

**Islamic Arab Insurance Co.
(Salama) and its subsidiaries**
Condensed consolidated interim financial
statements
for the six-month period ended 30 June 2017

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim financial statements

for the six-month period ended 30 June

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements

To the Shareholders of Islamic Arab Insurance Co. (Salama)

Introduction

We have reviewed the accompanying 30 June 2017 condensed consolidated interim financial statements of Islamic Arab Insurance Co. (Salama) (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 June 2017;
- the condensed consolidated interim statement of profit or loss for the three-month and six-month periods ended 30 June 2017;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2017;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2017;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2017; and
- notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial statements 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.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of profit or loss

for the six-month period ended 30 June

		Six-month period ended	Six-month period ended	Three-month period ended	Three-month period ended
		30 June	30 June	30 June	30 June
		2017	2016	2017	2016
	<i>Note</i>	AED'000	AED'000	AED'000	AED'000
		(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
CONTINUING OPERATIONS					
UNDERWRITING RESULTS					
Underwriting income					
Gross written contributions	18	401,537	417,238	181,769	182,081
Less: reinsurance and retakaful contributions ceded		(127,241)	(117,700)	(58,309)	(52,385)
Net contributions		274,296	299,538	123,460	129,696
Net movement in unearned contributions		(9,626)	24,016	2,135	7,166
Contributions earned	18	264,670	323,554	125,595	136,862
Commission income on ceded reinsurance and retakaful	18	15,302	17,761	4,769	10,506
	18	279,972	341,315	130,364	147,368
Underwriting expenses					
Gross claims paid		148,160	289,121	63,957	141,536
Less: reinsurance and retakaful share of claims paid		(45,293)	(61,734)	(17,638)	(31,142)
Net claims paid		102,867	227,387	46,319	110,394
Net movement in outstanding claims and family takaful reserve		(11,262)	107,513	(5,718)	31,124
Claims incurred	18	91,605	334,900	40,601	141,518
Commission paid and other costs	18	123,961	124,585	61,864	55,428
		215,566	459,485	102,465	196,946
Net underwriting income / (loss)	18	64,406	(118,170)	27,899	(49,578)
Income from other sources					
Income from investments		21,935	9,734	10,628	1,752
Other income		5,405	12,743	2,743	4,328
		91,746	(95,693)	41,270	(43,498)
Expenses					
General, administrative and other expenses		(57,261)	(53,702)	(28,500)	(22,016)
Financial expenses		(396)	(510)	(119)	(276)
Net profit / (loss) before tax for the period		34,089	(149,905)	12,651	(65,790)
Taxation - current		(4,023)	(4,794)	(894)	601
Net profit / (loss) after tax for the period before policyholders' distribution		30,066	(154,699)	11,757	(65,189)
Distribution to policyholders of Company		-	-	-	-
Net profit / (loss) after tax and distribution to policyholders for the period from continuing operations		30,066	(154,699)	11,757	(65,189)
DISCONTINUED OPERATIONS					
Loss from discontinued operations	13	(22,325)	(1,192)	(10,659)	995
Net profit / (loss) after tax and distribution to policyholders for the period		7,741	(155,891)	1,098	(64,194)

Islamic Arab Insurance Co. (Salama) and its subsidiaries
 Condensed consolidated interim statement of profit or loss (*continued*)
 for the six-month period ended 30 June

	Six-month period ended	Six-month period ended	Three-month period ended	Three-month period ended
	30 June	30 June	30 June	30 June
	2017	2016	2017	2016
	AED'000	AED'000	AED'000	AED'000
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Net profit / (loss) after tax and distribution to policyholders for the period	7,741	(155,891)	1,098	(64,194)
Attributable to:				
Shareholders	5,220	(161,454)	1,053	(63,833)
Non-controlling interest	2,521	5,563	45	(361)
	7,741	(155,891)	1,098	(64,194)
Profit / (loss) per share (AED) (Note 16)	0.004	(0.136)	0.001	(0.054)
Profit / (loss) per share (AED) - continuing operations	0.023	(0.135)	0.00986	(0.055)

The notes on pages 10 to 25 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 1 and 2.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of profit or loss and other comprehensive income

for the six-month period ended 30 June

	Six-month period ended 30 June 2017 AED'000 (Un-audited)	Six-month period ended 30 June 2016 AED'000 (Un-audited)	Three-month period ended 30 June 2017 AED'000 (Un-audited)	Three-month period ended 30 June 2016 AED'000 (Un-audited)
Net profit / (loss) after tax and distribution to policyholders for the period	7,741	(155,891)	1,098	(64,194)
Other comprehensive income / (loss) net of income tax				
<i>Items that are or may be reclassified to profit or loss:</i>				
Net change in fair value of available-for-sale investments	-	(5,063)	-	(5,618)
Foreign exchange translation reserve	2,645	(16,095)	3,273	(1,109)
Other comprehensive loss for the period	2,645	(21,158)	3,273	(6,727)
Total comprehensive income / (loss) for the period	10,386	(177,049)	4,371	(70,921)
Attributable to:				
Shareholders	7,458	(176,454)	3,834	(70,702)
Non-controlling interest	2,928	(595)	537	(219)
	10,386	(177,049)	4,371	(70,921)

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Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of financial position

as at 30 June

	Note	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
ASSETS			
Property and equipment		66,621	64,585
Goodwill and intangibles		127,290	127,192
Investment properties	8	128,692	128,210
Investments in associates	9	105,159	94,736
Statutory deposits		13,075	11,761
Investments	11	458,482	432,877
Participants' investments in unit-linked contracts	11.2	1,162,878	989,369
Deposits with takaful and retakaful companies		2,093	2,109
Contributions and takaful balance receivables		234,997	222,449
Retakafuls' share of outstanding claims		121,409	157,023
Retakafuls' share of unearned contributions		94,915	70,796
Amounts due from related parties	12	11,298	11,230
Other assets and receivables		372,912	365,567
Cash and bank balances		151,485	118,830
Assets held-for-sale	14	567,159	593,296
TOTAL ASSETS		3,618,465	3,390,030
LIABILITIES EXCLUDING POLICYHOLDERS' FUNDS			
Bank finance		4,099	3,983
Outstanding claims and family takaful reserve		434,288	479,343
Payable to Participants for unit-linked contracts		1,154,651	982,592
Unearned contributions reserve		193,217	158,846
Takaful balances payable		318,368	227,887
Other payables and accruals		220,706	251,004
Amounts due to related parties	12	482	304
Liabilities against assets held-for-sale	14	515,111	519,212
TOTAL LIABILITIES		2,840,922	2,623,171
Policyholders' fund	15	-	-
NET ASSETS EMPLOYED		777,543	766,859
FINANCED BY:			
Shareholders' equity		718,042	710,584
Non-controlling interest		59,501	56,275
		777,543	766,859

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 14 AUG 2017 and signed on their behalf by:



Sheikh Khaled Bin Zayed Al Nahayan
Chairman



Dr. Saleh J. Malaikah
Vice Chairman & CEO

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Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of cash flows

for the six-month period ended 30 June

	Six-month period ended 30 June 2017 AED'000 (Un-audited)	Six-month period ended 30-Jun 2016 AED'000 (Un-audited)
Cash flows from operating activities		
Net profit / (loss) before non-controlling interest	7,741	(155,891)
<i>Adjustments for:</i>		
Depreciation	1,929	1,892
Net movement in unearned contributions reserve	10,252	(32,474)
Investment properties	(482)	2,529
Amortisation of intangible assets	196	257
Share of profit from associates	(10,423)	(2,041)
Dividend income	(2,536)	(1,870)
<i>Operating profit / (loss) before changes in working capital</i>	<u>6,677</u>	<u>(187,598)</u>
Change in deposits with takaful and retakaful companies	16	316
Change in contributions and takaful balance receivable	(12,548)	(45,864)
Change in due from / to related parties	110	(344)
Change in other assets and receivables	(7,345)	(16,659)
Change in assets held-for-sale	14 26,137	23,849
Change in outstanding claims (net of retakaful)	(9,441)	101,668
Change in takaful payables and other payables	60,183	80,189
Change in liabilities held-for-sale	14 (4,101)	(17,373)
<i>Net cash generated from / (used in) from operating activities</i>	<u>59,688</u>	<u>(61,816)</u>
Cash flows from investing activities		
Property and equipment - net	(3,965)	143
Net movement in intangible assets	(294)	(168)
Statutory deposits	(1,314)	8,994
Dividend received	2,536	1,870
Investments-net	(22,960)	90,812
Net movement in Participants' investments in unit-linked contracts	(1,450)	817
<i>Net cash (used in) / generated from investing activities</i>	<u>(27,447)</u>	<u>102,468</u>
Cash flows from financing activities		
Bank finance	116	425
Net movement in non-controlling interest	298	380
<i>Net cash generated from financing activities</i>	<u>414</u>	<u>805</u>
Net increase in cash and cash equivalents	32,655	41,457
Cash and cash equivalents at 1 January	118,830	52,603
Cash and cash equivalents at 30 June	<u>151,485</u>	<u>94,060</u>

The notes on pages 10 to 25 form an integral part of these condensed consolidated interim financial statements.

The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 1 and 2.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of changes in shareholders' equity (Un-audited)

for the six-month period ended 30 June

	Attributable to the equity holders of the Company									
	Share capital AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Foreign exchange translation reserve AED'000	Investment fair value reserve AED'000	Treasury stock AED'000	Accumulated losses AED'000	Total AED'000	Non-controlling interest AED'000	Total equity AED'000
Balance at 1 January 2016	1,210,000	73,861	35,469	(61,610)	3,980	(35,972)	(266,421)	959,307	74,146	1,033,453
Total comprehensive income for the period										
(Loss) / profit for the period	-	-	-	-	-	-	(161,454)	(161,454)	5,563	(155,891)
Other comprehensive loss										
Movement in net change in fair value of available-for-sale investments	-	-	-	-	(5,039)	-	-	(5,039)	(24)	(5,063)
Movement in foreign exchange translation reserve	-	-	-	(9,961)	-	-	-	(9,961)	(6,134)	(16,095)
Total other comprehensive loss	-	-	-	(9,961)	(5,039)	-	-	(15,000)	(6,158)	(21,158)
Total comprehensive (loss) / income for the period	-	-	-	(9,961)	(5,039)	-	(161,454)	(176,454)	(595)	(177,049)
Transaction with owners, recorded directly in equity										
Surplus revaluation reserve transferred on disposals of property	-	-	3,326	-	-	-	-	3,326	(3,326)	-
Dividend paid	-	-	-	-	-	-	-	-	(108)	(108)
Change in non-controlling interest due to capital increase	-	-	-	-	-	-	-	-	488	488
Balance at 30 June 2016	1,210,000	73,861	38,795	(71,571)	(1,059)	(35,972)	(427,875)	786,179	70,605	856,784

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of changes in shareholders' equity (Un-audited) (continued)

for the six-month period ended 30 June

	Attributable to the equity holders of the Company									
	Share capital	Statutory reserve	Revaluation reserve	Foreign	Investment	Treasury stock	Accumulated losses	Total	Non-controlling interest	Total equity
				exchange translation reserve	fair value reserve					
AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2017	1,210,000	73,861	39,189	(107,613)	(3,407)	(35,972)	(465,474)	710,584	56,275	766,859
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	5,220	5,220	2,521	7,741
Other comprehensive income / (loss)										
Movement in foreign exchange translation reserve	-	-	-	2,238	-	-	-	2,238	407	2,645
Total other comprehensive loss	-	-	-	2,238	-	-	-	2,238	407	2,645
Total comprehensive (loss) / income for the period	-	-	-	2,238	-	-	5,220	7,458	2,928	10,386
Transaction with owners, recorded directly in equity										
Surplus revaluation reserve transferred on disposal of property	-	-	-	-	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-	-	-	(155)	(155)
Change in non-controlling interest due to capital increase	-	-	-	-	-	-	-	-	453	453
Balance at 30 June 2017	1,210,000	73,861	39,189	(105,375)	(3,407)	(35,972)	(460,254)	718,042	59,501	777,543

The independent auditors' report on review of condensed consolidated interim financial statements is set out on pages 1 and 2.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes

(forming part of the condensed consolidated interim financial statements)

1 Legal status and activities

Islamic Arab Insurance Co. (Salama) (“the Company”) is a public shareholding company, registered in the Emirate of Dubai, United Arab Emirates (UAE) and operates through various branches in the UAE. The registered office of the Company is P.O. Box 10214, Dubai, United Arab Emirates. The principal activity of the Company is the writing of all classes of general takaful and family takaful business, in accordance with Islamic Shari’ah principles and in accordance with the relevant Articles of the Company, UAE Federal Law No. 2 of 2015 for commercial companies and U.A.E. Federal Law No. 6 of 2007, concerning regulations of insurance operations.

The Company and its subsidiaries are referred to as “the Group”. Tariic Holding B.S.C (Tariic), a subsidiary of the Company, is an intermediate holding company in Bahrain and no commercial activities are carried out in the Kingdom of Bahrain. The Group has the following principal subsidiaries which are engaged in insurance and reinsurance under Islamic Shari’ah principles:

Subsidiaries	Group’s Ownership		Country of incorporation
	30 June 2017	31 December 2016	
<i>Directly owned</i>			
Tariic Holding Company B.S.C	99.40%	99.40%	Kingdom of Bahrain
Misr Emirates Takaful Life Insurance Co.	85.00%	85.00%	Egypt
Salama Immobilier	84.25%	84.25%	Senegal
<i>Through Tariic</i>			
Salama Assurances Senegal	58.45%	58.45%	Senegal
Salama Assurances Algerie	96.98%	96.98%	Algeria
Egyptian Saudi Insurance Home	51.15%	51.15%	Egypt
Best Re Holding Company (discontinued operations)	100%	100%	Malaysia

2 Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all of the information required for the annual audited consolidated financial statements, and should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 31 December 2016, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

On 1 April 2015, a new UAE Federal Law No. 2 of 2015 for the Commercial Companies (“UAE Companies Law of 2015”) was issued with effective date of 1 July 2015. As per the transitional provisions of the new law, companies are to ensure compliance by 30 June 2017. The Group is in the process of adopting the new Federal Law and will be fully compliant before the transitional provisions deadline.

Further, under Federal Law No. 6 of 2007, relating to Establishment of Insurance Authority and Regulation of Insurance Operations, a new financial regulation for insurance companies was issued on 28 January 2015. The financial regulation provided an alignment period to the insurance companies between one to three years from the publication of financial regulation in Public Gazette on 29 January 2015 to align the operations to the covenants of the regulations therein. The Group is in the process of aligning the operations with the requirement of the regulations and will be fully aligned before the deadline for alignment period.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

2 Basis of preparation (continued)

b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for the following:

- i) financial instruments at fair value through profit and loss ("FVTPL") and unit-linked contracts are measured at fair value;
- ii) available-for-sale ("AFS") financial assets are measured at fair value; and
- iii) investment properties are measured at fair value.

c) Functional and reporting currency

These condensed consolidated interim financial statements are presented in UAE Dirham (AED), which is the functional currency of the Company. Except as otherwise indicated, financial information presented in UAE Dirham has been rounded to the nearest thousand.

d) Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual audited consolidated financial statements for the year ended 31 December 2016.

3 Financial risk management

The Group's financial risk management objectives, policies and accounting policies are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2016.

4 Estimates

The preparation of the condensed consolidated interim 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 expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in the future periods effected.

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

5 Interim measurement

The nature of the Group's business is such that income and expense are incurred in a manner, which is not materially impacted by any form of seasonality. These condensed consolidated interim financial statements were prepared on the accrual basis, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the period. However, the interim results may not represent a proportionate share of the annual profits due to variability in contributions and investment income and uncertainty of claims occurrences.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

6 Allocation of the net profit (Un-audited)

	For the six-month period ended 30 June 2017				For the six-month period ended 30 June 2016			
	Shareholders AED'000	Policyholders AED'000	Non- controlling interest AED'000	Total AED'000	Shareholders AED'000	Policyholders AED'000	Non - controlling interest AED'000	Total AED'000
Net underwriting income / (loss)	-	64,406	-	64,406	-	(118,170)	-	(118,170)
Income								
Wakalah share (Note 7)	44,192	(44,192)	-	-	42,808	(42,808)	-	-
Mudarib share (Note 7)	7	(7)	-	-	8	(8)	-	-
Net technical charges from policyholders to shareholders	(463)	463	-	-	2,097	(2,097)	-	-
Net underwriting income from subsidiaries	17,963	(17,963)	-	-	20,207	(20,207)	-	-
Income from investments	21,839	96	-	21,935	9,632	102	-	9,734
Other income	5,405	-	-	5,405	12,743	-	-	12,743
	88,943	2,803	-	91,746	87,495	(183,188)	-	(95,693)
Expenses								
General, administrative and other expenses	(56,369)	-	-	(56,369)	(53,427)	-	-	(53,427)
Financial expenses	(396)	-	-	(396)	(510)	-	-	(510)
Charitable donations	(892)	-	-	(892)	(275)	-	-	(275)
Net profit / (loss) before tax for the period	31,286	2,803	-	34,089	33,283	(183,188)	-	(149,905)
Tax – current	(4,023)	-	-	(4,023)	(4,794)	-	-	(4,794)
Net profit / (loss) after tax for the period	27,263	2,803	-	30,066	28,489	(183,188)	-	(154,699)
Loss from discontinued operations	(22,325)	-	-	(22,325)	(1,192)	-	-	(1,192)
Share of non-controlling interest	(2,521)	-	2,521	-	(5,563)	-	5,563	-
Policyholders' loss financed by shareholders / recovery of loss from policyholders' fund (Note 15)	2,803	(2,803)	-	-	(183,188)	183,188	-	-
Net profit / (loss) for the period	5,220	-	2,521	7,741	(161,454)	-	5,563	(155,891)

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

6 Allocation of the net profit (Un-audited) (continued)

Consolidated statement of financial position

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
ASSETS		
<i>Participants' assets</i>		
Participants' investments in unit-linked contracts	1,162,878	989,369
Contributions and takaful balance receivables	158,053	147,392
Retakafuls' share of outstanding claims	98,697	135,013
Retakafuls' share of unearned contributions	68,985	45,632
Other assets and receivables	3,997	6,476
Cash and bank balances	72,452	13,104
Total participants' assets	<u>1,565,062</u>	<u>1,336,986</u>
Total shareholders' assets *	<u>2,053,403</u>	<u>2,053,044</u>
Total assets	<u>3,618,465</u>	<u>3,390,030</u>
LIABILITIES		
<i>Participants' liabilities</i>		
Outstanding claims and family takaful reserve	218,456	290,840
Payable to Participants for unit-linked contracts	1,154,651	982,592
Unearned contributions reserve	110,376	76,081
Takaful balances payable	119,480	109,314
Other payables and accruals	54,193	88,658
Total participants' liabilities	<u>1,657,156</u>	<u>1,547,485</u>
Total shareholders' liabilities *	<u>1,183,766</u>	<u>1,075,686</u>
Total liabilities	<u>2,840,922</u>	<u>2,623,171</u>
NET ASSETS EMPLOYED	<u>777,543</u>	<u>766,859</u>
FINANCED BY:		
Shareholders' equity	718,042	710,584
Non-controlling interest	59,501	56,275
	<u>777,543</u>	<u>766,859</u>

* Shareholders' assets and liabilities represents affairs of the subsidiaries as shareholder funds are used for the investments thereon.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

7 Wakalah and Mudarib Share

The shareholders manage the takaful operations of the Group for the policyholders and charge 15% (2016: 15%) of gross written contributions of non family takaful business (excluding subsidiaries) as wakalah share. For family takaful business, sharing ratio is 15% (2016: 15%) of mortality costs.

The shareholders of the Group also manage the policyholders' investment funds other than family takaful and charge 15% (2016: 15%) of investment income earned by the policyholders as Mudarib share.

8 Investment properties

The geographic dispersion of investment properties is as follows:

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Within UAE	15,000	15,000
Outside UAE	113,692	113,210
	128,692	128,210

The variations in the value of investment properties are due to foreign exchange translation of investment properties held in foreign operations.

The Group investment properties portfolio is being managed and maintained by a third party; administrative costs and the rental income received from these properties are being set off with the administrative fees.

9 Investments in associates

The principal significant associates of the Group, all of which have 31 December as their year end are as follows:

Associates	Ownership		Country of incorporation	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
	2017	2016			
Salama Cooperative Insurance Company (formerly Saudi IAIC)	30.00%	30.00%	KSA	73,367	64,461
Islamic Insurance Jordan	20.00%	20.00%	Jordan	31,792	30,275
				105,159	94,736

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Movements during the period/year		
Balance at the beginning of period/year	94,736	87,548
Share of profit from associates	10,423	8,181
Transfer to assets held-for-sale	-	(993)
Balance at the end of period/year	105,159	94,736

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

10 Classes and categories of financial assets and financial liabilities

The table below sets out the classification of each class of financial assets and liabilities and their fair values. For instruments carried at amortised cost, the management believes that their carrying values approximate to their fair values.

At 30 June 2017 (Un-audited)

Financial assets

	<u>FVTPL</u>	<u>AFS</u>	<u>Amortised</u>	<u>Total</u>
	<u>AED'000</u>	<u>AED'000</u>	<u>cost</u>	<u>AED'000</u>
			<u>AED'000</u>	<u>AED'000</u>
Investment in associates	-	-	105,159	105,159
Statutory deposits	-	-	13,075	13,075
Investments	59,540	82,494	316,448	458,482
Participants' investments in unit-linked contracts	1,162,878	-	-	1,162,878
Deposits with takaful and retakaful companies	-	-	2,093	2,093
Contributions and takaful balance receivables	-	-	234,997	234,997
Amounts due from related parties	-	-	11,298	11,298
Other assets and receivables	-	-	90,518	90,518
Cash and bank balances	-	-	151,485	151,485
	<u>1,222,418</u>	<u>82,494</u>	<u>925,073</u>	<u>2,229,985</u>

Financial liabilities

Bank finance	-	-	4,099	4,099
Payable to Participants for unit-linked contracts	1,154,651	-	-	1,154,651
Takaful balances payable	-	-	318,368	318,368
Other payables and accruals	-	-	167,027	167,027
Amounts due to related parties	-	-	482	482
	<u>1,154,651</u>	<u>-</u>	<u>489,976</u>	<u>1,644,627</u>

At 31 December 2016 (Audited)

Financial assets

	<u>FVTPL</u>	<u>AFS</u>	<u>Amortised</u>	<u>Total</u>
	<u>AED'000</u>	<u>AED'000</u>	<u>cost</u>	<u>AED'000</u>
			<u>AED'000</u>	<u>AED'000</u>
Investment in associates	-	-	94,736	94,736
Statutory deposits	-	-	11,761	11,761
Investments	57,174	82,483	293,220	432,877
Participants' investments in unit-linked contracts	989,369	-	-	989,369
Deposits with takaful and retakaful companies	-	-	2,109	2,109
Contributions and takaful balance receivables	-	-	222,449	222,449
Amounts due from related parties	-	-	11,230	11,230
Other assets and receivables	-	-	18,689	18,689
Cash and bank balances	-	-	118,830	118,830
	<u>1,046,543</u>	<u>82,483</u>	<u>773,024</u>	<u>1,902,050</u>

Financial liabilities

Bank finance	-	-	3,983	3,983
Payable to Participants for unit-linked contracts	982,592	-	-	982,592
Takaful balances payable	-	-	227,887	227,887
Other payables	-	-	224,634	224,634
Amounts due to related parties	-	-	304	304
	<u>982,592</u>	<u>-</u>	<u>456,808</u>	<u>1,439,400</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11 Investments

	30 June 2017 (Un-audited)			31 December 2016 (Audited)		
	Domestic investments	International investments	Total	Domestic investments	International investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Financial assets at fair value through profit or loss						
Mutual fund and externally managed portfolios	-	32,085	32,085	-	35,236	35,236
Shares and securities	5,359	22,096	27,455	4,717	17,221	21,938
	5,359	54,181	59,540	4,717	52,457	57,174
Available-for-sale investments						
Mutual fund and externally managed portfolios	-	81,692	81,692	-	81,692	81,692
Shares and securities	-	802	802	-	791	791
	-	82,494	82,494	-	82,483	82,483
Islamic placements (refer 11.1)	-	151,569	151,569	-	145,854	145,854
Held to maturity						
Sukuk and Government bonds	-	138,058	138,058	-	120,545	120,545
Other investments	-	26,821	26,821	-	26,821	26,821
Total investments	5,359	453,123	458,482	4,717	428,160	432,877

11.1 Represent Shari'ah compliant placements with different financial institutions having profit rates of 0.22% to 5% (2016: 0.22% to 5%) and maturing in more than three months when acquired.

11.2 Participants' investments in unit-linked contracts

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Financial assets at fair value through profit or loss	1,162,878	989,369

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11 Investments (continued)

Determining fair values

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

30 June 2017 (Un-audited)	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
<u>Financial assets</u>				
Fair value through profit or loss				
Mutual fund	32,085	-	-	32,085
Participants' investments in unit-linked contracts	-	1,162,878	-	1,162,878
Shares and securities	27,455	-	-	27,455
	<u>59,540</u>	<u>1,162,878</u>	<u>-</u>	<u>1,222,418</u>
Available-for-sale				
Mutual fund	-	81,692	-	81,692
Shares and securities	513	289	-	802
	<u>513</u>	<u>81,981</u>	<u>-</u>	<u>82,494</u>
<u>Non-financial assets</u>				
Investment properties	-	-	128,692	128,692
<u>Financial liabilities</u>				
Payable to Participants for unit-linked contracts	-	1,154,651	-	1,154,651
31 December 2016 (Audited)				
<u>Financial assets</u>				
Fair value through profit or loss				
Mutual fund	22,721	12,515	-	35,236
Participants' investments in unit-linked contracts	-	989,369	-	989,369
Shares and securities	21,938	-	-	21,938
	<u>44,659</u>	<u>1,001,884</u>	<u>-</u>	<u>1,046,543</u>
Available-for-sale				
Mutual fund	-	81,692	-	81,692
Shares and securities	506	285	-	791
	<u>506</u>	<u>81,977</u>	<u>-</u>	<u>82,483</u>
<u>Non-financial assets</u>				
Investment properties	-	-	128,210	128,210
<u>Financial liabilities</u>				
Payable to Participants for unit-linked contracts	-	982,592	-	982,592

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

12 Related party transactions

The Group, in the normal course of business, collects contributions, settles claims and enters into other transactions with other businesses that fall within the definition of related parties contained in the IAS 24 Related Party Disclosures (Revised). The management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties. Following are the details of significant transactions with related parties.

	Six-month period ended 30 June 2017 AED'000 (Un-audited)	Six-month period ended 30 June 2016 AED'000 (Un-audited)
General and administrative expenses	1,439	1,202

Compensation of key management personnel

Short term benefits	3,696	3,519
Employees end of service benefits	324	242
	4,020	3,761

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Amounts due from related parties		
Bin Zayed Group (funds advanced for investment)	10,928	10,928
Other entities under common management with the Group	370	302
	11,298	11,230

Amounts due to related parties

Other entities under common management with the Group	482	304
	482	304

13 Discontinued operation

During 2015, the Board of Directors of the Group approved to sell its investment in one of its subsidiaries Best Re Holding.

Management has allocated goodwill to each subsidiary on a systematic basis where they consider appropriateness of carrying value of each business unit after assessing the external market conditions. The carrying value of goodwill attributable to Best Re Holding has been charged to profit or loss in full in 2015 as a difference between carrying value and recoverable amount.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

13 Discontinued operations (continued)

Results from discontinued operations

	Six-month period ended 30 June 2017 AED'000 (Un-audited)	Six-month period ended 30 June 2016 AED'000 (Un-audited)
Revenue	3,006	8,705
Expenses	<u>(25,331)</u>	<u>(9,897)</u>
Results from operating activities	(22,325)	(1,192)
Income tax	-	-
Results from operating activities, net of tax	<u>(22,325)</u>	<u>(1,192)</u>
Loss per share	(0.019)	(0.001)

Cash flows from / (used in) discontinued operations

	30 June 2017 AED'000 (Un-audited)	30 June 2016 AED'000 (Un-audited)
Net cash flows from used in operating activities	(21,111)	(18,498)
Net cash flows from investing activities	4,936	12,221
Net cash flows from financing activities	<u>6,224</u>	<u>2,668</u>
Net cash used in the period	<u>(9,951)</u>	<u>(3,609)</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

14 Disposal group held-for-sale

Assets and liabilities of disposal group held-for-sale

At 30 June 2017, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Property and equipment	11,432	11,588
Intangible assets	481	495
Investment property	83,870	83,870
Investments in associates	516	516
Statutory and investment deposits	754	754
Investments	31,003	31,369
Deposits with insurance and reinsurance companies	158,392	161,169
Premiums and insurance balance receivables	132,069	133,913
Reinsurers' share of outstanding claims	45,890	49,669
Reinsurers' share of unearned premium	144	412
Other assets	10,739	13,225
Islamic placements	63,794	68,290
Cash in hand and at bank	33,580	43,531
Delinquencies relating to disposal group	(5,505)	(5,505)
Assets held-for-sale	567,159	593,296
Gross outstanding claims	123,667	125,333
Unearned premiums	53,318	54,372
Insurance balance payable	197,753	207,551
Other payables and accruals	9,275	7,082
Bank loan - long term portion	131,098	124,874
Liabilities against assets held-for-sale	515,111	519,212
Net assets	52,048	74,084

Measurement of fair values

i. Fair value hierarchy

The non-recurring fair value measurement for the disposal group of AED 53,883 thousand (before costs to sell of AED 1,835 thousand) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

ii. Valuation technique

The Group has done the individual assessment of each asset and liability based on the current situation. The expected recoverable amount of the assets and settlement amount of liabilities has been computed based on the most recent information available.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

15 Policyholders' fund

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)	30 June 2016 AED'000 (Un-audited)
Balance at 1 January	(454,144)	(231,827)	(231,827)
Net deficit attributable to policyholders for the period/year	2,803	(207,126)	(183,188)
Surplus distribution to policyholders of family takaful	-	(15,191)	-
	<u>(451,341)</u>	<u>(454,144)</u>	<u>(415,015)</u>
Financed by shareholders'	<u>451,341</u>	<u>454,144</u>	<u>415,015</u>
	<u>-</u>	<u>-</u>	<u>-</u>

The shareholders of the Company financed the policyholders' deficit in accordance with the takaful contracts between the Company and its policyholders.

16 Profit / (loss) per share

The calculation of profit per share for the period ended 30 June 2017 is based on the profit attributable to shareholders of AED 5.2 million (30 June 2016: loss attributable to shareholders of AED 161.5 million) divided by the weighted average number of shares of 1,188 million (30 June 2016: 1,188 million) outstanding during the period. There is no dilutive effect on basic earnings per share.

17 Contingent liabilities and capital commitments

	30 June 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Letters of guarantee	<u>12,405</u>	<u>12,027</u>

Statutory deposits of AED 12.44 million (31 December 2016: AED 12.06 million) are held as lien by the bank against the above guarantees.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

17 Contingent liabilities and capital commitments (continued)

The Group is exposed to certain claims and litigations, these are subject to legal cases filed by the policyholders, cedants and retakaful operators in connection with the policies issued. Management believes, based on independent legal counsel opinions, that the ascertainment of liabilities and its timing is highly subjective and dependent on outcomes of court's decisions. Furthermore, as per the independent legal counsel, the Group has strong grounds to defend the suits successfully. Accordingly, no additional provision for these claims has been made in the condensed consolidated interim financial statements. However 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.

There are no significant capital commitments at 30 June 2017 (31 December 2016: nil).

18 Operating segment

By business

(for the six-month period ended 30 June 2017)

	General takaful AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	243,955	157,582	401,537
Net contributions earned	130,767	133,903	264,670
Commissions income on ceded reinsurance and retakaful	15,302	-	15,302
	146,069	133,903	279,972
Net claims incurred	(75,417)	(16,188)	(91,605)
Commissions expense and other costs	(33,823)	(90,138)	(123,961)
Net underwriting income	36,829	27,577	64,406
Investment and other income			27,340
Unallocated expenses and tax			(61,680)
Loss from discontinued operations			(22,325)
Net profit after tax			7,741

(for the six-month period ended 30 June 2016)

	General takaful AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	262,199	155,039	417,238
Net contributions earned	190,830	132,724	323,554
Commissions income on ceded reinsurance and retakaful	14,220	3,541	17,761
	205,050	136,265	341,315
Net claims incurred	(313,396)	(21,504)	(334,900)
Commissions expense and other costs	(39,573)	(85,012)	(124,585)
Net underwriting (loss) / income	(147,919)	29,749	(118,170)
Investment and other income			22,477
Unallocated expenses and tax			(59,006)
Loss from discontinued operations			(1,192)
Net loss after tax			(155,891)

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

18 Operating segment (continued)

By geography

(for the six-month period ended 30 June 2017)

	Africa AED'000	Asia AED'000	Total AED'000
Gross written contributions	<u>120,000</u>	<u>281,537</u>	<u>401,537</u>
Net contributions earned	<u>91,663</u>	<u>173,007</u>	<u>264,670</u>
Commissions income on ceded reinsurance and retakaful	<u>3,876</u>	<u>11,426</u>	<u>15,302</u>
	<u>95,539</u>	<u>184,433</u>	<u>279,972</u>
Net claims incurred	<u>(54,925)</u>	<u>(36,680)</u>	<u>(91,605)</u>
Commissions expense and other cost	<u>(22,652)</u>	<u>(101,309)</u>	<u>(123,961)</u>
Net underwriting income	<u>17,962</u>	<u>46,444</u>	<u>64,406</u>
Investment and other income			<u>27,340</u>
Unallocated expenses and tax			<u>(61,680)</u>
Loss from discontinued operations			<u>(22,325)</u>
Net profit after tax			<u><u>7,741</u></u>

(for the six-month period ended 30 June 2016)

	Africa AED'000	Asia AED'000	Total AED'000
Gross written contributions	<u>139,176</u>	<u>278,062</u>	<u>417,238</u>
Net contributions earned	<u>116,302</u>	<u>207,252</u>	<u>323,554</u>
Commissions income on ceded reinsurance and retakaful	<u>5,657</u>	<u>12,104</u>	<u>17,761</u>
	<u>121,959</u>	<u>219,356</u>	<u>341,315</u>
Net claims incurred	<u>(73,446)</u>	<u>(261,454)</u>	<u>(334,900)</u>
Commissions expense and other cost	<u>(28,306)</u>	<u>(96,279)</u>	<u>(124,585)</u>
Net underwriting income / (loss)	<u>20,207</u>	<u>(138,377)</u>	<u>(118,170)</u>
Investment and other income			<u>22,477</u>
Unallocated expenses and tax			<u>(59,006)</u>
Loss from discontinued operations			<u>(1,192)</u>
Net loss after tax			<u><u>(155,891)</u></u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

18 Operating segment (continued)

By business

(as at 30 June 2017)

ASSETS	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Property and equipment	63,143	3,478	66,621
Goodwill and intangibles	127,015	275	127,290
Investment properties	128,692	-	128,692
Investments in associates	105,159	-	105,159
Statutory deposits	7,791	5,284	13,075
Investments	453,709	4,773	458,482
Participants' investments in unit-linked contracts	-	1,162,878	1,162,878
Deposits with takaful and retakaful companies	2,056	37	2,093
Contributions and takaful balance receivables	225,348	9,649	234,997
Retakafuls' share of outstanding claims	97,718	23,691	121,409
Retakafuls' share of unearned contributions	94,098	817	94,915
Amounts due from related parties	11,298	-	11,298
Other assets and receivables	20,755	352,157	372,912
Cash and bank balances	95,239	56,246	151,485
Assets held-for-sale	482,595	84,564	567,159
TOTAL ASSETS	1,914,616	1,703,849	3,618,465
LIABILITIES EXCLUDING POLICYHOLDERS' FUND			
	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Bank finance	4,099	-	4,099
Outstanding claims and family takaful reserve	317,305	116,983	434,288
Payable to Participants for unit-linked contracts	-	1,154,651	1,154,651
Unearned contributions reserve	188,189	5,028	193,217
Takaful balances payable	158,504	159,864	318,368
Other payables and accruals	134,193	86,513	220,706
Amounts due to related parties	482	-	482
Liabilities against assets held-for-sale	441,440	73,671	515,111
TOTAL LIABILITIES	1,244,212	1,596,710	2,840,922
Policyholders' fund	-	-	-
NET ASSETS EMPLOYED	670,404	107,139	777,543
FINANCED BY:			
Shareholders' equity			718,042
Non-controlling interest			59,501
			777,543

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

18 Operating segment (continued)

By business

(As at 31 December 2016)

ASSETS	General takaful AED'000	Family takaful AED'000	Total AED'000
Property and equipment	61,655	2,930	64,585
Goodwill and intangibles	127,046	146	127,192
Investment properties	128,210	-	128,210
Investments in associates	94,736	-	94,736
Statutory deposits	7,697	4,064	11,761
Investments	432,877	-	432,877
Participants' investments in unit-linked contracts	-	989,369	989,369
Deposits with takaful and retakaful companies	2,087	22	2,109
Contributions and takaful balance receivables	210,473	11,976	222,449
Retakafuls' share of outstanding claims	126,279	30,744	157,023
Retakafuls' share of unearned contributions	70,081	715	70,796
Amounts due from related parties	11,230	-	11,230
Other assets and receivables	22,393	343,174	365,567
Cash and bank balances	100,170	18,660	118,830
Assets held-for-sale	494,731	98,565	593,296
TOTAL ASSETS	1,889,665	1,500,365	3,390,030
LIABILITIES EXCLUDING POLICYHOLDERS' FUND			
	General takaful AED'000	Family takaful AED'000	Total AED'000
Bank finance	3,983	-	3,983
Outstanding claims and family takaful reserve	370,284	109,059	479,343
Payable to Participants for unit-linked contracts	-	982,592	982,592
Unearned contributions reserve	154,767	4,079	158,846
Takaful balances payable	141,252	86,635	227,887
Other payables and accruals	163,521	87,483	251,004
Amounts due to related parties	2	302	304
Liabilities against assets held-for-sale	431,180	88,032	519,212
TOTAL LIABILITIES	1,264,989	1,358,182	2,623,171
Policyholders' fund	-	-	-
NET ASSETS EMPLOYED	624,676	142,183	766,859
FINANCED BY:			
Shareholders' equity			710,584
Non-controlling interest			56,275
			766,859

19 Comparative figures

Certain comparatives have been reclassified / regrouped to conform to the presentation adopted in the condensed interim financial statements.