

**Islamic Arab Insurance Co.
(Salama) PJSC and its subsidiaries**

Condensed consolidated interim financial statements

for the nine-month period ended 30 September 2018

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Condensed consolidated interim financial statements

for the nine-month period ended 30 September

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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

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

Introduction

We have reviewed the accompanying 30 September 2018 condensed consolidated interim financial statements of Islamic Arab Insurance Co. (Salama) PJSC (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 September 2018;
- the condensed consolidated interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2018;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2018;
- the condensed consolidated interim statement of changes in shareholders' equity for the nine-month period ended 30 September 2018;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2018; and
- notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of the condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on the 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) PJSC and its subsidiaries
*Independent Auditors' report on review of condensed
consolidated interim financial statements (continued)*
30 September 2018

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2018 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

A handwritten signature in black ink, appearing to be 'Emilio Pera', written over a horizontal line.

Emilio Pera
Registration No.: 1146
Dubai, United Arab Emirates
Date: **12 NOV 2018**

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Condensed consolidated interim statement of profit or loss

for the nine-month period ended 30 September

	Nine-month period ended 30 September 2018 AED'000 (Un-audited)	Nine-month period ended 30 September 2017 AED'000 (Un-audited) (Restated)*	Three-month period ended 30 September 2018 AED'000 (Un-audited)	Three-month period ended 30 September 2017 AED'000 (Un-audited) (Restated)*
CONTINUING OPERATIONS				
UNDERWRITING RESULTS				
Underwriting income				
Gross written contributions	17 793,155	601,944	245,711	200,097
Less: reinsurance and retakaful contributions ceded	(231,147)	(182,871)	(84,586)	(55,440)
Net contributions	<u>562,008</u>	419,073	<u>161,125</u>	144,657
Net movement in unearned contributions	(51,931)	22,983	10,029	31,836
Contributions earned	17 510,077	442,056	171,154	176,493
Commission income on ceded reinsurance and retakaful	17 27,510	20,684	5,790	5,382
	<u>17 537,587</u>	462,740	<u>176,944</u>	181,875
Underwriting expenses				
Gross claims paid	240,045	226,865	83,102	76,470
Less: reinsurance and retakaful share of claims paid	(90,271)	(74,288)	(29,085)	(28,621)
Net claims paid	<u>149,774</u>	152,577	<u>54,017</u>	47,849
Net movement in outstanding claims and family takaful reserve	14,286	(20,232)	5,879	(7,456)
Claims incurred	17 164,060	132,345	59,896	40,393
Commission paid and other costs	17 243,361	194,154	84,002	70,099
	<u>407,421</u>	326,499	<u>143,898</u>	110,492
Net underwriting income	17 130,166	136,241	33,046	71,383
Income from other sources				
Income from investments	14,001	39,995	214	17,305
Other income	9,282	9,349	1,403	3,943
	<u>153,449</u>	185,585	<u>34,663</u>	92,631
Expenses				
General, administrative and other expenses	(97,621)	(90,103)	(31,176)	(32,369)
Financial expenses	(1,061)	(648)	(474)	(185)
Provision for charitable donations	-	(2,851)	-	(1,959)
Net profit before tax for the period	<u>54,767</u>	91,983	<u>3,013</u>	58,118
Taxation - current	<u>(12,516)</u>	(6,906)	<u>(4,626)</u>	(2,883)
Net profit/(loss) after tax for the period before policyholders' distribution	42,251	85,077	(1,613)	55,235
Distribution to policyholders of Company	(12,027)	-	-	-
Net profit/(loss) after tax and distribution to policyholders for the period from continuing operations	<u>30,224</u>	85,077	<u>(1,613)</u>	55,235
DISCONTINUED OPERATIONS				
Net loss from discontinued operations	13 -	(64,539)	-	(42,438)
Net profit/(loss) after tax and distribution to policyholders for the period	<u>30,224</u>	20,538	<u>(1,613)</u>	12,797

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

	Nine-month period ended 30 September 2018 AED'000 (Un-audited)	Nine-month period ended 30 September 2017 AED'000 (Un-audited) (Restated)*	Three-month period ended 30 September 2018 AED'000 (Un-audited)	Three-month period ended 30 September 2017 AED'000 (Un-audited) (Restated)*
Net profit/(loss) after tax and distribution to policyholders for the period	30,224	20,538	(1,613)	12,797
Attributable to:				
Shareholders	31,982	12,373	(672)	7,153
Non-controlling interest	(1,758)	8,165	(941)	5,644
	30,224	20,538	(1,613)	12,797
Earnings per share (AED) (Note 15)	0.027	0.010	(0.001)	0.006
Earnings per share (AED) - continuing operations (Note 15)	0.027	0.065	(0.001)	0.042

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 - 2.

* for details of the restatement, please refer to note 18.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Condensed consolidated interim statement of profit or loss and other comprehensive income
for the nine-month period ended 30 September

	Nine-month period ended 30 September 2018 AED'000 (Un-audited)	Nine-month period ended 30 September 2017 AED'000 (Un-audited) (Restated)*	Three-month period ended 30 September 2018 AED'000 (Un-audited)	Three-month period ended 30 September 2017 AED'000 (Un-audited) (Restated)*
Net profit/(loss) after tax and distribution to policyholders for the period	30,224	20,538	(1,613)	12,797
Other comprehensive income 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	(13,551)	-	(13,551)	-
Net movement or change in foreign exchange translation reserve	(4,561)	(1,221)	(623)	(3,866)
Other comprehensive loss for the period	(18,112)	(1,221)	(14,174)	(3,866)
Total comprehensive income/(loss) for the period	12,112	19,317	(15,787)	8,931
Attributable to:				
Shareholders	14,271	10,019	(14,889)	2,561
Non-controlling interest	(2,159)	9,298	(898)	6,370
	12,112	19,317	(15,787)	8,931

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* for details of the restatement, please refer to note 18.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Condensed consolidated interim statement of financial position

as at

	Note	30 September 2018 AED'000 (Un-audited)	31 December 2017 AED'000 (Audited)
ASSETS			
Property and equipment		62,408	66,161
Goodwill and intangibles		126,745	127,458
Investment properties	8	139,465	139,676
Investments in associates	9	119,693	114,777
Statutory deposits		174,291	163,789
Investments	11	332,876	349,146
Participants' investments in unit-linked contracts	11.2	1,503,925	1,308,939
Deposits with takaful and retakaful companies		6,138	6,125
Contributions and takaful balance receivables		239,912	186,527
Retakafuls' share of outstanding claims		157,056	119,202
Retakafuls' share of unearned contributions		142,818	102,857
Amounts due from related parties	12	19,100	10,953
Other assets and receivables		382,340	371,757
Cash and bank balances		295,775	179,062
TOTAL ASSETS		3,702,542	3,246,429
LIABILITIES			
Outstanding claims and family takaful reserve		477,950	428,043
Payable to Participants for unit-linked contracts		1,493,226	1,301,249
Unearned contributions reserve		285,696	194,883
Takaful balances payable		180,148	158,122
Other payables and accruals		446,205	356,219
Amounts due to related parties	12	1	872
TOTAL LIABILITIES		2,883,226	2,439,388
NET ASSETS EMPLOYED		819,316	807,041
FINANCED BY:			
Shareholders' equity		754,782	740,514
Non-controlling interest		64,534	66,527
		819,316	807,041

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 12 NOV 2018 and signed on their behalf by:



Sheikh Khaled Bin Zayed Al Nehayan
Chairman



Dr. Saleh J. Malaikah
Vice Chairman & Managing Director

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 - 2.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Condensed consolidated interim statement of cash flows

for the nine-month period ended 30 September

	Nine-month period ended 30 September 2018 AED'000 (Un-audited)	Nine-month period ended 30 September 2017 AED'000 (Un-audited) (Restated)*
Cash flows from operating activities		
Net profit before non-controlling interest	30,224	20,538
<i>Adjustments for:</i>		
Depreciation	3,341	2,925
Net movement in unearned contributions reserve	50,852	11,596
Amortisation of intangible assets	662	297
Share of profit from associates	(6,157)	(16,089)
Dividend income	(2,453)	(2,868)
<i>Operating profit before changes in working capital</i>	<u>76,469</u>	<u>16,399</u>
Change in deposits with takaful and retakaful companies	(13)	(2,529)
Change in contributions and takaful balance receivable	(53,385)	23,007
Change in due from / to related parties	(9,018)	67
Change in other assets and receivables	(10,583)	(1,403)
Change in fair value of available-for-sale	(13,551)	-
Change in assets held-for-sale	-	83,992
Change in outstanding claims (net of retakaful)	12,053	(20,373)
Change in takaful payables and other payables	112,012	(2,007)
Change in liabilities held-for-sale	-	(50,232)
<i>Net cash generated from operating activities</i>	<u>113,984</u>	<u>46,921</u>
Cash flows from investing activities		
Property and equipment - net	412	(2,621)
Net movement in intangible assets	51	(271)
Investment properties	211	557
Statutory deposits	(10,502)	(1,395)
Dividend received	2,453	2,868
Investments-net	11,709	(19,064)
Dividend income from associate	1,241	-
Net movement in Participants' investments in unit-linked contracts	(3,009)	(1,047)
<i>Net cash generated from / (used in) investing activities</i>	<u>2,566</u>	<u>(20,973)</u>
Cash flows from financing activities		
Bank finance	-	1,121
Net movement in non-controlling interest	163	306
<i>Net cash generated from financing activities</i>	<u>163</u>	<u>1,427</u>
Net increase in cash and cash equivalents	116,713	27,375
Cash and cash equivalents at 1 January	179,062	118,830
Cash and cash equivalents at 30 September	<u>295,775</u>	<u>146,205</u>

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* for details of the restatement, please refer to note 18.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries
Condensed consolidated interim statement of changes in shareholders' equity (Un-audited)
for the nine-month period ended 30 September

	Attributable to the equity holders of the Company							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	
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	-	-	-	-	-	-	12,373	12,373	8,165	20,538
Other comprehensive income										
Movement in foreign exchange translation reserve	-	-	-	(2,354)	-	-	-	(2,354)	1,133	(1,221)
Total other comprehensive loss	-	-	-	(2,354)	-	-	-	(2,354)	1,133	(1,221)
Total comprehensive income for the period	-	-	-	(2,354)	-	-	12,373	10,019	9,298	19,317
Transaction with owners, recorded directly in equity										
Dividend paid									(147)	(147)
Change in non-controlling interest due to capital increase	-	-	-	-	-	-	-	-	453	453
Balance at 30 September 2017	1,210,000	73,861	39,189	(109,967)	(3,407)	(35,972)	(453,101)	720,603	65,879	786,482

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

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

for the nine-month period ended 30 September

	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 2018	1,210,000	76,612	31,930	(110,999)	(2,864)	(35,972)	(428,193)	740,514	66,527	807,041
Total comprehensive income for the period										
Profit / (loss) for the period	-	-	-	-	-	-	31,982	31,982	(1,758)	30,224
Other comprehensive income										
Movement in net change in fair value of available-for-sale investments	-	-	-	-	(13,551)	-	-	(13,551)	-	(13,551)
Movement in foreign exchange translation reserve	-	-	-	(4,163)	-	-	-	(4,163)	(398)	(4,561)
Adjustment on reclassification of available-for-sale investment into associate	-	-	-	-	-	-	-	-	-	-
Total other comprehensive loss	-	-	-	(4,163)	(13,551)	-	-	(17,714)	(398)	(18,112)
Total comprehensive (loss) / income for the period	-	-	-	(4,163)	(13,551)	-	31,982	14,268	(2,156)	12,112
Transaction with owners, recorded directly in equity										
Dividend paid	-	-	-	-	-	-	-	-	(270)	(270)
Change in non-controlling interest due to capital increase	-	-	-	-	-	-	-	-	433	433
Balance at 30 September 2018	1,210,000	76,612	31,930	(115,162)	(16,415)	(35,972)	(396,211)	754,782	64,534	819,316

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

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Notes

(forming part of the condensed consolidated interim financial statements)

1 Legal status and activities

Islamic Arab Insurance Co. (Salama) PJSC (“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 September 2018	31 December 2017	
<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	100%*	100%	Malaysia

* for details of the discontinued operations, please refer to note 13.

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 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Islamic Arab Insurance Co. (Salama) PJSC 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 2017.

The Group has adopted all new and revised IFRS interpretations applicable for accounting period beginning on or after 1 January 2018 except IFRS 9 Financial Instruments, for which the Group has applied the temporary exemption available under IFRS 4 Insurance Contracts. Accordingly, the Group will apply this standard for annual period beginning 1 January 2021.

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 2017.

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 2017.

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) PJSC and its subsidiaries

Notes (continued)

6 Allocation between Shareholders and Participants (Un-audited)

	For the nine-month period ended 30 September 2018				For the nine-month period ended 30 September 2017 (Restated)			
	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	-	130,166	-	130,166	-	136,241	-	136,241
Income								
Wakalah share (Note 7)	121,130	(121,130)	-	-	69,691	(69,691)	-	-
Mudarib share (Note 7)	39	(39)	-	-	-	-	-	-
Net technical charges from policyholders to shareholders	38,880	(38,880)	-	-	40,235	(40,235)	-	-
Net underwriting income from subsidiaries	48,809	(48,809)	-	-	61,520	(61,520)	-	-
Income from investments	13,673	328	-	14,001	39,842	153	-	39,995
Other income	9,282	-	-	9,282	9,349	-	-	9,349
	231,813	(78,364)	-	153,449	220,637	(35,052)	-	185,585
Expenses								
General, administrative and other expenses	(97,621)	-	-	(97,621)	(90,103)	-	-	(90,103)
Financial expenses	(1,061)	-	-	(1,061)	(648)	-	-	(648)
Commission paid and other costs	(26,517)	26,517	-	-	(16,028)	16,028	-	-
Charitable donations	-	-	-	-	(2,851)	-	-	(2,851)
Net profit / (loss) before tax for the period	106,614	(51,847)	-	54,767	111,007	(19,024)	-	91,983
Tax – current	(12,516)	-	-	(12,516)	(6,906)	-	-	(6,906)
Net profit / (loss) after tax for the period	94,098	(51,847)	-	42,251	104,101	(19,024)	-	85,077
Loss from discontinued operations	-	-	-	-	(64,539)	-	-	(64,539)
Share of non-controlling interest	1,758	-	(1,758)	-	(8,165)	-	8,165	-
Distribution to policyholders of the Company	-	(12,027)	-	(12,027)	-	-	-	-
Policyholders' loss financed by shareholders / recovery of loss from policyholders' fund (Note 14)	(63,874)	63,874	-	-	(19,024)	19,024	-	-
Net profit / (loss) for the period	31,982	-	(1,758)	30,224	12,373	-	8,165	20,538

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Notes (continued)

6 Allocation between Shareholders and Participants (Un-audited) (continued)

Condensed consolidated interim statement of financial position

	30 September 2018 AED'000 (Un-audited)	31 December 2017 AED'000 (Audited)
ASSETS		
<i>Participants' assets</i>		
Participants' investments in unit-linked contracts	1,503,925	1,308,939
Contributions and takaful balance receivables	157,832	108,276
Retakafuls' share of outstanding claims	123,117	96,952
Retakafuls' share of unearned contributions	93,716	66,060
Other assets and receivables	124	3,366
Cash and bank balances	95,849	42,026
Total participants' assets	<u>1,974,563</u>	<u>1,625,619</u>
Total shareholders' assets *	<u>1,727,979</u>	<u>1,631,663</u>
Total assets	<u>3,702,542</u>	<u>3,257,282</u>
LIABILITIES		
<i>Participants' liabilities</i>		
Outstanding claims and family takaful reserve	221,159	194,274
Payable to Participants for unit-linked contracts	1,493,226	1,301,249
Unearned contributions reserve	189,800	109,480
Takaful balances payable	118,486	97,542
Other payables and accruals	32,998	30,887
Total participants' liabilities	<u>2,055,669</u>	<u>1,733,432</u>
Total shareholders' liabilities *	<u>827,557</u>	<u>716,809</u>
Total liabilities	<u>2,883,226</u>	<u>2,450,241</u>
NET ASSETS EMPLOYED	<u>819,316</u>	<u>807,041</u>
FINANCED BY:		
Shareholders' equity	754,782	740,514
Non-controlling interest	64,534	66,527
	<u>819,316</u>	<u>807,041</u>

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

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Notes (continued)

7 Wakalah Share

The shareholders manage the takaful operations of the Group for the policyholders and charge 35% (2017: 35%) of gross written contributions and participant investment revenues of non family takaful business (excluding subsidiaries) as wakalah share. For family takaful business, sharing ratio is 15% (2017: 15%) of mortality costs.

8 Investment properties

The geographic dispersion of investment properties is as follows:

	30 September 2018	31 December 2017
	AED'000	AED'000
	(Un-audited)	(Audited)
Within UAE	14,500	14,500
Outside UAE	124,965	125,176
	<u>139,465</u>	<u>139,676</u>

The variations in the value of investment properties are due to purchase and 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 offset 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	<u>Ownership</u>		Country of incorporation	30 September 2018	31 December 2017
	2018	2017		AED'000	AED'000
				(Un-audited)	(Audited)
Salama Cooperative Insurance Company (formerly Saudi IAIC)	30.00%	30.00%	KSA	87,020	82,433
Islamic Insurance Jordan	20.00%	20.00%	Jordan	32,673	32,344
				<u>119,693</u>	<u>114,777</u>
				30 September 2018	31 December 2017
				AED'000	AED'000
				(Un-audited)	(Audited)
Balance at the beginning of period/year				114,777	94,736
Share of profit from associates				6,157	20,041
Dividend received				(1,241)	-
Balance at the end of period/year				<u>119,693</u>	<u>114,777</u>

Islamic Arab Insurance Co. (Salama) PJSC 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, management believes that their carrying values approximates to their fair values.

At 30 September 2018 (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>	<u>AED'000</u>	<u>AED'000</u>
Investments	50,358	70,175	212,343	332,876
Statutory deposits	-	-	174,291	174,291
Participants' investments in unit-linked contracts	1,503,925	-	-	1,503,925
Deposits with takaful and retakaful companies	-	-	6,138	6,138
Contributions and takaful balance receivables	-	-	239,912	239,912
Amounts due from related parties	-	-	19,100	19,100
Other assets and receivables	-	-	93,715	93,715
Cash and bank balances	-	-	295,775	295,775
	<u>1,554,283</u>	<u>70,175</u>	<u>1,041,274</u>	<u>2,665,732</u>

Financial liabilities

Payable to Participants for unit-linked contracts	1,493,226	-	-	1,493,226
Takaful balances payable	-	-	180,148	180,148
Other payables and accruals	-	-	417,074	417,074
Amounts due to related parties	-	-	1	1
	<u>1,493,226</u>	<u>-</u>	<u>597,223</u>	<u>2,090,449</u>

At 31 December 2017 (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>	<u>AED'000</u>	<u>AED'000</u>
Investments	69,884	84,194	195,068	349,146
Investment in associates	-	-	114,777	114,777
Statutory deposits	-	-	163,789	163,789
Participants' investments in unit-linked contracts	1,308,939	-	-	1,308,939
Deposits with takaful and retakaful companies	-	-	6,125	6,125
Contributions and takaful balance receivables	-	-	186,527	186,527
Amounts due from related parties	-	-	10,953	10,953
Other assets and receivables	-	-	15,140	15,140
Cash and bank balances	-	-	179,062	179,062
	<u>1,378,823</u>	<u>84,194</u>	<u>871,441</u>	<u>2,334,458</u>

Financial liabilities

Bank finance	-	-	-	-
Payable to Participants for unit-linked contracts	1,301,249	-	-	1,301,249
Takaful balances payable	-	-	158,122	158,122
Other payables	-	-	367,072	367,072
Amounts due to related parties	-	-	872	872
	<u>1,301,249</u>	<u>-</u>	<u>526,066</u>	<u>1,827,315</u>

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Notes (continued)

11 Investments

	30 September 2018 (Un-audited)			31 December 2017 (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	-	23,059	23,059	-	46,485	46,485
Shares and securities	3,816	23,483	27,299	4,702	18,697	23,399
	3,816	46,542	50,358	4,702	65,182	69,884
Available-for-sale investments						
Mutual fund and externally managed portfolios	-	68,431	68,431	-	82,396	82,396
Shares and securities	-	1,744	1,744	-	1,798	1,798
	-	70,175	70,175	-	84,194	84,194
Islamic placements (refer 11.1)	-	180,260	180,260	-	167,038	167,038
Held to maturity						
Sukuk and Government bonds	-	-	-	-	1,207	1,207
Other investments	-	32,083	32,083	-	26,823	26,823
Total investments	3,816	329,060	332,876	4,702	344,444	349,146

11.1 Represent Shari'ah compliant placements with different financial institutions having profit rates of 1.37% to 1.77% (2017: 0.22% to 5.00%) and maturing in more than three months when acquired.

11.2 Participants' investments in unit-linked contracts

	30 September 2018 AED'000 (Un-audited)	31 December 2017 AED'000 (Audited)
Financial assets at fair value through profit or loss	1,503,925	1,308,939

11.3 As at 30 September 2018, the Group has no exposure to Abraaj Holdings, or any of its subsidiaries, or any of its funds.

Islamic Arab Insurance Co. (Salama) PJSC 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 September 2018 (Un-audited)	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
<u>Financial assets</u>				
Fair value through profit or loss				
Mutual fund	23,059	-	-	23,059
Participants' investments in unit-linked contracts	-	1,503,925	-	1,503,925
Shares and securities	27,299	-	-	27,299
	<u>50,358</u>	<u>1,503,925</u>	<u>-</u>	<u>1,554,283</u>
Available-for-sale				
Mutual fund	-	68,431	-	68,431
Shares and securities	616	1,128	-	1,744
	<u>616</u>	<u>69,559</u>	<u>-</u>	<u>70,175</u>
<u>Non-financial assets</u>				
Investment properties	-	-	139,465	139,465
<u>Financial liabilities</u>				
Payable to Participants for unit-linked contracts	-	1,493,226	-	1,493,226
31 December 2017 (Audited)				
<u>Financial assets</u>				
Fair value through profit or loss				
Mutual fund	46,485	-	-	46,485
Participants' investments in unit-linked contracts	-	1,308,939	-	1,308,939
Shares and securities	23,399	-	-	23,399
	<u>69,884</u>	<u>1,308,939</u>	<u>-</u>	<u>1,378,823</u>
Available-for-sale				
Mutual fund	-	82,396	-	82,396
Shares and securities	635	1,163	-	1,798
	<u>635</u>	<u>83,559</u>	<u>-</u>	<u>84,194</u>
<u>Non-financial assets</u>				
Investment properties	-	-	139,676	139,676
<u>Financial liabilities</u>				
Payable to Participants for unit-linked contracts	-	1,301,249	-	1,301,249

Islamic Arab Insurance Co. (Salama) PJSC 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.

	Nine-month period ended 30 September 2018 AED'000 (Un-audited)	Nine-month period ended 30 September 2017 AED'000 (Un-audited)
General and administrative expenses	<u>1,828</u>	<u>1,964</u>
Compensation of key management personnel		
Short term benefits	6,004	6,094
Employees end of service benefits	455	432
	<u>6,459</u>	<u>6,526</u>
	30 September 2018 AED'000 (Un-audited)	31 December 2017 AED'000 (Audited)
Amounts due from related parties		
Bin Zayed Group	13,650	10,928
Other entities under common management with the Group	5,450	25
	<u>19,100</u>	<u>10,953</u>
Amounts due to related parties		
Other entities under common management with the Group	1	872
	<u>1</u>	<u>872</u>

13 Discontinued operation

During 2015, the Board of Directors of the Group approved to sell its investment in its subsidiary Best Re Holding Limited. The subsidiary was not previously classified as held-for-sale or discontinued operations.

During 2017, because the investment no longer met the criteria to be classified as held-for-sale, this was reclassified as held-for-use. The regulatory authority of Best Re (L) Limited had imposed restrictions on all financial and banking transactions without taking prior approval from the authority. In addition, it had also requested all overseas assets be transferred back to country of incorporation upon maturity or disposals. This in the Board's view was considered to be a loss of control over the operations of the subsidiary. Furthermore, in light of these developments the net investment in Best Re (L) Limited was reclassified as available-for-sale in 2017.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Notes (continued)

13 Discontinued operations (continued)

Results from discontinued operations

	Nine-month period ended 30 September 2018 AED'000 (Un-audited)	Nine-month period ended 30 September 2017 AED'000 (Un-audited) (Restated)
Revenue	-	1,978
Expenses	-	(23,193)
Results from operating activities	-	(21,215)
Impairment losses	-	(43,324)
Results from operating activities, net of tax	-	(64,539)
Loss from discontinued operations	-	(64,539)
Loss per share	-	(0.054)

Cash flows used in discontinued operations

	30 September 2018 AED'000 (Un-audited)	30 September 2017 AED'000 (Un-audited) (Restated)
Net cash flows used in operating activities	-	(40,008)
Net cash flows from investing activities	-	13,164
Net cash flows from financing activities	-	13,740
Net cash used in the period from discontinued operations	-	(13,104)

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Notes (continued)

14 Policyholders' fund

	30 September 2018 AED'000 (Un-audited)	31 December 2017 AED'000 (Audited)	30 September 2017 AED'000 (Un-audited)
Balance at 1 January	(475,132)	(454,144)	(454,144)
Net deficit attributable to policyholders for the period/year	(51,847)	(20,988)	(19,024)
Surplus distribution to policyholders of family takaful	(12,027)	-	-
	<u><u>(539,006)</u></u>	<u><u>(475,132)</u></u>	<u><u>(473,168)</u></u>

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

15 Earnings per share

The calculation of earnings per share for the period ended 30 September 2018 is based on the profit attributable to shareholders of AED 32.0 million (30 September 2017: AED 12.4 million, continuing profit of AED 76.9 million) divided by the weighted average number of shares of 1,188 million (30 September 2017: 1,188 million) outstanding during the period. There is no dilutive effect on basic earnings per share.

16 Contingent liabilities and capital commitments

	30 September 2018 AED'000 (Un-audited)	31 December 2017 AED'000 (Audited)
Letters of guarantee	<u><u>12,810</u></u>	<u><u>13,045</u></u>

Statutory deposits of AED 12.84 million (31 December 2017: AED 13 million) are held as lien by the bank against the above guarantees.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Notes (continued)

16 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 September 2018 (31 December 2017: nil).

17 Operating segment

By business

(for the nine-month period ended 30 September 2018)

	General takaful AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	<u>511,668</u>	<u>281,487</u>	<u>793,155</u>
Net contributions earned	<u>269,490</u>	<u>240,587</u>	<u>510,077</u>
Commissions income on ceded reinsurance and retakaful	<u>17,470</u>	<u>10,040</u>	<u>27,510</u>
	<u>286,960</u>	<u>250,627</u>	<u>537,587</u>
Net claims incurred	<u>(146,670)</u>	<u>(17,390)</u>	<u>(164,060)</u>
Commissions expense and other costs	<u>(72,913)</u>	<u>(170,448)</u>	<u>(243,361)</u>
Net underwriting income	<u>67,377</u>	<u>62,789</u>	<u>130,166</u>
Investment and other income			<u>23,283</u>
Unallocated expenses and tax			<u>(111,198)</u>
Distribution to policyholders of Company			<u>(12,027)</u>
Net profit after tax			<u><u>30,224</u></u>

(for the nine-month period ended 30 September 2017) (Restated)

	General takaful AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	<u>350,928</u>	<u>251,016</u>	<u>601,944</u>
Net contributions earned	<u>190,524</u>	<u>251,532</u>	<u>442,056</u>
Commissions income on ceded reinsurance and retakaful	<u>20,684</u>	<u>-</u>	<u>20,684</u>
	<u>211,208</u>	<u>251,532</u>	<u>462,740</u>
Net claims incurred	<u>(105,258)</u>	<u>(27,087)</u>	<u>(132,345)</u>
Commissions expense and other costs	<u>(48,065)</u>	<u>(146,089)</u>	<u>(194,154)</u>
Net underwriting income	<u>57,885</u>	<u>78,356</u>	<u>136,241</u>
Investment and other income			<u>49,344</u>
Unallocated expenses and tax			<u>(100,508)</u>
Loss from discontinued operations			<u>(64,539)</u>
Net profit after tax			<u><u>20,538</u></u>

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Notes (continued)

17 Operating segment (continued)

By geography

(for the nine-month period ended 30 September 2018)

	Africa AED'000	Asia AED'000	Total AED'000
Gross written contributions	<u>194,804</u>	<u>598,351</u>	<u>793,155</u>
Net contributions earned	<u>141,809</u>	<u>368,268</u>	<u>510,077</u>
Commissions income on ceded reinsurance and retakaful	<u>7,242</u>	<u>20,268</u>	<u>27,510</u>
	<u>149,051</u>	<u>388,536</u>	<u>537,587</u>
Net claims incurred	(60,798)	(103,262)	(164,060)
Commissions expense and other cost	<u>(39,401)</u>	<u>(203,960)</u>	<u>(243,361)</u>
Net underwriting income	<u>48,852</u>	<u>81,314</u>	<u>130,166</u>
Investment and other income			23,283
Unallocated expenses and tax			(111,198)
Distribution to policyholders of Company			<u>(12,027)</u>
Net profit after tax			<u><u>30,224</u></u>

(for the nine-month period ended 30 September 2017) (Restated)

	Africa AED'000	Asia AED'000	Total AED'000
Gross written contributions	<u>174,978</u>	<u>426,966</u>	<u>601,944</u>
Net contributions earned	<u>133,535</u>	<u>308,521</u>	<u>442,056</u>
Commissions income on ceded reinsurance and retakaful	<u>6,135</u>	<u>14,549</u>	<u>20,684</u>
	<u>139,670</u>	<u>323,070</u>	<u>462,740</u>
Net claims incurred	(77,938)	(54,407)	(132,345)
Commissions expense and other cost	<u>(32,789)</u>	<u>(161,365)</u>	<u>(194,154)</u>
Net underwriting income	<u>28,943</u>	<u>107,298</u>	<u>136,241</u>
Investment and other income			49,344
Unallocated expenses and tax			(100,508)
Loss from discontinued operations			<u>(64,539)</u>
Net profit after tax			<u><u>20,538</u></u>

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Notes (continued)

17 Operating segment (continued)

By business

(as at 30 September 2018)

ASSETS	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Property and equipment	57,074	5,334	62,408
Goodwill and intangibles	126,580	165	126,745
Investment properties	139,465	-	139,465
Investments in associates	119,693	-	119,693
Statutory deposits	164,215	10,076	174,291
Investments	299,803	33,073	332,876
Participants' investments in unit-linked contracts	-	1,503,925	1,503,925
Deposits with takaful and retakaful companies	4,462	1,676	6,138
Contributions and takaful balance receivables	223,220	16,692	239,912
Retakafuls' share of outstanding claims	100,084	56,972	157,056
Retakafuls' share of unearned contributions	140,757	2,061	142,818
Amounts due from related parties	13,648	5,452	19,100
Other assets and receivables	19,074	363,266	382,340
Cash and bank balances	176,534	119,241	295,775
TOTAL ASSETS	1,584,609	2,117,933	3,702,542
LIABILITIES			
	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Outstanding claims and family takaful reserve	287,638	190,312	477,950
Payable to Participants for unit-linked contracts	-	1,493,226	1,493,226
Unearned contributions reserve	272,977	12,719	285,696
Takaful balances payable	163,736	16,412	180,148
Other payables and accruals	122,282	323,923	446,205
Amounts due to related parties	1	-	1
TOTAL LIABILITIES	846,634	2,036,592	2,883,226
NET ASSETS EMPLOYED	737,975	81,341	819,316
FINANCED BY:			
Shareholders' equity			754,782
Non-controlling interest			64,534
			819,316

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Notes (continued)

17 Operating segment (continued)

By business

(As at 31 December 2017)

ASSETS	General takaful AED'000	Family takaful AED'000	Total AED'000
Property and equipment	60,379	5,782	66,161
Goodwill and intangibles	127,189	269	127,458
Investment properties	139,676	-	139,676
Investments in associates	114,777	-	114,777
Statutory deposits	157,338	6,451	163,789
Investments	321,672	27,474	349,146
Participants' investments in unit-linked contracts	-	1,308,939	1,308,939
Deposits with takaful and retakaful companies	4,309	1,816	6,125
Contributions and takaful balance receivables	172,006	14,521	186,527
Retakafuls' share of outstanding claims	92,323	26,879	119,202
Retakafuls' share of unearned contributions	101,474	1,383	102,857
Amounts due from related parties	10,908	45	10,953
Other assets and receivables	19,262	352,495	371,757
Cash and bank balances	122,992	56,070	179,062
TOTAL ASSETS	1,444,305	1,802,124	3,246,429
LIABILITIES			
	General takaful AED'000	Family takaful AED'000	Total AED'000
Outstanding claims and family takaful reserve	282,904	145,139	428,043
Payable to Participants for unit-linked contracts	-	1,301,249	1,301,249
Unearned contributions reserve	187,884	6,999	194,883
Takaful balances payable	142,108	16,014	158,122
Other payables and accruals	98,555	257,664	356,219
Amounts due to related parties	563	309	872
TOTAL LIABILITIES	712,014	1,727,374	2,439,388
NET ASSETS EMPLOYED	732,291	74,750	807,041
FINANCED BY:			
Shareholders' equity			740,514
Non-controlling interest			66,527
			807,041

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

Notes (continued)

18 Re-statements

In 2015, the Group had re-classified its investments in a subsidiary, Best Re Holding Limited, as assets held-for-sale. Best Re Holding Limited consists of Best Re Holding, Best Re Family and Best Re (L) Limited. During 2017, because the investments in Best Re Holding and Best Re Family no longer meet the criteria to be classified as held-for-sale, these were re-classified as held-for-use. In accordance with IFRS 5 *non-current assets held-for-sale and discontinued operations*, upon reclassification as held-for-use, the subsidiary was consolidated on a line by line basis including earlier periods resulting in a restatement of the nine-month period ended 30 September 2017 as if the subsidiary had always been consolidated. The following table summarises the impact of re-statement:

Impact on condensed consolidated interim statement of profit or loss

(As at 30 September 2017)

	Impact of re-statement		
	Previously reported AED'000	Re-statement AED'000	As restated AED'000
UNDERWRITING RESULTS			
Underwriting income	427,014	35,726	462,740
Underwriting expenses	(323,354)	3,145	(326,499)
Net underwriting profit	103,660	32,581	136,241
Income from other sources	48,460	884	49,344
Expenses	(90,627)	(2,975)	(93,602)
Net profit before tax	61,493	30,490	91,983
Taxation - current	(6,906)	-	(6,906)
Net profit after tax before policyholders' distribution	54,587	30,490	85,077
Distribution to policyholders of Company	-	-	-
Net profit after tax and distribution to policyholders from continuing operations	54,587	30,490	85,077
DISCONTINUED OPERATIONS			
Loss from discontinued operations	(34,049)	(30,490)	(64,539)
Net profit after tax and distribution to policyholders	20,538	-	20,538
Attributable to:			
Shareholders	12,373	-	12,373
Non-controlling interest	8,165	-	8,165
	20,538	-	20,538
Earnings per share (AED)	0.010	-	0.010
Earnings per share (AED) - continuing operations	0.039	0.026	0.065

There is no impact on Group's net profit and retained earnings for the nine-month period ended 30 September 2017.

19 Comparative figures

Certain comparative figures have been reclassified where appropriate to conform with the presentation and accounting policies adopted in these condensed consolidated interim financial statements.