

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

**Review report and interim
financial information
for the period from 1 January 2017
to 31 March 2017**

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

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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 31 March 2017 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from 1 January 2017 to 31 March 2017. 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.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION (continued)

Emphasis of matters

- 1) We draw attention to Note 1 to the condensed consolidated financial statements, which indicates that the Group had accumulated losses amounted to AED 117 million as at 31 March 2017, which exceed 50% of the Company's share capital. As per Article 302 of the Federal law no. (2) of 2015, if the losses of a Joint Stock Company reach half of its issued capital, the Board of Directors shall within 30 days from the date of disclosure to the Ministry or the Authority, as applicable, of the periodical or annual financial statements invite the General Assembly to take a special Decision to dissolve the Company prior to the expiry of its term or to continue in the activity of the Company. During the annual general meeting held on 30 April 2017, the shareholders' resolved to write off part of the accumulated losses by offsetting an amount of AED 37.5 million from the legal and general reserve against the accumulated losses. The Group is currently in the process of finalizing all legal procedures with the relevant authorities.
- 2) 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. As of the date of this report, assets with a total carrying value of AED 12.4 million which are still in his name or owing from him, have not been yet transferred or paid to the Group. The Group is pursuing litigation in regards to the transfer of these assets which involves a degree of uncertainty as to the full and timely recoverability of these assets. The Board of Directors remains confident with respect to the realization of the carrying value of assets and therefore no adjustments to the carrying value of the assets are required.

Our conclusion is not modified in respect of the above matters.

Deloitte & Touche (M.E.)



Musa Ramahi
Registration Number 872
15 May 2017


**Condensed consolidated statement of financial position
as at 31 March 2017**

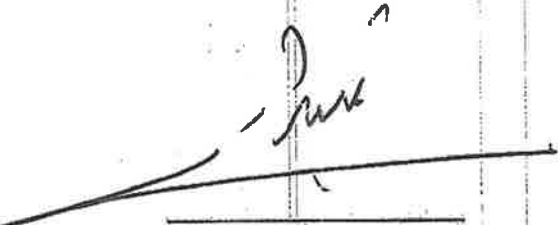
| | Note | 31 March 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|----------------------------------------------------------------------------------------------|------|-----------------------------------------|-----------------------------------------|
| ASSETS | | | |
| Cash and bank balances | 4 | 53,779,209 | 58,121,643 |
| Statutory deposit | 5 | 10,000,000 | 10,000,000 |
| Retakaful contract assets | | | |
| Unearned contribution reserve | 6 | 104,452,540 | 117,455,023 |
| Claims reported unsettled | 6 | 114,988,211 | 122,054,316 |
| Mathematical Reserve | 6 | 13,733,705 | 14,157,992 |
| Claims incurred but not reported | 6 | 34,527,347 | 23,865,175 |
| Takaful receivables | | 99,066,411 | 86,293,655 |
| Other financial assets measured at fair value through other comprehensive income (FVTOCI) | 7 | 97,604,122 | 97,891,280 |
| Other financial assets measured at fair value through profit and loss (FVTPL) | 7 | 613,587,769 | 607,353,075 |
| Prepayments and other receivables | | 11,966,272 | 12,002,157 |
| Deferred policy acquisition costs | | 9,906,872 | 9,069,308 |
| Due from related parties | 16 | 3,576,276 | 3,164,112 |
| Investment property | 8 | 66,500,000 | 66,500,000 |
| Furniture and equipment | | 3,800,705 | 4,122,383 |
| Total Assets | | 1,237,489,439 | 1,232,050,119 |
| LIABILITIES, POLICYHOLDERS' FUND AND EQUITY | | | |
| Liabilities | | | |
| Due to Bank | | 18,380,695 | 10,667,340 |
| Trade and other payables | | 68,343,550 | 74,702,816 |
| Takaful payables | | 82,606,313 | 77,655,047 |
| Due to related parties | 16 | 4,254,640 | 6,142,519 |
| Takaful contract liabilities | | | |
| Unearned contribution reserve | 6 | 168,398,627 | 180,529,905 |
| Claims reported unsettled | 6 | 144,030,517 | 148,137,195 |
| Mathematical Reserve | 6 | 16,512,784 | 16,999,857 |
| Claims incurred but not reported | 6 | 56,629,849 | 48,428,978 |
| Unallocated loss adjustment expenses | 6 | 1,464,945 | 1,646,397 |
| Unit Linked Liabilities | 6 | 603,618,341 | 595,587,545 |
| Murabaha and Ijara payables | | 10,250,000 | 10,250,000 |
| Deferred discount | | 4,977,408 | 4,850,101 |
| Amounts held under Retakaful treaties | | 4,761,417 | 3,879,455 |
| Total Liabilities | | 1,184,229,086 | 1,179,477,155 |

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

Condensed consolidated statement of financial position (continued)
as at 31 March 2017

| | Note | 31 March 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|----------------------------------------------------------|------|-----------------------------------------|-----------------------------------------|
| Policyholders' fund | | | |
| Deficit in policyholders' fund | | (196,037,941) | (189,367,124) |
| Qard Hassan from shareholders | | 196,037,941 | 189,367,124 |
| Policyholders' investments revaluation reserve | 9 | (17,443,831) | (17,390,119) |
| Total deficit in policyholders' fund | | (17,443,831) | (17,390,119) |
| Total Policyholders' Fund and Liabilities | | 1,166,785,255 | 1,162,087,036 |
| Equity | | | |
| Share capital | 10 | 225,750,000 | 225,750,000 |
| Legal reserve | 11 | 18,729,615 | 18,729,615 |
| General reserve | 12 | 18,729,615 | 18,729,615 |
| Investments revaluation reserve - FVTOCI | | (75,042,125) | (74,808,679) |
| Accumulated losses | | (116,969,651) | (118,029,974) |
| Equity attributable to shareholders of the Parent | | 71,197,454 | 70,370,577 |
| Non-controlling interest | | (493,270) | (407,494) |
| Total Equity | | 70,704,184 | 69,963,083 |
| Total Liabilities, Policyholders' Fund and Equity | | 1,237,489,439 | 1,232,050,119 |


Abdul Nazar Moopentakath
Director, Finance & Investments


Jihad Fattouhi
Chief Executive Officer

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 2017 to 31 March 2017

| | | Three months period ended | |
|----------------------------------------------------------|-------------|----------------------------------|-------------------|
| | | 31 March | |
| | Note | 2017 | 2016 |
| | | AED | AED |
| | | | (Restated) |
| Attributable to policyholders | | | |
| <i>Takaful income</i> | | | |
| Gross takaful contributions | | 89,416,155 | 107,024,481 |
| Retakaful share of accepted business | | (35,520,633) | (46,168,949) |
| Retakaful share of ceded business | | (18,038,375) | (11,401,189) |
| Net Takaful contributions | | 35,857,147 | 49,454,343 |
| Net transfer to unearned contributions reserve | | (871,205) | (7,644,404) |
| Increase in mathematical reserve | | 62,786 | 744,160 |
| Net Takaful contributions earned | | 35,048,728 | 42,554,099 |
| Discount received on ceded Retakaful | | 4,071,799 | 3,635,258 |
| Policy fees | | 3,642,211 | 5,055,717 |
| | | 42,762,738 | 51,245,074 |
| <i>Takaful expenses</i> | | | |
| Gross claims incurred | | (34,809,952) | (57,305,269) |
| Retakaful share of accepted business claims | | 5,555,351 | 16,539,088 |
| Retakaful share of ceded business claims | | 6,552,172 | 7,625,559 |
| Net Takaful claims | | (22,702,429) | (33,140,622) |
| Provision for outstanding claims | | 4,106,678 | 3,712,756 |
| Retakaful share of outstanding claims | | (7,066,105) | (3,979,849) |
| Increase in incurred but not reported claims | | 2,461,301 | 38,168 |
| Increase in unallocated loss adjustment expenses reserve | | 181,452 | - |
| Net claims incurred | | (23,019,103) | (33,369,547) |
| Excess of loss of takaful contribution | | (2,158,419) | (1,536,468) |
| | | (25,177,522) | (34,906,015) |
| Net Takaful income | | 17,585,216 | 16,339,059 |
| Wakala fees | 13 | (24,349,003) | (21,065,710) |
| Investment income | 14 | 123,960 | 2,140,018 |
| Mudarib's share | 13 | (30,990) | (535,005) |
| Net loss from takaful operation for the period | | (6,670,817) | (3,121,638) |

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 2017 to 31 March 2017 (continued)

| | | Three months period ended 31 March | |
|-----------------------------------------------------------|------|---------------------------------------|---------------------------|
| | Note | 2017 AED | 2016 AED (Restated) |
| Attributable to shareholders | | | |
| Income | | | |
| Investment income | 14 | 610,476 | 2,280,518 |
| Wakala fees from policyholders | 13 | 24,349,003 | 21,065,710 |
| Mudarib's share from policyholders | 13 | 30,990 | 535,005 |
| Other operating income | | 4,902,732 | 5,109,734 |
| | | <u>29,893,201</u> | <u>28,990,967</u> |
| Expenses | | | |
| Policy acquisition cost | | (7,288,775) | (8,901,119) |
| General and administrative expenses | | (14,959,062) | (14,584,128) |
| Contribution from Qard Hassan to policyholders' fund | | (6,670,817) | (3,121,638) |
| | | <u>(28,918,654)</u> | <u>(26,606,885)</u> |
| Profit for the period attributable to shareholders | | <u>974,547</u> | <u>2,384,082</u> |
| Attributable to: | | | |
| Shareholders of the parent | | 1,060,323 | 2,586,036 |
| Non-controlling interests | | (85,776) | (201,954) |
| | | <u>974,547</u> | <u>2,384,082</u> |
| Earnings per share | 15 | <u>0.005</u> | <u>0.011</u> |

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 2017 to 31 March 2017**

| | Three months period ended | |
|-------------------------------------------------------------------------------------------------------|----------------------------------|--------------------|
| | 31 March | |
| | 2017 | 2016 |
| | AED | AED |
| | | (Restated) |
| Attributable to Policyholders: | | |
| Loss for the period | (6,670,817) | (3,121,638) |
| <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 | (53,712) | 686,488 |
| Total loss for the period Attributable to Policyholders | (6,724,529) | (2,435,150) |
| Attributable to Shareholders: | | |
| Profit for the period | 974,547 | 2,384,082 |
| Other comprehensive (loss)/income | | |
| <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 | (233,446) | 732,239 |
| Total comprehensive income for the period | 741,101 | 3,116,321 |
| Attributable to: | | |
| Shareholders of the parent | 826,877 | 3,318,275 |
| Non-controlling interests | (85,776) | (201,954) |
| | 741,101 | 3,116,321 |

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 2017 to 31 March 2017**

| | Share capital AED | Legal reserve AED | General reserve AED | Investments revaluation reserve - FVTOCI AED | Accumulated losses AED | Equity attributable to shareholders of the Parent AED | Non- controlling interest AED | Total AED |
|-------------------------------------------------|-------------------------|-------------------------|---------------------------|----------------------------------------------------------|------------------------------|-------------------------------------------------------------------|----------------------------------------|--------------------|
| Balance at 1 January 2016 (Restated) | | | | | | | | |
| (audited) | 225,750,000 | 18,729,615 | 18,729,615 | (50,371,164) | (90,213,610) | 122,624,456 | (8,441,330) | 114,183,126 |
| Profit for the period | - | - | - | - | 2,586,036 | 2,586,036 | (201,954) | 2,384,082 |
| Other comprehensive income for the period | - | - | - | 732,239 | - | 732,239 | - | 732,239 |
| Total other comprehensive income for the period | - | - | - | 732,239 | 2,586,036 | 3,318,275 | (201,954) | 3,116,321 |
| Balance at 31 March 2016 | <u>225,750,000</u> | <u>18,729,615</u> | <u>18,729,615</u> | <u>(49,638,925)</u> | <u>(87,627,574)</u> | <u>125,942,731</u> | <u>(8,643,284)</u> | <u>117,299,447</u> |
| Balance at 1 January 2017 (audited) | | | | | | | | |
| (audited) | 225,750,000 | 18,729,615 | 18,729,615 | (74,808,679) | (118,029,974) | 70,370,577 | (407,494) | 69,963,083 |
| Profit for the period | - | - | - | - | 1,060,323 | 1,060,323 | (85,776) | 974,547 |
| Other comprehensive loss for the period | - | - | - | (233,446) | - | (233,446) | - | (233,446) |
| Total other comprehensive income for the period | - | - | - | (233,446) | - | - | - | - |
| Balance at 31 March 2017 | <u>225,750,000</u> | <u>18,729,615</u> | <u>18,729,615</u> | <u>(75,042,125)</u> | <u>(116,969,651)</u> | <u>71,197,454</u> | <u>(493,270)</u> | <u>70,704,184</u> |

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 2017 to 31 March 2017**

| | Three months period ended 31 March | |
|--------------------------------------------------------------------|-----------------------------------------------|---------------------|
| | 2017 | 2016 |
| | AED | AED |
| | | (Restated) |
| Cash flows from operating activities | | |
| Profit for the period | 974,547 | 2,384,082 |
| Adjustments for: | | |
| Depreciation of furniture and equipment | 369,100 | 389,470 |
| Loss/(gain) on sale of investments measured at FVTPL, net | 1,785,102 | (2,435,953) |
| Dividend income | (2,236,185) | (1,835,565) |
| Provision for employees' end of service benefits | 361,494 | 307,432 |
| Changes in operating assets and liabilities: | 1,254,058 | (1,190,534) |
| Decrease/(increase) in Retakaful contract assets | 9,830,703 | (4,570,359) |
| Increase in Takaful receivables | (12,772,756) | (14,075,433) |
| Decrease/(increase) in prepayments and other receivables | 35,885 | (1,993,511) |
| (Increase)/decrease in due from related parties | (412,164) | 1,870,401 |
| (Decrease)/Increase in Takaful contract liabilities | (674,814) | 37,392,843 |
| Increase/(decrease) in amounts held under Retakaful treaties | 881,962 | (123,710) |
| Increase in Takaful and Retakaful payables | 4,951,266 | 4,798,535 |
| Decrease in trade and other payables | (6,511,792) | (7,048,954) |
| (Decrease)/increase in due to a related party | (1,887,879) | 300,000 |
| Decrease in deferred discount | (837,564) | (884,404) |
| Decrease/(increase) in deferred policy acquisition costs | 127,307 | (503,553) |
| Cash (used in)/generated from operations | (6,015,788) | 13,971,321 |
| Employees' end of service benefits paid | (208,968) | (36,407) |
| Net cash (used in)/generated from operating activities | (6,224,756) | 13,934,914 |
| Cash flows from investing activities | | |
| Purchase of furniture and equipment | (47,422) | (432,033) |
| Purchase of other financial assets measured at FVTPL | - | (883,904) |
| Proceeds from sale of other financial assets measured at FVTPL | - | 1,133,702 |
| Net increase in unit linked investments | (8,019,796) | (25,693,319) |
| Dividend income received | 2,236,185 | 1,569,217 |
| Net cash used in investing activities | (5,831,033) | (24,306,337) |
| Cash flows from financing activities | | |
| Increase/(decrease) in due to bank | 7,713,355 | (1,160,000) |
| Net cash from/(used in) financing activities | 7,713,355 | (1,160,000) |
| Net decrease in cash and cash equivalents | (4,342,434) | (11,531,423) |
| Cash and cash equivalents at the beginning of the period | 33,121,643 | 41,217,405 |
| Cash and cash equivalents at the end of the period (Note 4) | 28,779,209 | 29,685,982 |

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 2017 to 31 March 2017

1. General information

Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC) (the “Company”) is registered as a public shareholding Company in Dubai, United Arab Emirates. 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 retakaful 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 three 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 31 March 2017, the Company had the following subsidiaries:

| Name of subsidiary | Place of incorporation (or registration) and operation | Proportion of ownership profit % | Proportion of voting power held % | Principal activity |
|--------------------------------------|--------------------------------------------------------------|-------------------------------------------|--------------------------------------------|----------------------------------------------------------------------------------|
| Nawat Investments L.L.C. | United Arab Emirates | 100.00 | 100.00 | Investment in commercial, industrial and agricultural enterprises and management |
| TechnikAuto Service Centre Co. L.L.C | United Arab Emirates | 100.00 | 100.00 | Vehicles' repair services |
| Amity Health L.L.C. | United Arab Emirates | 90.00 | 90.00 | Medical billing services |

The Chairman of the Group holds 1% of Nawat Investments L.L.C and 1% of Technik Auto Service Centre Co. L.L.C on behalf and for the benefit of the Group.

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

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses
- Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle - Amendments to IFRS 12 *Disclosure of Interests in Other Entities*.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

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

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

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

| <u>New and revised IFRS</u> | <u>Effective for annual periods beginning on or after</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2015). | 1 January 2018 |
| Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions. | 1 January 2018 |
| Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 <i>Financial Instruments</i> and the forthcoming new insurance contracts standard. | 1 January 2018 |
| IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014) | 1 January 2018 |
| IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (FVTOCI) measurement category for certain simple debt instruments. | |
| A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i> . The standard contains requirements in the following areas: | |
| <ul style="list-style-type: none"> • Classification and measurement: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a ‘fair value through other comprehensive income’ category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity’s own credit risk. | |

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

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

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

| <u>New and revised IFRS</u> | <u>Effective for annual periods beginning on or after</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|
| IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014) (continued) | 1 January 2018 |
| <ul style="list-style-type: none"> • Impairment: The 2014 version of IFRS 9 introduces an ‘expected credit loss’ model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised • Hedge accounting: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • Derecognition: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. | |
| IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> | 1 January 2018 |
| The interpretation addresses foreign currency transactions or parts of transactions where: | |
| <ul style="list-style-type: none"> • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. | |
| IFRS 15 <i>Revenue from Contracts with Customers</i> : IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. | 1 January 2018 |
| Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive. | 1 January 2018 |
| IFRS 16 <i>Leases</i> provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. | 1 January 2019 |

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

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

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

| <u>New and revised IFRS</u> | <u>Effective for annual periods beginning on or after</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|
| Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture. | Effective date deferred indefinitely |

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 16, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

The application of IFRS 9 may have significant impact on amounts reported and disclosures made in the Group’s condensed consolidated financial statements in respect of the Group’s financial assets and financial liabilities and the application of IFRS 16 may have an impact on amounts reported and disclosures made in the Group’s condensed consolidated financial statements in respect of its leases. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

3. Summary of significant accounting policies

Basis of preparation

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

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 2016.

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 at 31 December 2016. In addition, results for the three months ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

3. Summary of significant accounting policies (continued)

Basis of preparation (continued)

The accounting policies disclosed in the annual audited financial statements for the year ended 31 December 2016 are stated below as required by Securities and Commodities Authority notification dated 12 October 2008.

Significant judgments and key sources of estimation uncertainty

The preparation of condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2016.

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 2016.

Basis of consolidation

These condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The condensed consolidated financial statements comprise the financial statements of the Company and of the subsidiaries as disclosed in Note 1 to these condensed consolidated financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

All significant inter-group balances, income and expense items are eliminated on consolidation.

Financial instruments

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

Debt instruments, including receivables related to Takaful contracts, are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Amortised cost and effective profit method

The effective profit method is a method of calculating the amortised cost of a debt instrument and of allocating profit income over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective profit basis for debt instruments (other than those financial assets designated as FVTPL) are measured subsequently at amortised cost. Profit income is recognised in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, in banks and deposits in banks with original maturity not more than three months from the date of placement.

Takaful, Retakaful and other receivables

Takaful, Retakaful and other receivables that have fixed or determinable payments are measured at amortised cost using the effective profit rate method, less any impairment.

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

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not transferred to consolidated income statement, but is reclassified to retained earnings.

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

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

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

Debt instruments that do not meet the amortised cost criteria (as described above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement is included in the 'net investment income' line item in the consolidated income statement. Fair value is determined in the manner described in Note 20 to the consolidated financial statements.

Profit income on debt instruments as at FVTPL is included in the net gain or loss described above and is included in the 'net investment income' line item.

Dividend income on investments in equity instruments at FVTPL is recognised in the consolidated income statement when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue and is included in the net gain or loss described above.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in the consolidated income statement; and
- for financial assets that are designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the consolidated income statement.

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in profit or principal payments; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective profit rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement.

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

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

De-recognition of financial assets

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

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated income statement.

On de-recognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to the consolidated income statement, but is reclassified to retained earnings.

Furniture and equipment

Furniture and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement when incurred.

Depreciation is charged so as to write off the cost, over their estimated useful lives, using the straight-line method, as follows:

| | |
|------------------------|---------|
| Furniture and fixtures | 4 years |
| Office equipment | 4 years |
| Motor vehicles | 4 years |

The gain or loss arising on the disposal or retirement of an item of furniture and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated income statement.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the period in which the investment property is derecognised.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

4. Cash and bank balances

| | 31 March 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|------------------|---------------------------------------------------|-----------------------------------------|
| Cash on hand | 1,210,877 | 312,300 |
| Bank balances : | | |
| Wakala deposits | 25,000,000 | 25,000,000 |
| Current accounts | 27,568,332 | 32,809,343 |
| | 53,779,209 | 58,121,643 |

For cash flow purposes, the cash and cash equivalents was analysed as follows:

| | 31 March 2017 AED (Un-audited) | 31 March 2016 AED (Un-audited) |
|----------------------------------------------------------------|---------------------------------------------------|-----------------------------------------|
| Cash and bank balances | 53,779,209 | 54,685,982 |
| Deposits with original maturities of greater than three months | (25,000,000) | (25,000,000) |
| Cash and cash equivalents | 28,779,209 | 29,685,982 |

The profit rates on Wakala deposits with Banks ranges from 1.5% to 2.0% (2016: 1.5% to 2.0%).

Wakala deposit amounting to AED 25 million (2016: AED 25 million have maturity more than three months).

5. Statutory deposit

Wakala deposits held as restricted deposits are maintained in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of U.A.E. and are not available to finance the day to day operations of the Group.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

6. Retakaful contract assets and Takaful contract liabilities

| | 31 March 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|-----------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| Gross | | |
| Takaful contract liabilities: | | |
| Unearned contribution reserve | 168,398,627 | 180,529,905 |
| Claims reported unsettled | 144,030,517 | 148,137,195 |
| Mathematical Reserve | 16,512,784 | 16,999,857 |
| Claims incurred but not reported | 56,629,849 | 48,428,978 |
| Unallocated loss adjustment expenses | 1,464,945 | 1,646,397 |
| Unit linked liabilities | 603,618,341 | 595,587,545 |
| Total takaful contract liabilities, gross | 990,655,063 | 991,329,877 |
| Recoverable from retakaful | | |
| Retakaful contract assets: | | |
| Unearned contribution reserve | 104,452,540 | 117,455,023 |
| Claims reported unsettled | 114,988,211 | 122,054,316 |
| Mathematical reserve | 13,733,705 | 14,157,992 |
| Claims incurred but not reported | 34,527,347 | 23,865,175 |
| Total retakaful share of takaful liabilities | 267,701,803 | 277,532,506 |
| Net | | |
| Unearned contribution reserve | 63,946,087 | 63,074,882 |
| Claims reported unsettled | 29,042,306 | 26,082,879 |
| Mathematical Reserve | 2,779,079 | 2,841,865 |
| Claims incurred but not reported | 22,102,502 | 24,563,803 |
| Unallocated loss adjustment expenses | 1,464,945 | 1,646,397 |
| Unit linked liabilities | 603,618,341 | 595,587,545 |
| | 722,953,260 | 713,797,371 |

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

7. Other financial assets measured at fair value

| | 31 March 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|----------------------------------------------------------------------------------------------------|---------------------------------------------------|-----------------------------------------|
| Financial assets measured at fair value through other comprehensive income (FVTOCI) (A) | | |
| - Listed | 61,846,111 | 62,133,269 |
| - Unlisted | 35,758,011 | 35,758,011 |
| | 97,604,122 | 97,891,280 |
| Financial assets measured at fair value through profit and loss (FVTPL) (B) | | |
| - Listed | 9,969,428 | 11,765,530 |
| - Unit linked investments | 603,618,341 | 595,587,545 |
| | 613,587,769 | 607,353,075 |
| Total other financial assets measured at fair value (A+B) | 711,191,891 | 705,244,355 |

Investments by geographical area are as follows:

| | 31 March 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|------------------|---------------------------------------------------|-----------------------------------------|
| - Within U.A.E. | 64,322,761 | 68,825,212 |
| - Outside U.A.E. | 646,869,130 | 636,419,143 |
| | 711,191,891 | 705,244,355 |

- i. FVTOCI listed and unlisted securities are carried at a value of AED 97,604,122 (2016: AED 97,891,280), with a decline in their fair value from original acquisition cost amounting to AED 92,485,956 (2016: AED 92,198,798). Of this amount, AED 75,042,125 (2016: AED 74,808,679) is deducted from shareholders' equity and AED 17,443,831 (2016: AED 17,390,119) 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.
- ii. Unlisted securities carried at a fair value of AED 35,758,011 (2016: AED 35,758,011) 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 16 (a)].

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

8. Investment property

| | 31 March 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|--------------------------------------------|---------------------------------------------------|-----------------------------------------|
| Balance at beginning of the period /year | 66,500,000 | 70,000,000 |
| Loss on revaluation of investment property | - | (3,500,000) |
| Balance at end of the period /year | 66,500,000 ===== | 66,500,000 ===== |

The Group's management reassessed the valuation internally during the three months period ended 31 March 2017 and no material differences were noted.

The fair value of the Group's investment property is based on unobservable inputs i.e. Level 3.

9. Policyholders' investments 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 the three months period ended 31 March 2017 is identical to that used for the year ended 31 December 2016 and approved by the Group's Fatwa and Sharia'a Supervisory Board. This allocation will be revised and finalised by year end once the Board approval is obtained.

10. Share capital

| | 31 March 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|--------------------------------------------------------------------------------------------------------|---------------------------------------------------|-----------------------------------------|
| Issued and fully paid: 225,750,000 (31 December 2016: 225,750,000) ordinary shares of AED 1 each | 225,750,000 ===== | 225,750,000 ===== |

11. Legal reserve

In accordance with United Arab Emirates Federal Law No. (2) of 2015, the Group has established a legal reserve by appropriation of 10% of the profit of the Parent Company for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law.

12. General reserve

The Group is required to transfer 10% of the profit of the Parent Company for the year to a general reserve in accordance with its Articles of Association. The reserve is available for distribution by a resolution of the shareholders of the Group at an ordinary general meeting, on the recommendation of the Board of Directors.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

13. Wakala fees and Mudarib's share

The Group manages the Takaful operations for the policyholders and charges 30% of the gross Takaful contributions net of fronting contribution as Wakala fees (31 March 2016: 25%). In addition, the Group charges (2%-100%) on fronting contribution as Wakala fees. These Wakala fees rates were approved by the Group's Fatwa and Sharia'a Supervisory Board.

During the period, no Wakala fee was charged on gross Takaful contributions amounting to AED Nil (31 March 2016: AED 22,761,642) 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 Group also manages the Policyholders' investment funds and is entitled to 25% (31 March 2016: 25%) of net investment income earned by the Policyholders' investment funds as the Mudarib's share. The Mudarib's share was AED 30,990 (31 March 2016: 535,005).

14. Investment income

| | Three months period ended 31 March | |
|-----------------------------------------------------|-----------------------------------------------|------------------------------------|
| | 2017 | 2016 |
| | AED | AED |
| | (Un-audited) | (Un-audited) (Restated) |
| (Loss)/income on investments measured at FVTPL, net | (1,785,102) | 2,435,953 |
| <i>Other investment income</i> | | |
| Income from investment deposits | 71,720 | 24,018 |
| Dividend income | 2,236,185 | 1,835,565 |
| Rental income | 175,500 | 125,000 |
| Other income | 36,133 | - |
| | 734,436 | 4,420,536 |
| <i>Allocated to:</i> | | |
| Policyholders | 123,960 | 2,140,018 |
| Shareholders | 610,476 | 2,280,518 |
| | 734,436 | 4,420,536 |

Investment income and losses are allocated amongst the shareholders and the policyholders on a pro rata basis. This allocation to policyholders is approved by the Group's Fatwa and Sharia'a Supervisory Board on an annual basis.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

15. 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:

| | Three months period ended 31 March | |
|---------------------------------------------------------------------------|-----------------------------------------------|---------------------------------------------------------|
| | 2017 (Un-audited) | 2016 (Un-audited) (Restated) |
| Profit for the period attributable to shareholders of the parent (in AED) | 1,060,323 | 2,586,036 |
| Weighted average number of shares outstanding during the period | 225,750,000 | 225,750,000 |
| Earnings per share (AED) | 0.005 | 0.011 |

16. 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. Transactions with such related parties are made on substantially the same terms, as those prevailing at the same time for comparable transactions with external customers and parties.

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

| | 31 March 2017 (Un-audited) | | | 31 December 2016 (Audited) | | |
|---------------------------------------------------------------------|---------------------------------------|----------------------------------------------|----------------------|---------------------------------------|----------------------------------------------|----------------------|
| | Major shareholders AED | Other related parties AED | Total AED | Major shareholders AED | Other related parties AED | Total AED |
| Wakala deposits | - | 5,000,000 | 5,000,000 | - | 5,000,000 | 5,000,000 |
| Carrying value of investments in ordinary shares [Note 16(a)] | - | 28,602,514 | 28,602,514 | - | 28,790,322 | 28,790,322 |
| Cash and cash equivalents | - | 221,924 | 221,924 | - | 221,924 | 221,924 |
| Due from related parties [Note 16(b)] | 3,033,446 | 542,830 | 3,576,276 | 2,547,491 | 616,621 | 3,164,112 |
| Due to related parties [Note 16(c)] | 3,982,355 | 272,284 | 4,254,639 | 5,987,939 | 154,580 | 6,142,519 |

- (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 to AED 28.6 million (31 December 2016: AED 28.8 million).

Out of the total shareholding at the reporting date, 106,530 shares amounting AED 7 million of Al Salam Bank - Algeria were held by the former CEO (who resigned during 2013 and no longer qualifies as a related party) on trust and for the benefit of the Group and the total shares of Al Salam Bank - Bahrain (5,476,149 shares amounting AED 5.4 million) are held by a company controlled by the former CEO (who resigned during 2013 and no longer qualifies as a related party), in trust and for the benefit of the Group. Refer to note 21 for further details.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

16. Related party transactions (continued)

(b) Due from related parties represents the following:

| | 31 March 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|-----------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| <i>Entities owned by the Chairman of the Board of Directors</i> | | |
| Fast Rent A Car L.L.C. | - | 96,632 |
| Fast Passenger Transport (Fast Limo-Silver Cab L.L.C.) | 4,350 | 4,350 |
| Nation Hospital (Bin Omeir) | 697,444 | 334,262 |
| Bin Omeir Holding Group | 1,267,891 | 1,251,906 |
| Bin Omeir Medical Group | 1,244 | 1,244 |
| Bin Omeir Auto Motive Group | 875,166 | 875,166 |
| Bin Omeir Travel & Tourism Group | 125,524 | 130,221 |
| Bin Omeir Education Foundation | 372,116 | 225,358 |
| P.H Receivable - Yas Mineral Water Bottling | 33,310 | 44,310 |
| First Motors Group | 152,051 | 153,408 |
| Chocolatier Group | 13,372 | 13,051 |
| Al Massa Art Products | 3,498 | 3,498 |
| National Consultants Debit Collection | 30,310 | 30,706 |
| Total | 3,576,276 | 3,164,112 |

(c) Due to related parties represents the following:

| | 31 March 2017 AED (Un-audited) | 31 December 2016 AED (Audited) |
|-----------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| <i>Entities owned by the Chairman of the Board of Directors</i> | | |
| Ajyal International School - Medical | 12,484 | 8,818 |
| Bin Omeir Holding Group - General | 92,323 | 92,323 |
| Emirates Taxi | 117,383 | 145,762 |
| Fast Service Centre - Abu Dhabi | 1,261,949 | 3,269,231 |
| Fast Service Centre - Sharjah | 10,700 | 10,700 |
| First Motors - Motor Agent | 534,375 | 534,375 |
| Fast Line Auto Services | 2,083,010 | 2,081,310 |
| Fast Rent A Car L.L.C. | 142,416 | - |
| Total | 4,254,640 | 6,142,519 |

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

16. Related party transactions (continued)

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

| | 31 March 2017 (Un-audited) | | | 31 March 2016 (Un-audited) (Restated) | | |
|------------------------------------|----------------------------|-----------------------------|-----------|---------------------------------------|-----------------------------|------------|
| | Major shareholders | Other related parties | Total | Major shareholders | Other related parties | Total |
| | AED | AED | AED | AED | AED | AED |
| Gross contributions | 543,622 | 67,709 | 611,331 | 110,333 | 12,062,296 | 12,172,629 |
| Gross claims (paid) | 10,415 | 1,081,062 | 1,091,477 | 46,250 | 8,242,157 | 8,288,407 |
| Profit share on wakala deposits | - | 25,000 | 25,000 | - | 4,066 | 4,066 |

Compensation of key management personnel was as follows:

| | Three months period ended 31 March | |
|-----------------------------------------------------|---------------------------------------|-------------------------------------------|
| | 2017 AED (Un-audited) | 2016 AED (Un-audited) (Restated) |
| Short term employee benefits | 467,333 | 434,343 |
| End of service benefits | 13,981 | 14,135 |
| Total compensation paid to key management personnel | 481,314 | 448,478 |

17. 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.
- **Others** represent income and expense activities conducted by the subsidiaries and included in this consolidated financial report

Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)

17. Segmental information (continued)

The following table presents segment information for the three months' period ended 31 March 2017 and the three months' period ended 31 March 2016.

| | Three month period ended 31 March 2017 (Un-audited) | | | | Three month period ended 31 March 2016 (Un-audited) (Restated) | | | | | |
|---------------------------|-----------------------------------------------------|--------------------|--------------|---------------------|----------------------------------------------------------------|----------------|--------------------|--------------|---------------------|--------------|
| | Takaful AED | Investments AED | Other AED | Eliminations AED | Total AED | Takaful AED | Investments AED | Other AED | Eliminations AED | Total AED |
| Takaful | | | | | | | | | | |
| Takaful income | 42,762,738 | - | - | - | 42,762,738 | 51,245,074 | - | - | - | 51,245,074 |
| Takaful expenses | (25,177,522) | - | - | - | (25,177,522) | (34,906,015) | - | - | - | (34,906,015) |
| Net Takaful income | 17,585,216 | - | - | - | 17,585,216 | 16,339,059 | - | - | - | 16,339,059 |
| Wakala fees | (24,349,003) | 24,349,003 | - | - | - | (21,065,710) | 21,065,710 | - | - | - |
| Mudarib fees | (30,990) | 30,990 | - | - | - | (535,005) | 535,005 | - | - | - |
| Commission paid | - | (7,288,775) | - | - | (7,288,775) | - | (8,901,119) | - | - | (8,901,119) |
| Investment income | (24,379,993) | 17,091,218 | - | - | (7,288,775) | (21,600,715) | 12,699,596 | - | - | (8,901,119) |
| Unallocated expenses | 123,960 | 610,476 | - | - | 734,436 | 2,140,018 | 2,280,518 | - | - | 4,420,536 |
| Other income | - | (8,748,612) | (6,210,450) | - | (14,959,062) | - | (8,847,984) | (5,736,144) | - | (14,584,128) |
| | - | - | 4,902,732 | - | 4,902,732 | - | - | 5,109,734 | - | 5,109,734 |
| Net profit for the period | (6,670,817) | 8,953,082 | (1,307,718) | - | 974,547 | (3,121,638) | 6,132,130 | (626,410) | - | 2,384,082 |

Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)

17. Segmental information (continued)

Other information

| | Takaful | | Investment | | Total | |
|---------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|
| | 31 March 2017 | 31 December 2016 | 31 March 2017 | 31 December 2016 | 31 March 2017 | 31 December 2016 |
| | AED | AED | AED | AED | AED | AED |
| | (Un-audited) | (Audited) | (Un-audited) | (Audited) | (Un-audited) | (Audited) |
| Segment assets | 1,028,415,892 | 1,020,893,313 | 209,073,547 | 211,156,806 | 1,237,489,439 | 1,232,050,119 |
| | ===== | ===== | ===== | ===== | ===== | ===== |
| Segment liabilities | 1,173,979,086 | 1,169,227,155 | 10,250,000 | 10,250,000 | 1,184,229,086 | 1,179,477,155 |
| | ===== | ===== | ===== | ===== | ===== | ===== |

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

18. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated income statement for the three months period ended 31 March 2017 and for the three months period ended 31 March 2016.

19. Contingencies

- (a) At reporting date, the Group has contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business amounting AED 0.7 million (31 December 2016: AED 0.7 million).
- (b) The Group, in common with other insurance companies, is involved as a defendant in a number of legal cases with other insurance, reinsurance and customers. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Group in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made. The expected outcome of the cases is dependent on future legal proceedings.

20. Fair value of financial instruments

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.

(a) Fair value of financial instruments measured at amortised cost

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

(b) 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 values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

20. Fair value of financial instruments (continued)

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

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).

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

| Financial assets | Fair value as at | | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable input | Relationship of unobservable inputs to fair value |
|-----------------------------------|------------------------------------------|------------------------------------------|----------------------|----------------------------------------------------------------|--------------------------------|----------------------------------------------------------------------|
| | 31 March 2017 AED'000 (Un-audited) | 31 December 2016 AED'000 (Audited) | | | | |
| Financial assets at FVTOCI | | | | | | |
| Quoted equity securities | 61,846 | 62,133 | Level 1 | Quoted bid prices in an active market. | None | N/A |
| Unquoted equity securities | 35,758 | 35,758 | Level 3 | Net assets valuation method and comparable, multiples approach | Net assets value | Higher the net assets value of the investees, higher the fair value. |
| Financial assets at FVTPL | | | | | | |
| Quoted equity securities | 9,969 | 11,765 | Level 1 | Quoted bid prices in an active market. | None | N/A |
| Unit linked investments | 603,618 | 595,587 | Level 3 | Net assets valuation method. | Net assets value | Higher the net assets value of the investees, higher the fair value. |

There were no transfers between each of the levels during the period.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

20. Fair value of financial instruments (continued)

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

| | 31 March 2017 AED'000 (Un-audited) | 31 December 2016 AED'000 (Audited) |
|----------------------------------------------|-------------------------------------------------------|---------------------------------------------|
| At 1 January | 35,758 | 35,758 |
| Additions during the period/year | - | - |
| Redemptions/disposals during the period/year | - | - |
| Changes in fair value | - | - |
| At end of the period/year | 35,758 | 35,758 |

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

| | 31 March 2017 AED'000 (Un-audited) | 31 December 2016 AED'000 (Audited) |
|-----------------------------------|-------------------------------------------------------|---------------------------------------------|
| At 1 January | 595,587 | 556,782 |
| Net change during the period/year | 8,031 | 38,805 |
| At end of the period/year | 603,618 | 595,587 |

The investments classified under Level 3 category have been fair-valued based on information available for each investment. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

21. Significant events

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 and/or transfer of certain assets and investments that were held by him or by entities controlled by him on trust and for the benefit of the Group. Given the delay in settlement and the level of uncertainty involved is considered as an exceptional outstanding matter, for which the chances of favourable outcome cannot be fully guaranteed. However, the Board of Directors is confident in the realization of a minimum of the carrying value of assets due from him 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 prior years against the advance mentioned in clause (a) above, in addition to receiving cumulative dividends of Al Salam Bank - Bahrain pertaining to prior years amounting to AED 0.46 million.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2017 to 31 March 2017 (continued)**

22. Effect of changes in accounting policies and the application of the new insurance regulation

Restatement of comparative information for the period ended 31 March 2016

During the period 2016, the Group adapted the directives of federal law number 6 of 2007, Consequently, the Group has changed its accounting policy for accounting for unearned contribution reserve switching from 1/8 method to 1/365 method. In addition, the Group has also reclassified its reserves out of additional reserve into multiple reserve captions within the condensed consolidated statement of financial position and the condensed consolidated income statement in order to align it to the requirements of the insurance authority.

All reserves have been computed by the internal actuary using statistical models and verified by the Company externally appointed actuary. Reserves booked by the group are identical to those determine by the external actuary.

Financial statements for the three months' period ended 31 March 2016 were issued prior to the change in the aforementioned accounting policy. Therefore, the comparative information of these financial statements for the three months' period ended 31 March 2016 has been restated to conform to the revised accounting policy.

The effect of the change in the accounting policy on the condensed consolidated profit or loss and related noted for the three months' period ended 31 March 2016 are mentioned below:

| | As previously reported AED | Adjustment AED | Restated AED |
|------------------------------------------------|----------------------------------|-------------------|-----------------|
| Net transfer to unearned contributions reserve | (2,811,479) | (4,832,925) | (7,644,404) |
| Net of outstanding claims | 1,235,504 | (1,502,596) | (267,093) |
| Additional reserve | 5,067,004 | 5,067,004 | - |
| Increase in mathematical reserve | - | 744,160 | 744,160 |
| Increase in incurred but not reported claims | - | 38,168 | 38,168 |

The change in the accounting policy resulted in a decrease in previously reported profit for the period ended 31 March 2016 by AED 486,189 and consequently decrease basic earnings per share by AED (.002).

23. Comparative figures

- Certain comparative figures have been reclassified to align the presentation of the condensed consolidated financial statements to the requirement of the insurance authority.
- As per Article (3) of Section 7 to the Financial Regulation of Takaful Insurance Companies, the shareholder account should bear all operational, administrative and general expenses for takaful insurance business. Accordingly, effective 1 January 2016, the policy acquisition cost has been classified in the condensed consolidated statement of income as attributable to shareholders.

24. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 15 May 2017.