCIAL POSITION AS AT 31-DEC-2013

	Notes	31 December 2013 AED	31 December 2012 AED
ASSET			
Cash and Bank Balances		**5,001,909**	17,436,088
Statutory deposit with Insurance Authority		**4,000,000**	4,000,000
Takaful and other receivables		**66,245,603**	68,412,972
Due from a related Party	4	**413,738**	2,413,743
Retakaful contract asset	5	**19,984,889**	39,708,055
Investments at fair value through profit or loss	6	**32,580,853**	30,811,235
Investment carried at ammortized cost	7	**7,541,713**	19,937,762
Investment Property	8	**10,500,000**	10,500,000
Development work-in-progress	9	**16,282,360**	-
Property and equipment		**8,414,910**	9,938,490
Total Asset		**170,965,975**	203,158,345
LIABILITIES, POLICY HOLDERS' FUND AND SHAREHOLDERS' EQUITY			
Liabilities			
Takaful and other payables		**45,810,344**	49,242,635
Takaful contract liabilities	5	**56,734,631**	68,355,819
Provision for employees' end of service indemnity		**994,012**	744,900
Total Liabilities		**103,538,987**	118,343,354
Policy holders' fund			
Deficit in policy holders' fund		**(27,656,102)**	(8,701,793)
Qard Hassan from shareholders		**27,656,102**	8,701,793
Total Deficit in policy holders' fund		-	-
Shareholders' equity			
Share capital	10	**150,000,000**	150,000,000
Accumulated losses		**(82,573,042)**	(65,185,009)
Total Shareholders' equity		**67,426,958**	84,814,991
Total Liabilities, policy holders' fund and shareholders' equity		**170,965,975**	203,158,345

Mohamed Ali Abdalla Ali Alsari
Chairman

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

TAKAFUL EMARAT - INSURANCE (PSC)

Condensed statement of comprehensive income (Unaudited) for the period ended 31 December 2013

	Notes	31 December 2013	31 December 2012
Takaful contributions earned	11	107,331,142	41,444,144
Retakaful contributions ceded	11	(59,123,047)	(22,920,852)
Net earned contribution	**11**	**48,208,095**	**18,523,292**
Gross Claims incurred		(40,546,638)	(19,514,833)
Retakaful share of claims incurred		17,166,093	11,167,806
Net Claims incurred		**(23,380,545)**	**(8,347,027)**
Commission Group Medical & Group Life		(8,621,215)	(3,199,696)
Other Expenses (Allocation Sharges IL Business)		(4,466,172)	(3,121,959)
Technecial Reserve-IL		(120,423)	(120,000)
Sub Total-Commission and other expenses		(13,207,811)	(6,441,655)
Net takaful income / (loss)		**11,619,740**	**3,734,610**
Unallocated Income / Expense			
Wakala Fees	12	(30,574,046)	(9,465,985)
Net Deficit from takaful operations		**(18,954,306)**	**(5,731,375)**
Attributed to Shareholders;			
Investment income		7,297,081	2,083,411
Wakala Fees from Policy Holder	12	30,574,046	9,465,985
Other Income			
Allocation Charges IL Business		4,466,172	3,121,959
Commission IL Business		(3,530,556)	
other Income		229,202	8,446,519
Sub-Total Other income, net		**1,164,818**	**11,568,478**
TPA Expense		*(2,439,845)*	*(878,438)*
General & administrative expenses		(35,029,827)	(32,366,429)
Sub-Total-General & administrative expenses		(37,469,672)	**(33,244,867)**
Provision for Qard Hassan to policyholder's fund		(18,954,306)	(5,731,375)
Loss for the period attributable to shareholders		**(17,388,033)**	**(15,858,368)**
Basic and diluted loss per share	13	(0.12)	(0.11)
other comprehensive income			
Total comprehensive loss for the period		**(17,388,033)**	**(15,858,368)**

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

TAKAFUL EMARAT - INSURANCE (PSC)

Condensed statement of changes in equity
for the period ended 31 December 2013

	Share Capital AED	Accumulated Losses AED	Total AED
Balances at 31-December 2011(Audited)	150,000,000	(49,326,641)	100,673,359
Total comprehensive loss for the period	-	(15,858,368)	(15,858,368)
Balance at 31 December 2012 (Audited)	150,000,000	(65,185,009)	84,814,991
Balance at 31-Jan-2013	150,000,000	(65,185,009)	84,814,991
Total Comprehensive Loss for the period	-	(17,388,003)	(17,388,003)
Balance at 31- December - 2013 (Unaudited)	**150,000,000**	**(82,573,012)**	**67,426,988**

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

TAKAFUL EMARAT - INSURANCE (PSC)

Notes to the condensed financial statements for the period ended 31 December 2013

1. General information

Takaful Emarat - Insurance (PSC), Dubai, United Arab Emirates (the "Company") is incorporated as a public joint stock company in accordance with the U.A.E. Federal Law No. 8 of 1984 (as amended) and with U.A.E. Federal Law No. 6 of 2007, concerning formation of Insurance Authority of U.A.E. and organizing its working in United Arab Emirates.

The Company carries out Takaful Insurance Activities in Health Insurance, Life Insurance and Credit and Saving Insurance in accordance with the Islamic Sharia'a and within the provisions of the Articles of Association of the company.

The registered address of the Company is P.O. Box 64341, Dubai, United Arab Emirates.

The Company had accumulated losses of AED 82.6 million as at 31 December 2013which exceeds 50% of the share capital. As required by the Article 285 of U.A.E. Federal Commercial Law No. 8 of 1984, as amended, if a Joint-Stock Company sustains loss amounting to one half of the capital, the Board of Directors shall convene an Extra-Ordinary General Meeting and resolve whether the Company shall be maintained or dissolved before the term fixed in its Articles of Association. On 2 October 2013, the Extra-Ordinary General Meeting was convened and shareholders authorised the Board of Directors to do all the transactions and actions necessary (i) to set off accumulated losses amounting to AED 50 million against the paid up capital and thereby reduce the paid up capital by the same amount and (ii) for issuing Sharia compliant financial instruments convertible into equity with an amount of AED 50 million. Further, the Board of Directors are in process of obtaining approval from concerned authorities as resolved by shareholders in the Extra-Ordinary General Meeting.

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

2.1 Amendments to IFRSs effecting amounts reported in the condensed financial statements

The following amendment to IFRSs has been adopted in these condensed financial statements and has affected presentation and disclosures in these condensed financial statements.

• Amendments to IAS 1 *Presentation of items of other comprehensive income*
The Company has adopted the amendments to IAS 1 presentation of items of other comprehensive income effective from annual periods beginning on or after 1 July 2012. The amendment to IAS 1 retains the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendment to IAS 1 requires items of other comprehensive income to be grouped into two categories in other comprehensive income section:

a. Items that will not be subsequently reclassified to profit or loss and

b. Items that may be reclassified to profit or loss when specific conditions are met.
Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendment does not change the option to present items either before tax or net of tax.

• IFRS 13 *Fair Value Measurement*
IFRS 13 issued in May 2011 establishes a single framework for measuring fair value and is applicable for both financial and non-financial items. Application of IFRS 13 from 1 January 2013 resulted in additional disclosures of fair value measurements in these condensed financial statements.
Other than the above mentioned presentation and disclosure changes, the application of the amendments to IAS 1 and IFRS 13 do not have any impact on profit or loss, other comprehensive income and total comprehensive income.

TAKAFUL EMARAT - INSURANCE (PSC)

Notes to the condensed financial statements
for the period ended 31 December 2013(continued)

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

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted

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

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 7 *Financial Instruments*: Disclosures relating to disclosures about the initial application of IFRS.	1 January 2015 (or otherwise when IFRS 9 is first applied)
• IFRS 9 *Financial Instruments* issued in November 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in October 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.	1 January 2015

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

TAKAFUL EMARAT - INSURANCE (PSC)

Notes to the condensed financial statements
for the period ended 31 December 2013(continued)

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

2.2 New and revised International Financial Reporting Standards (IFRSs) in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities.	1 January 2014
• Amendments to IAS 36 *recoverable amount disclosures:* The amendments restrict the requirements to disclose the recoverable amount of an asset or CGU to period in which an impairment loss has been recognised 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.	1 January 2014
• Amendments to IAS 39 *Financial Instruments: Recognition and Measurement:* The amendments restrict the requirements to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.	1 January 2014
• IFRIC 21 *Levies:* 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.	1 January 2014
• Amendments to IFRS 10, IFRS 12 and IAS 27 – Guidance on Investment Entities	1 January 2014

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 amendments establish an exception to IFRS 10's general consolidation principle for investment entities, requiring them to "measure particular subsidiaries at fair value through profit or loss, rather than consolidate them." In addition, the amendments outline required disclosures for reporting entities that meet the definition of an investment entity.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements for the period beginning 1 January 2014 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

3. Summary of significant accounting policies

3.1 Basis of preparation

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

The condensed financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated.
These condensed financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties.

The accounting policies, presentation and methods, critical accounting judgements and estimates in these condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2012 except for the development work-in-progress accounting policy as disclosed in Note 3.2 to these condensed financial statements for which transaction was made in this period.

These condensed financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 2012.

3.2 Development properties

Development properties consists of property being developed principally for sale and is stated at the lower of cost or net realisable value. Cost comprises all direct costs attributable to the design and construction of the property including direct staff costs. Net realisable value is the estimated selling price in the ordinary course of the business less estimated costs to complete and applicable variable selling expenses.

4. Related party transactions

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24. 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, due from a related party is as follows:

	31 December 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Due from a related party		
Company under common management		
UNIQA Re AG, Switzerland	**413,738**	2,413,743

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been received.

TAKAFUL EMARAT - INSURANCE (PSC)

Notes to the condensed financial statements for the period ended 31 December 2013 (continued)

5. Takaful contract liabilities and retakaful contract assets

	31 December 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Gross takaful contract liabilities		
Claims reported	**5,632,562**	3,007,868
Claims incurred but not reported	**1,664,000**	664,000
Unearned premiums	**39,460,430**	58,635,417
Life takaful provision	**316,819**	196,396
Payable to policyholders of investment linked contracts	**9,660,820**	5,852,138
	56,734,631	68,355,819
Retakaful contract assets		
Claims reported	**-**	1,807,146
Claims incurred but not reported	**998,400**	398,400
Unearned premiums	**18,986,489**	37,502,509
	19,984,889	39,708,055
Net takaful contract liabilities		
Claims reported	**5,632,562**	1,200,722
Claims incurred but not reported	**665,600**	265,600
Unearned premiums	**20,473,942**	21,132,908
Life takaful provision	**316,819**	196,396
Payable to policyholders of investment linked contracts	**9,660,820**	5,852,138
	36,749,742	28,647,764

TAKAFUL EMARAT - INSURANCE (PSC)

Notes to the condensed financial statements
for the period ended 31 December 2013(continued)

6. Investments at fair value through profit or loss

	31 December 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Fair value at beginning of the period/year	**30,811,235**	11,031,197
Additions during the period/year	**79,074,178**	19,744,874
Disposals during the period/year	**(78,172,026)**	-
Changes in fair value	**867,466**	35,164
Fair value at end of the period/year	**32,580,853**	30,811,235

7. Investments carried at amortised cost

	31 December 2013 (Unaudited) AED	31 December 2012 (Audited) AED
At beginning of the period/year	**19,937,762**	19,619,644
Disposals during the period/year	**(12,720,403)**	-
Effect of amortisation during the period/year	**352,109**	1,019,196
Profit received during the period/year	**(27,755)**	(701,078)
At end of the period/year	**7,541,713**	19,937,762

8. Investment property

	31 December 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Fair value at end of the period/year	**10,500,000**	10,500,000

Management is in the process of registering the title deed of the investment property.

9. Development work-in-progress

	31 December 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Balance, at the end of the period/year	**16,282,360**	-

TAKAFUL EMARAT - INSURANCE (PSC)

Notes to the condensed financial statements
for the period ended 31 December 2013(continued)

9. Development work-in-progress (continued)

Development work-in-progress represents payments made for acquiring 50% investment in the Axis Gold 1 Real Estate Project based in U.A.E. The project is promoted by Gulf General Investment Company (P.S.C.), a related party acting as custodian of the Company's share of investment in the project.

10. Share capital

	30 September 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Issued and fully paid:		
150,000,000 ordinary shares of AED 1 each	**150,000,000**	150,000,000

TAKAFUL EMARAT - INSURANCE (PSC)

Notes to the condensed financial statements for the period ended 31 December 2013(continued)

11. Net earned contributions (continued)

	Twelve months period ended 31 December 2013			Twelve months period ended 31 December 2012		
	Medical (Unaudited) AED	Life (Unaudited) AED	Total (Unaudited) AED	Medical (Unaudited) AED	Life (Unaudited) AED	Total (Unaudited AED
Gross Contribution written	81,080,447	10,884,390	91,964,836	89,136,863	11,117,190	100,254,053
Change in unearned contributions and	19,747,218	(4,380,913)	15,366,305	(52,680,667)	(6,129,242)	(58,809,909)
Changed in payables to policy holders of investment linked contracts	-		-			
Takaful Contribution Earned	100,827,664	6,503,477	107,331,141	36,456,196	4,987,948	41,444,144
Retakaful Contributions	39,324,980	1,282,039	40,607,018	57,148,940	1,523,156	58,672,096
Changes in Unearned contributions	18,589,829	(73,801)	18,516,029	(35,358,910)	(392,334)	(35,751,244)
Retakaful contributions ceded	57,914,809	1,208,238	59,123,047	21,790,030	1,130,822	22,920,852
Net earned contributions	42,912,855	5,295,239	48,208,094	14,666,166	3,857,126	18,523,292

12. Wakalah fees

The shareholders manage the takaful operations for the policyholders and charge 15% - 35% of gross takaful contributions as wakalah fees.

13. Basic and diluted loss per share

	31 December 2013 Unaudited	31 December 2012 Audited
Loss for the period attributable to shareholders (in AED)	**(17,389,003)**	(15,858,368)
Number of shares	**150,000,000**	150,000,000
Basic loss per share (in AED)	**(0.12)**	(0.11)

No figure for diluted earnings per share has been presented since the Company has not issued any instruments which would have an impact on earnings per share when exercised.

14. Cash and cash equivalents

	31 December 2013 (Unaudited) AED	31 December 2012 (Unaudited) AED
Cash and bank balances	**5,001,909**	9,721,919
Investment deposits with maturity over three months from the date of placements	**4,000,000**	9,714,169
Investment deposits with maturity of less than 3 months from the date of placement	-	2,000,000
	9,001,909	21,436,088

15. Segment information

The Company is organised into two main business segments:

- Underwriting of takaful business insurance incorporating health insurance, life insurance and credit saving insurance.
- Investments incorporating investment deposits with local banks and other investments.

TAKAFUL EMARAT - INSURANCE (PSC)

Notes to the condensed financial statements
for the period ended 31 December 2013(continued)

15. Segment information (continued)

Twelve months Period ended 31-December 2013 (Unaudited)

	Underwriting			Shareholders		
	Medical	Life	Total	Investment	Others	Total
	AED	AED	AED	AED	AED	AED
Segment Revenue	100,827,664	6,503,477	107,331,141	7,297,081	1,164,818	8,461,899
(loss)/profit for the period	(18,879,286)	(75,020)	(18,954,306)	7,297,081	(24,685,084)	(17,388,003)

Twelve months Period ended 31-December 2012 (Audited)

	Underwriting			Shareholders		
	Medical	Life	Total	Investment	Others	Total
	AED	AED	AED	AED	AED	AED
Segment Revenue	36,456,196	4,987,948	41,444,144	2,083,411	11,568,478	13,651,889
(loss)/profit for the period	(5,011,321)	(720,054)	(5,731,375)	2,083,411	(17,941,779)	(15,858,368)

TAKAFUL EMARAT - INSURANCE (PSC)

Notes to the condensed financial statements
for the period ended 31 December 2013(continued)

15. Segment information (continued)

	31-December 2013 (Unaudited)						
	Underwriting			Shareholders			
	Medical	Life	Total	Investment	Others	Total	Grand Total
	AED	AED	AED	AED	AED	AED	
Segment Assets	66,912,837	11,888,396	78,801,233	66,904,926	25,259,816	92,164,742	170,965,975
Segment Liabilities	76,699,130	13,030,969	89,730,099	-	13,808,888	13,808,888	103,538,987

	31-December 2012 (Audited)						
	Underwriting			Shareholders			
	Medical	Life	Total	Investment	Others	Total	Grand Total
	AED	AED	AED	AED	AED	AED	
Segment Assets	99,172,824	7,905,817	107,078,641	69,061,714		97,226,057	204,304,698
Segment Liabilities	107,324,622	8,455,812	115,780,434	3,709,273		3,709,273	119,489,707

TAKAFUL EMARAT - INSURANCE (PSC)

Notes to the condensed financial statements
for the period ended 31 December 2013(continued)

17. Contingencies and commitments

	31 December 2013 (Unaudited) AED	31 December 2012 (Audited) AED
Letters of guarantee	**582,000**	262,272
Commitments towards acquisition of property and equipment	-	251,850
Commitment towards development work-in-progress	**16,282,360**	-

18. Seasonality of results

No income of seasonal nature was recorded in the condensed statement of comprehensive income for the nine months period ended 31 December 2013and 2012.

19. Approval of condensed financial statements

The condensed financial statements were approved and authorised for issue on 13 November 2013.