

**Islamic Arab Insurance Co.
(Salama) and its subsidiaries**
Condensed consolidated interim financial
statements

for the nine-month period ended 30 September 2017

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim financial statements

for the nine-month period ended 30 September

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

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

Introduction

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

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2017 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

KPMG Lower Gulf Limited

Vijendra Nath Malhotra
Registration No.: 48
Dubai, United Arab Emirates
Date: **14 NOV 2017**

Islamic Arab Insurance Co. (Salama) 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 2017 AED'000 (Un-audited)	Nine-month period ended 30 September 2016 AED'000 (Un-audited)	Three-month period ended 30 September 2017 AED'000 (Un-audited)	Three-month period ended 30 September 2016 AED'000 (Un-audited)
CONTINUING OPERATIONS				
UNDERWRITING RESULTS				
Underwriting income				
Gross written contributions	18 601,469	595,369	199,932	178,131
Less: reinsurance and retakaful contributions ceded	(182,591)	(165,672)	(55,350)	(47,972)
Net contributions	418,878	429,697	144,582	130,159
Net movement in unearned contributions	(12,548)	38,661	(2,922)	14,645
Contributions earned	18 406,330	468,358	141,660	144,804
Commission income on ceded reinsurance and retakaful	18 20,684	22,495	5,382	4,734
	18 427,014	490,853	147,042	149,538
Underwriting expenses				
Gross claims paid	221,990	376,684	73,830	87,563
Less: reinsurance and retakaful share of claims paid	(73,352)	(82,577)	(28,059)	(20,843)
Net claims paid	148,638	294,107	45,771	66,720
Net movement in outstanding claims and family takaful reserve	(18,093)	141,427	(6,831)	33,914
Claims incurred	18 130,545	435,534	38,940	100,634
Commission paid and other costs	18 192,809	180,720	68,848	56,135
	323,354	616,254	107,788	156,769
Net underwriting income / (loss)	18 103,660	(125,401)	39,254	(7,231)
Income from other sources				
Income from investments	39,111	21,886	17,176	12,152
Other income	9,349	15,709	3,944	2,966
	152,120	(87,806)	60,374	7,887
Expenses				
General, administrative and other expenses	(89,979)	(84,944)	(32,718)	(31,242)
Financial expenses	(648)	(633)	(252)	(123)
Net profit / (loss) before tax for the period	61,493	(173,383)	27,404	(23,478)
Taxation - current	(6,906)	(6,823)	(2,883)	(2,029)
Net profit / (loss) after tax for the period before policyholders' distribution	54,587	(180,206)	24,521	(25,507)
Distribution to policyholders of Company	-	(1,737)	-	(1,737)
Net profit / (loss) after tax and distribution to policyholders for the period from continuing operations	54,587	(181,943)	24,521	(27,244)
DISCONTINUED OPERATIONS				
Net loss from discontinued operations	13 (34,049)	(45,209)	(11,724)	(44,017)
Net profit / (loss) after tax and distribution to policyholders for the period	20,538	(227,152)	12,797	(71,261)

Islamic Arab Insurance Co. (Salama) 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 2017 AED'000 (Un-audited)	Nine-month period ended 30 September 2016 AED'000 (Un-audited)	Three-month period ended 30 September 2017 AED'000 (Un-audited)	Three-month period ended 30 September 2016 AED'000 (Un-audited)
Net profit / (loss) after tax and distribution to policyholders for the period	20,538	(227,152)	12,797	(71,261)
Attributable to:				
Shareholders	12,373	(235,040)	7,153	(73,586)
Non-controlling interest	8,165	7,888	5,644	2,325
	20,538	(227,152)	12,797	(71,261)
Profit / (loss) per share (AED) (Note 16)	0.010	(0.198)	0.006	(0.062)
Profit / (loss) per share (AED) - continuing operations (Note 16)	0.039	(0.160)	0.016	(0.025)

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) 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 2017 AED'000 (Un-audited)	Nine-month period ended 30 September 2016 AED'000 (Un-audited)	Three-month period ended 30 September 2017 AED'000 (Un-audited)	Three-month period ended 30 September 2016 AED'000 (Un-audited)
Net profit / (loss) after tax and distribution to policyholders for the period	20,538	(227,152)	12,797	(71,261)
Other comprehensive income / (loss) net of income tax				
<i>Items that are or may be reclassified to profit or loss:</i>				
Net change in revaluation of property and equipment	-	395	-	395
Net change in fair value of available-for-sale investments	-	(8,617)	-	(3,554)
Net movement or change in foreign exchange translation reserve	(1,221)	(15,055)	(3,866)	1,040
Other comprehensive loss for the period	(1,221)	(23,277)	(3,866)	(2,119)
Total comprehensive income / (loss) for the period	19,317	(250,429)	8,931	(73,380)
Attributable to:				
Shareholders	10,019	(252,355)	2,561	(75,901)
Non-controlling interest	9,298	1,926	6,370	2,521
	19,317	(250,429)	8,931	(73,380)

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.

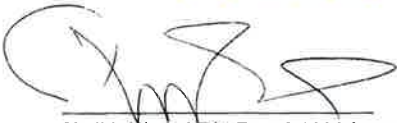
Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of financial position

as at 30 September

	Note	30 September 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
ASSETS			
Property and equipment		64,281	64,585
Goodwill and intangibles		127,166	127,192
Investment properties	8	127,653	128,210
Investments in associates	9	110,825	94,736
Statutory deposits		13,156	11,761
Investments	11	458,362	432,877
Participants' investments in unit-linked contracts	11.2	1,224,735	989,369
Deposits with takaful and retakaful companies		4,638	2,109
Contributions and takaful balance receivables		199,442	222,449
Retakafuls' share of outstanding claims		117,561	157,023
Retakafuls' share of unearned contributions		96,057	70,796
Amounts due from related parties	12	11,281	11,230
Other assets and receivables		366,970	365,567
Cash and bank balances		138,563	118,830
Assets held-for-sale	14	509,304	593,296
TOTAL ASSETS		3,569,994	3,390,030
LIABILITIES			
Bank finance		5,104	3,983
Outstanding claims and family takaful reserve		419,508	479,343
Payable to Participants for unit-linked contracts		1,216,911	982,592
Unearned contributions reserve		195,703	158,846
Takaful balances payable		292,864	227,887
Other payables and accruals		184,020	251,004
Amounts due to related parties	12	422	304
Liabilities against assets held-for-sale	14	468,980	519,212
TOTAL LIABILITIES		2,783,512	2,623,171
NET ASSETS EMPLOYED		786,482	766,859
FINANCED BY:			
Shareholders' equity		720,603	710,584
Non-controlling interest		65,879	56,275
		786,482	766,859

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


 Sheikh Khaled Bin Zayed Al Nahyan
 Chairman


 Dr. Saleh J. Malaikah
 Vice Chairman & CEO

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) and its subsidiaries

Condensed consolidated interim statement of cash flows

for the nine-month period ended 30 September

	Note	Nine-month period ended 30 September 2017 AED'000 (Un-audited)	Nine-month period ended 30 September 2016 AED'000 (Un-audited)
Cash flows from operating activities			
Net profit / (loss) before non-controlling interest		20,538	(227,152)
<i>Adjustments for:</i>			
Depreciation		2,925	2,823
Net movement in unearned contributions reserve		11,596	(47,597)
Investment properties		557	2,265
Amortisation of intangible assets		297	374
Share of profit from associates		(16,089)	(4,709)
Dividend income		(2,868)	(2,132)
<i>Operating profit / (loss) before changes in working capital</i>		<u>16,956</u>	<u>(276,128)</u>
Change in deposits with takaful and retakaful companies		(2,529)	342
Change in contributions and takaful balance receivable		23,007	(41,032)
Change in due from / to related parties		67	252
Change in other assets and receivables		(1,403)	(26,161)
Change in assets held-for-sale	14	83,992	109,666
Change in outstanding claims (net of retakaful)		(20,373)	148,548
Change in takaful payables and other payables		(2,007)	91,694
Change in liabilities held-for-sale	14	<u>(50,232)</u>	<u>(59,228)</u>
<i>Net cash generated from / (used in) operating activities</i>		<u>47,478</u>	<u>(52,047)</u>
Cash flows from investing activities			
Property and equipment - net		(2,621)	(852)
Net movement in intangible assets		(271)	(356)
Statutory deposits		(1,395)	9,075
Dividend received		2,868	2,132
Investments-net		(26,706)	85,973
Dividend income from associate		-	993
Net movement in Participants' investments in unit-linked contracts		(1,047)	714
<i>Net cash (used in) / generated from investing activities</i>		<u>(29,172)</u>	<u>97,679</u>
Cash flows from financing activities			
Bank finance		1,121	1,025
Net movement in non-controlling interest		306	1,133
<i>Net cash generated from financing activities</i>		<u>1,427</u>	<u>2,158</u>
Net increase in cash and cash equivalents		19,733	47,790
Cash and cash equivalents at 1 January		118,830	52,603
Cash and cash equivalents at 30 September		<u>138,563</u>	<u>100,393</u>

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

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

Islamic Arab Insurance Co. (Salama) 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									
	Share capital AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Foreign exchange translation reserve AED'000	Investment fair value reserve AED'000	Treasury stock AED'000	Accumulated losses AED'000	Total AED'000	Non-controlling interest AED'000	Total equity AED'000
Balance at 1 January 2016	1,210,000	73,861	35,469	(61,610)	3,980	(35,972)	(266,421)	959,307	74,146	1,033,453
Total comprehensive income for the period	-	-	-	-	-	-	(235,040)	(235,040)	7,888	(227,152)
(Loss) / profit for the period	-	-	-	-	-	-	-	-	-	-
Other comprehensive (loss)/income	-	-	395	-	-	-	-	395	-	395
Property revaluation reserve	-	-	395	-	-	-	-	395	-	395
Movement in net change in fair value of available-for-sale investments	-	-	-	-	(8,591)	-	-	(8,591)	(26)	(8,617)
Movement in foreign exchange translation reserve	-	-	-	(9,119)	-	-	-	(9,119)	(5,936)	(15,055)
Total other comprehensive loss	-	-	395	(9,119)	(8,591)	-	-	(17,315)	(5,962)	(23,277)
Total comprehensive (loss) / income for the period	-	-	395	(9,119)	(8,591)	-	(235,040)	(252,355)	1,926	(250,429)
Transaction with owners, recorded directly in equity	-	-	3,325	-	-	-	-	3,325	(3,325)	-
Surplus revaluation reserve transferred on disposals of property	-	-	3,325	-	-	-	-	3,325	(109)	(109)
Dividend paid	-	-	-	-	-	-	-	-	-	-
Change in non-controlling interest due to capital increase	-	-	-	-	-	-	-	-	1,242	1,242
Balance at 30 September 2016	1,210,000	73,861	39,189	(70,729)	(4,611)	(35,972)	(501,461)	710,277	73,880	784,157

Islamic Arab Insurance Co. (Salama) 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 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 / (loss)										
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 (loss) / income for the period	-	-	-	(2,354)	-	-	12,373	10,019	9,298	19,317
Transaction with owners, recorded directly in equity										
Surplus revaluation reserve transferred on disposal of property	-	-	-	-	-	-	-	-	-	-
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

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes

(forming part of the condensed consolidated interim financial statements)

1 Legal status and activities

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

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

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

2 Basis of preparation

a) Statement of compliance

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

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 Gazzette on 29 January 2015 to align the operations to the covenants of the regulations therein. The Group is in the process of aligning the operations with the requirement of the regulations and will be fully aligned before the deadline for alignment period.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes *(continued)*

2 Basis of preparation *(continued)*

b) Basis of measurement

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

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

c) Functional and reporting currency

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

d) Significant accounting policies

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

3 Financial risk management

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

4 Estimates

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

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

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

5 Interim measurement

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

6 Allocation of the net profit (Un-audited)

	For the nine-month period ended 30 September 2017			For the nine-month period ended 30 September 2016				
	Shareholders AED'000	Policyholders AED'000	Non- controlling interest AED'000	Total AED'000	Shareholders AED'000	Policyholders AED'000	Non- controlling interest AED'000	Total AED'000
Net underwriting income / (loss)	-	103,660	-	103,660	-	(125,401)	-	(125,401)
Income								
Wakalah share (Note 7)	69,691	(69,691)	-	-	61,598	(61,598)	-	-
Mudarib share (Note 7)	-	-	-	-	12	(12)	-	-
Net technical charges from policyholders to shareholders	40,235	(40,235)	-	-	4,062	(4,062)	-	-
Net underwriting income from subsidiaries	28,941	(28,941)	-	-	30,675	(30,675)	-	-
Income from investments	38,956	155	-	39,111	22,042	(156)	-	21,886
Other income	9,349	-	-	9,349	15,709	-	-	15,709
	187,172	(35,052)	-	152,120	134,098	(221,904)	-	(87,806)
Expenses								
General, administrative and other expenses	(89,979)	-	-	(89,979)	(83,299)	-	-	(83,299)
Financial expenses	(648)	-	-	(648)	(633)	-	-	(633)
Commission paid and other costs	(16,028)	16,028	-	-	-	-	-	-
Net profit / (loss) before tax for the period	80,517	(19,024)	-	61,493	48,521	(221,904)	-	(173,383)
Tax - current	(6,906)	-	-	(6,906)	(6,823)	-	-	(6,823)
Net profit / (loss) after tax for the period	73,611	(19,024)	-	54,587	41,698	(221,904)	-	(180,206)
Loss from discontinued operations	(34,049)	-	-	(34,049)	(45,209)	-	-	(45,209)
Share of non-controlling interest	(8,165)	-	8,165	-	(7,888)	7,888	-	-
Distribution to policyholders of the Company	-	-	-	-	-	(1,737)	-	(1,737)
Policyholders' loss financed by shareholders / recovery of loss from policyholders' fund (Note 15)	(19,024)	19,024	-	-	(223,641)	223,641	-	-
Net profit / (loss) for the period	12,373	-	8,165	20,538	(235,040)	7,888	-	(227,152)

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 September 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
ASSETS		
<i>Participants' assets</i>		
Participants' investments in unit-linked contracts	1,224,735	989,369
Contributions and takaful balance receivables	125,060	147,392
Retakafuls' share of outstanding claims	98,468	135,013
Retakafuls' share of unearned contributions	64,242	45,632
Other assets and receivables	4,316	6,476
Cash and bank balances	17,163	13,104
Total participants' assets	<u>1,533,984</u>	<u>1,336,986</u>
Total shareholders' assets *	<u>2,036,010</u>	<u>2,053,044</u>
Total assets	<u>3,569,994</u>	<u>3,390,030</u>
LIABILITIES		
<i>Participants' liabilities</i>		
Outstanding claims and family takaful reserve	203,083	290,840
Payable to Participants for unit-linked contracts	1,216,911	982,592
Unearned contributions reserve	115,833	76,081
Takaful balances payable	92,142	109,314
Other payables and accruals	37,056	88,658
Total participants' liabilities	<u>1,665,025</u>	<u>1,547,485</u>
Total shareholders' liabilities *	<u>1,118,487</u>	<u>1,075,686</u>
Total liabilities	<u>2,783,512</u>	<u>2,623,171</u>
NET ASSETS EMPLOYED	<u>786,482</u>	<u>766,859</u>
FINANCED BY:		
Shareholders' equity	720,603	710,584
Non-controlling interest	65,879	56,275
	<u>786,482</u>	<u>766,859</u>

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

7 Wakalah Share

The shareholders manage the takaful operations of the Group for the policyholders and charge 35% (2016: 15%) 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% (2016: 15%) of mortality costs.

8 Investment properties

The geographic dispersion of investment properties is as follows:

	30 September 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Within UAE	15,000	15,000
Outside UAE	112,653	113,210
	<u>127,653</u>	<u>128,210</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 September 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
	2017	2016			
Salama Cooperative Insurance Company (formerly Saudi IAIC)	30.00%	30.00%	KSA	78,734	64,461
Islamic Insurance Jordan	20.00%	20.00%	Jordan	32,091	30,275
				<u>110,825</u>	<u>94,736</u>
Movements during the period/year				30 September 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Balance at the beginning of period/year				94,736	87,548
Share of profit from associates				16,089	8,181
Transfer to assets held-for-sale				-	(993)
Balance at the end of period/year				<u>110,825</u>	<u>94,736</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 September 2017 (Un-audited)

Financial assets

	<u>FVTPL</u>	<u>AFS</u>	<u>Amortised cost</u>	<u>Total</u>
	AED'000	AED'000	AED'000	AED'000
Investments	71,592	83,487	303,283	458,362
Statutory deposits	-	-	13,156	13,156
Participants' investments in unit-linked contracts	1,224,735	-	-	1,224,735
Deposits with takaful and retakaful companies	-	-	4,638	4,638
Contributions and takaful balance receivables	-	-	199,442	199,442
Amounts due from related parties	-	-	11,281	11,281
Other assets and receivables	-	-	89,280	89,280
Cash and bank balances	-	-	138,563	138,563
	<u>1,296,327</u>	<u>83,487</u>	<u>759,643</u>	<u>2,139,457</u>

Financial liabilities

Bank finance	-	-	5,104	5,104
Payable to Participants for unit-linked contracts	1,216,911	-	-	1,216,911
Takaful balances payable	-	-	292,864	292,864
Other payables and accruals	-	-	125,154	125,154
Amounts due to related parties	-	-	422	422
	<u>1,216,911</u>	<u>-</u>	<u>423,544</u>	<u>1,640,455</u>

At 31 December 2016 (Audited)

Financial assets

	<u>FVTPL</u>	<u>AFS</u>	<u>Amortised cost</u>	<u>Total</u>
	AED'000	AED'000	AED'000	AED'000
Investments	57,174	82,483	293,220	432,877
Statutory deposits	-	-	11,761	11,761
Participants' investments in unit-linked contracts	989,369	-	-	989,369
Deposits with takaful and retakaful companies	-	-	2,109	2,109
Contributions and takaful balance receivables	-	-	222,449	222,449
Amounts due from related parties	-	-	11,230	11,230
Other assets and receivables	-	-	18,689	18,689
Cash and bank balances	-	-	118,830	118,830
	<u>1,046,543</u>	<u>82,483</u>	<u>678,288</u>	<u>1,807,314</u>

Financial liabilities

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11 Investments

	30 September 2017 (Un-audited)			31 December 2016 (Audited)		
	Domestic investments	International investments	Total	Domestic investments	International investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Financial assets at fair value through profit or loss						
Mutual fund and externally managed portfolios	-	43,300	43,300	-	35,236	35,236
Shares and securities	5,540	22,752	28,292	4,717	17,221	21,938
	<u>5,540</u>	<u>66,052</u>	<u>71,592</u>	<u>4,717</u>	<u>52,457</u>	<u>57,174</u>
Available-for-sale investments						
Mutual fund and externally managed portfolios	-	81,692	81,692	-	81,692	81,692
Shares and securities	-	1,795	1,795	-	791	791
	-	<u>83,487</u>	<u>83,487</u>	-	<u>82,483</u>	<u>82,483</u>
Islamic placements (refer 11.1)	-	149,135	149,135	-	145,854	145,854
Held to maturity						
Sukuk and Government bonds	-	127,327	127,327	-	120,545	120,545
Other investments	-	26,821	26,821	-	26,821	26,821
Total investments	<u>5,540</u>	<u>452,822</u>	<u>458,362</u>	<u>4,717</u>	<u>428,160</u>	<u>432,877</u>

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

11.2 Participants' investments in unit-linked contracts

	30 September 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Financial assets at fair value through profit or loss	<u>1,224,735</u>	<u>989,369</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11 Investments (continued)

Determining fair values

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

30 September 2017 (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	43,300	-	-	43,300
Participants' investments in unit-linked contracts	-	1,224,735	-	1,224,735
Shares and securities	28,292	-	-	28,292
	<u>71,592</u>	<u>1,224,735</u>	<u>-</u>	<u>1,296,327</u>
Available-for-sale				
Mutual fund	-	81,692	-	81,692
Shares and securities	641	1,154	-	1,795
	<u>641</u>	<u>82,846</u>	<u>-</u>	<u>83,487</u>
<u>Non-financial assets</u>				
Investment properties	-	-	127,653	127,653
<u>Financial liabilities</u>				
Payable to Participants for unit-linked contracts	-	1,216,911	-	1,216,911
31 December 2016 (Audited)				
<u>Financial assets</u>				
Fair value through profit or loss				
Mutual fund	22,721	12,515	-	35,236
Participants' investments in unit-linked contracts	-	989,369	-	989,369
Shares and securities	21,938	-	-	21,938
	<u>44,659</u>	<u>1,001,884</u>	<u>-</u>	<u>1,046,543</u>
Available-for-sale				
Mutual fund	-	81,692	-	81,692
Shares and securities	506	285	-	791
	<u>506</u>	<u>81,977</u>	<u>-</u>	<u>82,483</u>
<u>Non-financial assets</u>				
Investment properties	-	-	128,210	128,210
<u>Financial liabilities</u>				
Payable to Participants for unit-linked contracts	-	982,592	-	982,592

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

12 Related party transactions

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

	Nine-month period ended 30 September 2017 AED'000 (Un-audited)	Nine-month period ended 30 September 2016 AED'000 (Un-audited)
General and administrative expenses	<u>1,964</u>	<u>2,093</u>
Compensation of key management personnel		
Short term benefits	6,094	5,298
Employees end of service benefits	432	402
	<u>6,526</u>	<u>5,700</u>
	30 September 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Amounts due from related parties		
Bin Zayed Group (funds advanced for investment)	10,928	10,928
Other entities under common management with the Group	353	302
	<u>11,281</u>	<u>11,230</u>
Amounts due to related parties		
Other entities under common management with the Group	422	304
	<u>422</u>	<u>304</u>

13 Discontinued operation

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

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

13 Discontinued operations (continued)

Results from discontinued operations

	Nine-month period ended 30 September 2017 AED'000 (Un-audited)	Nine-month period ended 30 September 2016 AED'000 (Un-audited)
Revenue	38,586	9,869
Expenses	(29,311)	(55,078)
Results from operating activities	<u>9,275</u>	<u>(45,209)</u>
Impairment losses (refer note 13a)	(43,324)	-
Results from operating activities, net of tax	<u>(34,049)</u>	<u>(45,209)</u>
Loss per share	(0.029)	(0.038)

Cash flows from / (used in) discontinued operations

	30 September 2017 AED'000 (Un-audited)	30 September 2016 AED'000 (Un-audited)
Net cash flows used in operating activities	(40,008)	(48,942)
Net cash flows from investing activities	13,164	68,916
Net cash flows from financing activities	13,740	2,973
Net cash (used in)/for the period from discontinued operations	<u>(13,104)</u>	<u>22,947</u>

a) Impairment losses relating to discontinued operations

The board of directors has decided to provide full impairment amounting to AED 43.3 million with respect to Best Re (L) part of the disposal group classified as held for sale. The management does not expect any positive cash flow from this unit due to negative operational results. For details refer to note 19.

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

	30 September 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Property and equipment	11,348	11,588
Intangible assets	475	495
Investment property	83,870	83,870
Investments in associates	516	516
Statutory and investment deposits	754	754
Investments	30,808	31,369
Deposits with insurance and reinsurance companies	159,044	161,169
Premiums and insurance balance receivables	127,303	133,913
Reinsurers' share of outstanding claims	46,279	49,669
Reinsurers' share of unearned premium	157	412
Other assets	11,476	13,225
Islamic placements	55,676	68,290
Cash in hand and at bank	30,427	43,531
Impairment losses relating to subsidiary	(48,829)	(5,505)
Assets held-for-sale	509,304	593,296
Gross outstanding claims	117,705	125,333
Unearned premiums	911	54,372
Insurance balance payable	201,312	207,551
Other payables and accruals	10,437	7,082
Bank loan – long term portion	138,615	124,874
Liabilities against assets held-for-sale	468,980	519,212
Net assets	40,324	74,084

Measurement of fair values

i. Fair value hierarchy

The non-recurring fair value measurement for the disposal group of AED 40.3 million 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 September 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)	30 September 2016 AED'000 (Un-audited)
Balance at 1 January	(454,144)	(231,827)	(231,827)
Net deficit attributable to policyholders for the period/year	(19,024)	(207,126)	(221,904)
Surplus distribution to policyholders of family takaful	-	(15,191)	(1,737)
	<u>(473,168)</u>	<u>(454,144)</u>	<u>(455,468)</u>
Financed by shareholders'	<u>473,168</u>	<u>454,144</u>	<u>455,468</u>
	<u>-</u>	<u>-</u>	<u>-</u>

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

16 Profit / (loss) per share

The calculation of profit per share for the period ended 30 September 2017 is based on the profit attributable to shareholders of AED 12.4 million (30 September 2016: loss attributable to shareholders of AED 235 million) divided by the weighted average number of shares of 1,188 million (30 September 2016: 1,188 million) outstanding during the period. There is no dilutive effect on basic earnings per share.

The calculation of profit per share for the period ended 30 September 2017 is based on the continuing operations profit AED 46.4 million (30 September 2016: continuing loss of AED 189.8 million) divided by the weighted average number of shares of 1,188 million (30 September 2016: 1,188 million) outstanding during the period. There is no dilutive effect on basic earnings per share.

17 Contingent liabilities and capital commitments

	30 September 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Letters of guarantee	<u>17,453</u>	<u>12,027</u>

Statutory deposits of AED 12.98 million (31 December 2016: AED 12.06 million) are held as lien by the bank against the above guarantees.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

17 Contingent liabilities and capital commitments (continued)

The Group is exposed to certain claims and litigations, these are subject to legal cases filed by the policyholders, cedants and retakaful operators in connection with the policies issued. 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 2017 (31 December 2016: nil).

18 Operating segment

By business

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

	General takaful AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	<u>350,928</u>	<u>250,541</u>	<u>601,469</u>
Net contributions earned	190,524	215,806	406,330
Commissions income on ceded reinsurance and retakaful	<u>20,684</u>	-	<u>20,684</u>
	211,208	215,806	427,014
Net claims incurred	(105,258)	(25,287)	(130,545)
Commissions expense and other costs	<u>(48,065)</u>	<u>(144,744)</u>	<u>(192,809)</u>
Net underwriting income	57,885	45,775	103,660
Investment and other income			48,460
Unallocated expenses and tax			(97,533)
Loss from discontinued operations			<u>(34,049)</u>
Net profit after tax			<u>20,538</u>

(for the nine-month period ended 30 September 2016)

	General takaful AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	<u>361,711</u>	<u>233,658</u>	<u>595,369</u>
Net contributions earned	268,579	199,779	468,358
Commissions income on ceded reinsurance and retakaful	<u>18,519</u>	3,976	<u>22,495</u>
	287,098	203,755	490,853
Net claims incurred	(407,513)	(28,021)	(435,534)
Commissions expense and other costs	<u>(52,425)</u>	<u>(128,295)</u>	<u>(180,720)</u>
Net underwriting (loss) / income	(172,840)	47,439	(125,401)
Investment and other income			37,595
Unallocated expenses and tax			(92,400)
Distribution to policyholders of Company			(1,737)
Loss from discontinued operations			<u>(45,209)</u>
Net loss after tax			<u>(227,152)</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

18 Operating segment (continued)

By geography

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

	Africa AED'000	Asia AED'000	Total AED'000
Gross written contributions	<u>174,978</u>	<u>426,491</u>	<u>601,469</u>
Net contributions earned	<u>133,535</u>	<u>272,795</u>	<u>406,330</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>287,344</u>	<u>427,014</u>
Net claims incurred	<u>(77,938)</u>	<u>(52,607)</u>	<u>(130,545)</u>
Commissions expense and other cost	<u>(32,789)</u>	<u>(160,020)</u>	<u>(192,809)</u>
Net underwriting income	<u>28,943</u>	<u>74,717</u>	<u>103,660</u>
Investment and other income			<u>48,460</u>
Unallocated expenses and tax			<u>(97,533)</u>
Loss from discontinued operations			<u>(34,049)</u>
Net profit after tax			<u><u>20,538</u></u>

(for the nine-month period ended 30 September 2016)

	Africa AED'000	Asia AED'000	Total AED'000
Gross written contributions	<u>202,233</u>	<u>393,136</u>	<u>595,369</u>
Net contributions earned	<u>166,411</u>	<u>301,947</u>	<u>468,358</u>
Commissions income on ceded reinsurance and retakaful	<u>7,872</u>	<u>14,623</u>	<u>22,495</u>
	<u>174,283</u>	<u>316,570</u>	<u>490,853</u>
Net claims incurred	<u>(104,644)</u>	<u>(330,890)</u>	<u>(435,534)</u>
Commissions expense and other cost	<u>(38,964)</u>	<u>(141,756)</u>	<u>(180,720)</u>
Net underwriting income / (loss)	<u>30,675</u>	<u>(156,076)</u>	<u>(125,401)</u>
Investment and other income			<u>37,595</u>
Unallocated expenses and tax			<u>(92,400)</u>
Distribution to policyholders of Company			<u>(1,737)</u>
Loss from discontinued operations			<u>(45,209)</u>
Net loss after tax			<u><u>(227,152)</u></u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

18 Operating segment (continued)

By business

(as at 30 September 2017)

ASSETS	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Property and equipment	60,795	3,486	64,281
Goodwill and intangibles	126,876	290	127,166
Investment properties	127,653	-	127,653
Investments in associates	110,825	-	110,825
Statutory deposits	7,844	5,312	13,156
Investments	453,400	4,962	458,362
Participants' investments in unit-linked contracts	-	1,224,735	1,224,735
Deposits with takaful and retakaful companies	4,561	77	4,638
Contributions and takaful balance receivables	180,048	19,394	199,442
Retakafuls' share of outstanding claims	92,757	24,804	117,561
Retakafuls' share of unearned contributions	95,159	898	96,057
Amounts due from related parties	11,281	-	11,281
Other assets and receivables	18,591	348,379	366,970
Cash and bank balances	131,367	7,196	138,563
Assets held-for-sale	-	509,304	509,304
TOTAL ASSETS	1,421,157	2,148,837	3,569,994
LIABILITIES			
	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Bank finance	5,104	-	5,104
Outstanding claims and family takaful reserve	293,661	125,847	419,508
Payable to Participants for unit-linked contracts	-	1,216,911	1,216,911
Unearned contributions reserve	189,891	5,812	195,703
Takaful balances payable	129,818	163,046	292,864
Other payables and accruals	97,474	86,546	184,020
Amounts due to related parties	113	309	422
Liabilities against assets held-for-sale	-	468,980	468,980
TOTAL LIABILITIES	716,061	2,067,451	2,783,512
NET ASSETS EMPLOYED	705,096	81,386	786,482
FINANCED BY:			
Shareholders' equity			720,603
Non-controlling interest			65,879
			786,482

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

18 Operating segment (continued)

By business

(As at 31 December 2016)

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

19 Subsequent event

Subsequent to 30 September 2017, the regulatory authority of one of the subsidiaries of the Group (Best Re (L)) has imposed restrictions on all financial and banking transactions. Further, it has also requested all overseas assets be transferred back to country of incorporation upon maturity or disposals. In the Board's view, this is considered to be a loss of control over the operations of the subsidiary.

In light of these developments, the Board of the Group believe that no positive cash inflow is expected from this subsidiary. Accordingly, full impairment provision has been recognised against investment in this subsidiary.

20 Comparative figures

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