

**Islamic Arab Insurance Co.
(Salama) and its subsidiaries**
Condensed consolidated interim financial
statements
for the six-month period ended 30 June 2016

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim financial statements

for the six-month period ended 30 June 2016

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KPMG Lower Gulf Limited
Level 13, Boulevard Plaza Tower One
Mohammed Bin Rashid Boulevard, Downtown Dubai, UAE
Tel. +971 (4) 403 0300, Fax +971 (4) 330 1515

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

The Shareholders
Islamic Arab Insurance Co. (Salama) and its subsidiaries

Introduction

We have reviewed the accompanying 30 June 2016 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 2016;
- the condensed consolidated interim statement of profit or loss for the three-month and six-month periods ended 30 June 2016;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2016;
- the condensed consolidated interim statement of changes in equity for the six-month period ended 30 June 2016;
- the condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2016; 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.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2016 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

A handwritten signature in blue ink, appearing to read 'KPMG' followed by a stylized signature.

KPMG Lower Gulf Limited
Muhammad Tariq
Registered Auditor Number: 793
Date: 14 AUG 2016

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of profit or loss

for the six-month period ended 30 June 2016

	Six-month period ended 30 June 2016	Six-month period ended 30 June 2015	Three-month period ended 30 June 2016	Three-month period ended 30 June 2015
<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	18 417,238	441,399	182,081	214,170
Less: retakaful contributions ceded	<u>(117,700)</u>	<u>(117,213)</u>	<u>(52,385)</u>	<u>(50,922)</u>
Net contributions	299,538	324,186	129,696	163,248
Net movement in unearned contributions	<u>24,016</u>	<u>(10,164)</u>	<u>7,166</u>	<u>2,544</u>
Contributions earned	18 323,554	314,022	136,862	165,792
Commission income on ceded retakaful	18 17,761	20,510	10,506	9,377
	18 <u>341,315</u>	334,532	<u>147,368</u>	175,169
Underwriting expenses				
Gross claims paid	289,121	221,070	141,536	122,398
Less: retakaful share of claims paid	<u>(61,734)</u>	<u>(62,529)</u>	<u>(31,142)</u>	<u>(31,185)</u>
Net claims paid	227,387	158,541	110,394	91,213
Net movement in outstanding claims and technical reserve for family takaful	<u>107,513</u>	10,130	<u>31,124</u>	8,017
Claims incurred	18 334,900	168,671	141,518	99,230
Commission expense and other costs	18 124,585	107,454	55,428	57,764
	<u>459,485</u>	276,125	<u>196,946</u>	156,994
Net underwriting (loss) / income	18 (118,170)	58,407	(49,578)	18,175
Income from other sources				
Income from investments	9,734	10,129	1,752	5,702
Other income	<u>12,743</u>	11,000	<u>4,328</u>	3,111
	<u>(95,693)</u>	79,536	<u>(43,498)</u>	26,988
Expenses				
General, administrative and other expenses	(53,702)	(62,348)	(22,016)	(32,169)
Financial expenses	<u>(510)</u>	<u>(559)</u>	<u>(276)</u>	<u>(263)</u>
Net (loss) / profit before tax for the period	<u>(149,905)</u>	16,629	<u>(65,790)</u>	(5,444)
Taxation - current	<u>(4,794)</u>	<u>(5,709)</u>	<u>601</u>	<u>(1,272)</u>
Net (loss) / profit after tax for the period before policyholders' distribution	<u>(154,699)</u>	10,920	<u>(65,189)</u>	(6,716)
Policyholders' surplus	-	-	-	-
Net (loss) / profit after tax and distribution to policyholders for the period from continuing operations	<u>(154,699)</u>	10,920	<u>(65,189)</u>	(6,716)
DISCONTINUED OPERATIONS				
(Loss) / profit from discontinued operations	13 <u>(1,192)</u>	<u>(42,237)</u>	<u>995</u>	<u>(37,120)</u>
Net loss after tax and distribution to policyholders for the period	<u>(155,891)</u>	<u>(31,317)</u>	<u>(64,194)</u>	<u>(43,836)</u>

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 2016

	Six-month period ended 30 June 2016	Six-month period ended 30 June 2015	Three-month period ended 30 June 2016	Three-month period ended 30 June 2015
<i>Note</i>	AED'000	AED'000	AED'000	AED'000
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Net loss after tax and distribution to policyholders for the period	(155,891)	(31,317)	(64,194)	(43,836)
Attributable to:				
Shareholders	(161,454)	(35,306)	(63,833)	(44,663)
Non-controlling interest	5,563	3,989	(361)	827
	(155,891)	(31,317)	(64,194)	(43,836)
Loss per share (AED) (Note 16)	(0.136)	(0.030)	(0.054)	(0.038)
(Loss) / earnings per share (AED) - continuing operations	(0.135)	0.006	(0.055)	(0.006)

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 information is set out on pages 1 - 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 2016

	Six-month period ended 30 June 2016 AED'000 (Un-audited)	Six-month period ended 30 June 2015 AED'000 (Un-audited)	Three-month period ended 30 June 2016 AED'000 (Un-audited)	Three-month period ended 30 June 2015 AED'000 (Un-audited)
Net loss after tax and distribution to policyholders for the period	(155,891)	(31,317)	(64,194)	(43,836)
Other comprehensive 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)	(5,855)	(5,618)	(1,580)
Foreign exchange translation reserve	(16,095)	(24,021)	(1,109)	(2,902)
Other comprehensive loss for the period	(21,158)	(29,876)	(6,727)	(4,482)
Total comprehensive loss for the period	(177,049)	(61,193)	(70,921)	(48,318)
Attributable to:				
Shareholders	(176,454)	(61,203)	(70,702)	(48,895)
Non-controlling interest	(595)	10	(219)	577
	(177,049)	(61,193)	(70,921)	(48,318)

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 information is set out on pages 1 - 2.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of financial position

as at 30 June 2016

	Note	30 June 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
ASSETS			
Property and equipment		69,103	71,138
Goodwill and intangibles		127,105	127,194
Investment properties	8	51,344	53,873
Investments in associates	9	89,589	87,548
Statutory deposits		12,482	21,476
Investments	11	589,582	701,552
Participants' investments in unit-linked contracts	11.2	875,221	766,687
Deposits with takaful and retakaful companies		4,282	4,598
Contributions and takaful balance receivables		249,693	203,829
Retakafuls' share of outstanding claims		168,754	116,243
Retakafuls' share of unearned contributions		111,662	71,345
Amounts due from related parties	12	11,818	11,474
Other assets and receivables		355,979	339,320
Cash and bank balances		94,060	52,603
Assets held-for-sale	14	706,460	730,309
TOTAL ASSETS		3,517,134	3,359,189
LIABILITIES			
Bank finance		5,101	4,676
Outstanding claims and family takaful reserve		542,517	388,338
Payable to Participants for unit-linked contracts		868,948	759,597
Unearned contributions reserve		243,651	235,808
Takaful balances payable		139,868	120,742
Other payables and accruals		264,374	203,311
Liabilities held-for-sale	14	595,891	613,264
TOTAL LIABILITIES		2,660,350	2,325,736
Policyholders' fund	15	-	-
NET ASSETS EMPLOYED		856,784	1,033,453
FINANCED BY:			
Shareholders' equity		786,179	959,307
Non-controlling interest		70,605	74,146
		856,784	1,033,453

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

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 14 AUG 2016 and signed on their behalf by:



Sheikh Khaled Bin Zayed Al Nahayan
Chairman



Dr. Saleh J. Malaikah
Vice Chairman & CEO

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of cash flows

for the six-month period ended 30 June 2016

	Six-month period ended 30 June 2016	Six-month period ended 30 June 2015
Note	AED'000 (Un-audited)	AED'000 (Un-audited)
Cash flows from operating activities		
Net loss before non-controlling interest	(155,891)	(31,317)
<i>Adjustments for:</i>		
Depreciation	1,892	3,324
Net movement in unearned contributions reserve	(32,474)	(16,356)
Investment properties	2,529	4,299
Amortisation of intangible assets	257	471
Share of profit from associates	(2,041)	(2,295)
Dividend income	(1,870)	(1,035)
<i>Operating loss before changes in working capital</i>	<u>(187,598)</u>	<u>(42,909)</u>
Change in deposits with takaful and retakaful companies	316	10,297
Change in contributions and takaful balance receivable	(45,864)	29,287
Change in due from related parties	(344)	1,457
Change in other assets and receivables	(16,659)	(52,933)
Change in assets held-for-sale	14 23,849	-
Change in outstanding claims (net of retakaful)	101,668	(106,518)
Change in takaful payables and other payables	80,189	18,431
Change in liabilities held-for-sale	14 (17,373)	-
<i>Net cash used in operating activities</i>	<u>(61,816)</u>	<u>(142,888)</u>
Cash flows from investing activities		
Property and equipment - net	143	8,803
Net movement in intangible assets	(168)	41
Statutory deposits	8,994	217
Dividend received	1,870	1,035
Investments-net	90,812	85,506
Dividend income from associate	-	931
Net movement in Participants' investments in unit-linked contracts	817	(2,896)
<i>Net cash generated from investing activities</i>	<u>102,468</u>	<u>93,637</u>
Cash flows from financing activities		
Bank finance	425	(12,256)
Net movement in non-controlling interest	380	(1,105)
<i>Net cash generated from / (used in) financing activities</i>	<u>805</u>	<u>(13,361)</u>
Net increase / (decrease) in cash and cash equivalents	41,457	(62,612)
Cash and cash equivalents at 1 January	52,603	388,753
Cash and cash equivalents at 30 June	<u>94,060</u>	<u>326,141</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 information is set out on pages 1 - 2.

Islamic Arab Insurance Co. (Salama) and its subsidiaries
Condensed consolidated interim statement of changes in equity (Un-audited)
for the six-month period ended 30 June 2016

	Attributable to the equity holders of the Company							Total	Non-controlling interest	Total equity
	Share capital	Statutory reserve	Revaluation reserve	Foreign exchange translation reserve	Investment fair value reserve	Treasury stock	Accumulated losses			
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Balance at 1 January 2015	1,210,000	73,861	42,173	(30,697)	12,719	(35,972)	(99,151)	1,172,933	65,671	1,238,604
Total comprehensive income for the period										
(Loss) / profit for the period	-	-	-	-	-	-	(35,306)	(35,306)	3,989	(31,317)
Other comprehensive loss										
Movement in net change in fair value of available-for-sale investments	-	-	-	-	(5,828)	-	-	(5,828)	(27)	(5,855)
Movement in foreign exchange translation reserve	-	-	-	(20,069)	-	-	-	(20,069)	(3,952)	(24,021)
Total other comprehensive loss	-	-	-	(20,069)	(5,828)	-	-	(25,897)	(3,979)	(29,876)
Total comprehensive (loss) / income for the period	-	-	-	(20,069)	(5,828)	-	(35,306)	(61,203)	10	(61,193)
Transaction with owners, recorded directly in equity										
Surplus revaluation reserve transferred on disposals of property	-	-	(4,258)	-	-	-	4,278	20	(20)	-
Change in non-controlling interest due to capital increase	-	-	-	-	-	-	-	-	1,467	1,467
Dividend paid	-	-	-	-	-	-	-	-	(2,572)	(2,572)
Balance at 30 June 2015	1,210,000	73,861	37,915	(50,766)	6,891	(35,972)	(130,179)	1,111,750	64,556	1,176,306

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

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

for the six-month period ended 30 June 2016

	Attributable to the equity holders of the Company									
	Share capital	Statutory reserve	Revaluation reserve	Foreign exchange translation reserve	Investment fair value reserve	Treasury stock	Accumulated losses	Total	Non-controlling interest	Total equity
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	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) / income										
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 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 disposal 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

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

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 2016	31 December 2015	
<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	82.00%	81.50%	Senegal
<i>Through Tariic</i>			
Salama Assurances Senegal	58.45%	57.41%	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 full 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 2015, 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 on 1 July 2015. In June 2016, the UAE Cabinet passed a resolution to extend the deadline for existing companies in the UAE to ensure compliance with the new UAE Companies Law from 30 June 2016 to 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 2015.

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 2015.

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 the management in applying the Group's accounting policies and the key sources of estimation uncertainty were significantly same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2015.

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 2016				For the six-month period ended 30 June 2015			
	Shareholders AED'000	Policyholders AED'000	Non-	Total AED'000	Shareholders AED'000	Policyholders AED'000	Non -	Total AED'000
			controlling interest AED'000				controlling interest AED'000	
Net underwriting (loss) / income	-	(118,170)	-	(118,170)	-	58,407	-	58,407
Income								
Wakalah share (Note 7)	42,808	(42,808)	-	-	46,249	(46,249)	-	-
Mudarib share (Note 7)	8	(8)	-	-	11	(11)	-	-
Net technical charges from policyholders to shareholders	2,097	(2,097)	-	-	4,749	(4,749)	-	-
Net underwriting income from subsidiaries	20,207	(20,207)	-	-	30,223	(30,223)	-	-
Income from investments	9,632	102	-	9,734	10,015	114	-	10,129
Other income	12,743	-	-	12,743	11,000	-	-	11,000
	87,495	(183,188)	-	(95,693)	102,247	(22,711)	-	79,536
Expenses								
General, administrative and other expenses	(53,427)	-	-	(53,427)	(61,983)	-	-	(61,983)
Financial expenses	(510)	-	-	(510)	(559)	-	-	(559)
Charitable donations	(275)	-	-	(275)	(365)	-	-	(365)
Net profit / (loss) before tax for the period	33,283	(183,188)	-	(149,905)	39,340	(22,711)	-	16,629
Tax – current	(4,794)	-	-	(4,794)	(5,709)	-	-	(5,709)
Net profit / (loss) after tax for the period	28,489	(183,188)	-	(154,699)	33,631	(22,711)	-	10,920
Loss from discontinued operations	(1,192)	-	-	(1,192)	(42,237)	-	-	(42,237)
Share of non-controlling interest	(5,563)	-	5,563	-	(3,989)	-	3,989	-
Policyholders' loss financed by shareholders / recovery of loss from policyholders' fund (Note 15)	(183,188)	183,188	-	-	(22,711)	22,711	-	-
Net (loss) / profit for the period	(161,454)	-	5,563	(155,891)	(35,306)	-	3,989	(31,317)

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	31 December
	2016	2015
	AED'000	AED'000
	(Un-audited)	(Audited)
ASSETS		
<i>Participants' assets</i>		
Participants' investments in unit-linked contracts	875,221	766,687
Contributions and takaful balance receivables	179,072	136,742
Retakafuls' share of outstanding claims	141,853	81,429
Retakafuls' share of unearned contributions	88,001	51,802
Other assets and receivables	24	-
Cash and bank balances	47,511	3,257
Total participants' assets	1,331,682	1,039,917
Total shareholders' assets *	2,185,452	2,319,272
Total assets	3,517,134	3,359,189
LIABILITIES		
<i>Participants' liabilities</i>		
Outstanding claims and family takaful reserve	418,050	262,386
Payable to Participants for unit-linked contracts	868,948	759,597
Unearned contributions reserve	139,486	128,007
Takaful balances payable	87,541	70,012
Other payables and accruals	78,635	51,164
Total participants' liabilities	1,592,660	1,271,166
Total shareholders' liabilities *	1,067,690	1,054,570
Total liabilities	2,660,350	2,325,736
NET ASSETS EMPLOYED	856,784	1,033,453
FINANCED BY:		
Shareholders' equity	786,179	959,307
Non-controlling interest	70,605	74,146
	856,784	1,033,453

* 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% (2015: 15%) of gross written contributions of non family takaful business (excluding subsidiaries) as wakalah share. For family takaful business, sharing ratio is 15% (2015: 15%) of mortality costs.

The shareholders of the Group also manage the policyholders' investment funds other than family takaful and charge 15% (2015: 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 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Within UAE	15,500	15,500
Outside UAE	35,844	38,373
	<u>51,344</u>	<u>53,873</u>

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 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
	2016	2015			
Salama Cooperative Insurance Company (formerly Saudi IAIC)	30.00%	30.00%	KSA	59,094	58,204
Islamic Insurance Jordan	20.00%	20.00%	Jordan	30,495	29,344
				<u>89,589</u>	<u>87,548</u>
				30 June 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Movements during the period/year					
Balance at the beginning of period/year				87,548	42,559
Rights share issue in Salama Cooperative Insurance Company				-	44,040
Share of profit from associates				2,041	2,396
Dividend received				-	(931)
Transfer to assets held-for-sale				-	(516)
Balance at the end of period/year				<u>89,589</u>	<u>87,548</u>

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 approximates to their fair values.

At 30 June 2016 (Un-audited)

<u>Financial assets</u>	<u>FVTPL</u>	<u>AFS</u>	<u>Amortised</u>	<u>Others</u>	<u>Total</u>
	<u>AED'000</u>	<u>AED'000</u>	<u>cost</u>	<u>AED'000</u>	<u>AED'000</u>
Investments	29,341	87,156	473,085	-	589,582
Statutory deposits	-	-	12,482	-	12,482
Participants' investments in unit-linked contracts	875,221	-	-	-	875,221
Deposits with takaful and retakaful companies	-	-	4,282	-	4,282
Contributions and takaful balance receivables	-	-	249,693	-	249,693
Amounts due from related parties	-	-	11,818	-	11,818
Other assets and receivables	-	-	81,176	-	81,176
Cash and bank balances	-	-	94,060	-	94,060
Assets held-for-sale	-	-	-	706,460	706,460
	<u>904,562</u>	<u>87,156</u>	<u>926,596</u>	<u>706,460</u>	<u>2,624,774</u>
<u>Financial liabilities</u>					
Bank finance	-	-	5,101	-	5,101
Payable to Participants for unit-linked contracts	868,948	-	-	-	868,948
Takaful balances payable	-	-	139,868	-	139,868
Other payables and accruals	-	-	264,374	-	264,374
Liabilities held-for-sale	-	-	-	595,891	595,891
	<u>868,948</u>	<u>-</u>	<u>409,343</u>	<u>595,891</u>	<u>1,874,182</u>

At 31 December 2015 (Audited)

<u>Financial assets</u>	<u>FVTPL</u>	<u>AFS</u>	<u>Amortised</u>	<u>Others</u>	<u>Total</u>
	<u>AED'000</u>	<u>AED'000</u>	<u>cost</u>	<u>AED'000</u>	<u>AED'000</u>
Investments	33,009	110,260	558,283	-	701,552
Statutory deposits	-	-	21,476	-	21,476
Participants' investments in unit-linked contracts	766,687	-	-	-	766,687
Deposits with takaful and retakaful companies	-	-	4,598	-	4,598
Contributions and takaful balance receivables	-	-	203,829	-	203,829
Amounts due from related parties	-	-	11,474	-	11,474
Other assets and receivables	-	-	18,575	-	18,575
Cash and bank balances	-	-	52,603	-	52,603
Assets held-for-sale	-	-	-	730,309	730,309
	<u>799,696</u>	<u>110,260</u>	<u>870,838</u>	<u>730,309</u>	<u>2,511,103</u>
<u>Financial liabilities</u>					
Bank finance	-	-	4,676	-	4,676
Payable to Participants for unit-linked contracts	759,597	-	-	-	759,597
Takaful balances payable	-	-	120,742	-	120,742
Other payables	-	-	173,602	-	173,602
Liabilities held-for-sale	-	-	-	613,264	613,264
	<u>759,597</u>	<u>-</u>	<u>299,020</u>	<u>613,264</u>	<u>1,671,881</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11 Investments

	30 June 2016 (Un-audited)			31 December 2015 (Audited)		
	Domestic investments AED'000	International investments AED'000	Total AED'000	Domestic investments AED'000	International investments AED'000	Total AED'000
Financial assets at fair value through profit or loss						
Mutual fund and externally managed portfolios	-	14,161	14,161	-	18,999	18,999
Shares and securities	4,760	10,420	15,180	4,492	9,518	14,010
	4,760	24,581	29,341	4,492	28,517	33,009
Available-for-sale investments						
Mutual fund and externally managed portfolios	-	81,814	81,814	-	105,473	105,473
Shares and securities	4,559	783	5,342	4,358	429	4,787
	4,559	82,597	87,156	4,358	105,902	110,260
Islamic placements (refer 11.1)	-	178,327	178,327	-	116,605	116,605
Held to maturity						
SUKUK and Government	-	164,753	164,753	-	230,976	230,976
Other investments	-	130,005	130,005	-	210,702	210,702
Total investments	9,319	580,263	589,582	8,850	692,702	701,552

11.1 Represent Shari'ah compliant placements with different financial institutions having profit rates of 0.22% to 4.75% (2015: 0.22% to 4.75%) and maturing in more than three months when acquired.

11.2 Participants' investments in unit-linked contracts

	30 June 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Financial assets at fair value through profit or loss	875,221	766,687

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:

Investments securities	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
30 June 2016 (Un-audited)				
Fair value through profit or loss				
Mutual fund	14,161	-	-	14,161
Participants' investments in unit-linked contracts	-	875,221	-	875,221
Shares and securities	15,180	-	-	15,180
	<u>29,341</u>	<u>875,221</u>	<u>-</u>	<u>904,562</u>
Available-for-sale				
Mutual fund	-	81,814	-	81,814
Shares and securities	4,559	783	-	5,342
	<u>4,559</u>	<u>82,597</u>	<u>-</u>	<u>87,156</u>
31 December 2015 (Audited)				
Fair value through profit or loss				
Mutual fund	15,765	3,234	-	18,999
Participants' investments in unit-linked contracts	-	766,687	-	766,687
Shares and securities	14,010	-	-	14,010
	<u>29,775</u>	<u>769,921</u>	<u>-</u>	<u>799,696</u>
Available-for-sale				
Mutual fund	-	105,473	-	105,473
Shares and securities	4,358	429	-	4,787
	<u>4,358</u>	<u>105,902</u>	<u>-</u>	<u>110,260</u>

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 2016 AED'000 (Un-audited)	Six-month period ended 30 June 2015 AED'000 (Un-audited)
General and administrative expenses	1,202	1,436
Retakaful on contributions	-	988
Retakaful on claims	-	26
	=====	=====

Compensation of key management personnel

Short term benefits	3,519	4,653
Employees end of service benefits	242	250
	=====	=====
	3,761	4,903

	30 June 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Amounts due from related parties		
Bin Zayed Group (funds advanced for investment)	11,128	11,128
Other entities under common management with the Group	690	346
	=====	=====
	11,818	11,474

13 Discontinued operation

During prior year, the Board of Directors of the Group had approved to sell its investment in one of its subsidiary Best Re Holding. The subsidiary was not previously classified as held-for-sale. The comparative information has been represented to reflect discontinued operations separately from continuing operating activities.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

13 Discontinued operations (continued)

Results from discontinued operations

	Six-month period ended 30 June 2016 AED'000 (Un-audited)	Six-month period ended 30 June 2015 AED'000 (Un-audited)
Revenue	8,705	38,483
Expenses	(9,897)	(80,720)
Loss from discontinued operations, net of tax	(1,192)	(42,237)
Loss per share	(0.001)	(0.036)

Cash flows from / (used in) discontinued operations

	30 June 2016 AED'000 (Un-audited)
Net cash used in operating activities	(18,498)
Net cash flows from investing activities	12,221
Net cash flows from financing activities	2,668
Net cash flows for the period	(3,609)

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 2016, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

	30 June 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Property and equipment	11,352	11,594
Intangible assets	521	547
Investment property	115,776	115,774
Investments in associates	516	517
Statutory and investment deposits	754	756
Investments	33,622	51,861
Deposits with insurance and reinsurance companies	114,198	116,449
Premiums and insurance balance receivables	245,430	250,320
Reinsurers' share of outstanding claims	50,992	45,559
Reinsurers' share of unearned premium	717	1,020
Other assets	14,227	16,404
Islamic placements	100,384	97,928
Cash in hand and at bank	23,476	27,085
Delinquencies relating to disposal group	(5,505)	(5,505)
Assets held-for-sale	706,460	730,309
Gross outstanding claims	173,095	176,674
Unearned premiums	55,268	55,039
Insurance balance payable	230,768	250,166
Other payables and accruals	6,425	3,717
Bank loan - long term portion	130,335	127,668
Liabilities held-for-sale	595,891	613,264
Net assets	110,569	117,045

Measurement of fair values

i. Fair value hierarchy

The non-recurring fair value measurement for the disposal group of AED 112,404 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 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)	30 June 2015 AED'000 (Un-audited)
Balance at 1 January	(231,827)	(98,407)	(98,407)
Net deficit attributable to policyholders for the period/year	(183,188)	(117,823)	-
Surplus distribution to policyholders of family takaful	-	(15,597)	(22,711)
	<u>(415,015)</u>	<u>(231,827)</u>	<u>(121,118)</u>
Financed by shareholders'	<u>415,015</u>	<u>231,827</u>	<u>121,118</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 Loss per share

The calculation of loss per share for the period ended 30 June 2016 is based on the loss attributable to shareholders of AED 161.5 million (30 June 2015: loss attributable to shareholders of AED 35.3 million) divided by the weighted average number of shares of 1,188 million (30 June 2015: 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 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Letters of guarantee	<u>11,119</u>	<u>11,873</u>

Statutory deposits of AED 11.15 million (31 December 2015: AED 12.14 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. The 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 2016 (31 December 2015: nil).

18 Operating segment

By business

(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 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)

(for the six-month period ended 30 June 2015)

(Restated)

	General takaful AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	326,607	114,792	441,399
Net contributions earned	217,456	96,566	314,022
Commissions income on ceded retakaful	18,749	1,761	20,510
	236,205	98,327	334,532
Net claims incurred	(155,658)	(13,013)	(168,671)
Commissions expense and other costs	(51,559)	(55,895)	(107,454)
Net underwriting income	28,988	29,419	58,407
Investment and other income			21,129
Unallocated expenses and tax			(68,616)
Profit from discontinued operations			(42,237)
Net loss after tax			(31,317)

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

18 Operating segment (continued)

By geography

(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 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			22,477
Unallocated expenses and tax			(59,006)
Loss from discontinued operations			<u>(1,192)</u>
Net loss after tax			<u><u>(155,891)</u></u>

(for the six-month period ended 30 June 2015)

(Restated)

	Africa AED'000	Asia AED'000	Total AED'000
Gross written contributions	<u>152,722</u>	<u>288,677</u>	<u>441,399</u>
Net contributions earned	<u>118,002</u>	<u>196,020</u>	<u>314,022</u>
Commissions income on ceded retakaful	<u>7,624</u>	<u>12,886</u>	<u>20,510</u>
	<u>125,626</u>	<u>208,906</u>	<u>334,532</u>
Net claims incurred	<u>(67,339)</u>	<u>(101,332)</u>	<u>(168,671)</u>
Commissions expense and other cost	<u>(28,064)</u>	<u>(79,390)</u>	<u>(107,454)</u>
Net underwriting income	<u>30,223</u>	<u>28,184</u>	<u>58,407</u>
Investment and other income			21,129
Unallocated expenses and tax			(68,616)
Profit from discontinued operations			<u>(42,237)</u>
Net loss after tax			<u><u>(31,317)</u></u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

18 Operating segment (continued)

By business

(As at 30 June 2016)

ASSETS	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Property and equipments	64,495	4,608	69,103
Goodwill and intangibles	126,871	234	127,105
Investment properties	51,344	-	51,344
Investments in associates	89,589	-	89,589
Statutory deposits	8,396	4,086	12,482
Investments	583,574	6,008	589,582
Participants' investments in unit-linked contracts	-	875,221	875,221
Deposits with takaful and retakaful companies	4,282	-	4,282
Contributions and takaful balance receivables	230,117	19,576	249,693
Retakafuls' share of outstanding claims	146,291	22,463	168,754
Retakafuls' share of unearned contributions	110,865	797	111,662
Amounts due from related parties	11,818	-	11,818
Other assets and receivables	21,859	334,120	355,979
Cash and bank balances	77,472	16,588	94,060
Assets held-for-sale	606,304	100,156	706,460
TOTAL ASSETS	2,133,277	1,383,857	3,517,134

LIABILITIES EXCLUDING POLICYHOLDERS' FUND

	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Bank finance	4,939	162	5,101
Outstanding claims and family takaful reserve	451,713	90,804	542,517
Payable to Participants for unit-linked contracts	-	868,948	868,948
Unearned contributions reserve	239,402	4,249	243,651
Takaful balances payable	129,039	10,829	139,868
Other payables and accruals	200,491	63,883	264,374
Liabilities held-for-sale	511,964	83,927	595,891
TOTAL LIABILITIES	1,537,548	1,122,802	2,660,350
Policyholders' fund	-	-	-
NET ASSETS EMPLOYED	595,729	261,055	856,784

FINANCED BY:

Shareholders' equity	786,179
Non-controlling interest	70,605
	856,784

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

18 Operating segment (continued)

By business

(As at 31 December 2015)

ASSETS	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Property and equipments	70,561	577	71,138
Goodwill and intangibles	127,147	47	127,194
Investment properties	53,873	-	53,873
Investments in associates	87,548	-	87,548
Statutory deposits	17,476	4,000	21,476
Investments	701,552	-	701,552
Participants' investments in unit-linked contracts	-	766,687	766,687
Deposits with takaful and retakaful companies	4,598	-	4,598
Contributions and takaful balance receivables	192,718	11,111	203,829
Retakafuls' share of outstanding claims	100,485	15,758	116,243
Retakafuls' share of unearned contributions	70,483	862	71,345
Amounts due from related parties	11,474	-	11,474
Other assets and receivables	22,446	316,874	339,320
Cash and bank balances	38,660	13,943	52,603
Assets held-for-sale	703,688	26,621	730,309
TOTAL ASSETS	2,202,709	1,156,480	3,359,189

LIABILITIES EXCLUDING POLICYHOLDERS' FUND

	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Bank finance	4,676	-	4,676
Outstanding claims and family takaful reserve	325,165	63,173	388,338
Payable to Participants for unit-linked contracts	-	759,597	759,597
Unearned contributions reserve	232,646	3,162	235,808
Takaful balances payable	114,204	6,538	120,742
Other payables and accruals	126,850	76,461	203,311
Amounts due to related parties	-	-	-
Liabilities held-for-sale	590,977	22,287	613,264
TOTAL LIABILITIES	1,394,518	931,218	2,325,736
Policyholders' fund	-	-	-
NET ASSETS EMPLOYED	808,191	225,262	1,033,453

FINANCED BY:

Shareholders' equity	959,307
Non-controlling interest	74,146
	1,033,453

19 Comparative figures

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