

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim financial statements

for the nine-month period ended 30 September 2016

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

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

Introduction

We have reviewed the accompanying 30 September 2016 condensed consolidated interim financial statements of Islamic Arab Insurance Co. (Salama) (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprises:

- the condensed consolidated interim statement of financial position as at 30 September 2016;
- the condensed consolidated interim statement of profit or loss for the three-month and nine-month periods ended 30 September 2016;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2016;
- the condensed consolidated interim statement of changes in equity for the nine-month period ended 30 September 2016;
- the condensed consolidated interim statement of cash flows for the nine-month period ended 30 September 2016; and
- notes to the condensed consolidated interim financial statements.

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

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed consolidated interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Islamic Arab Insurance Co. (Salama) and its subsidiaries
Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Statements
30 September 2016

Conclusion

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

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

KPMG Lower Gulf Limited
Fawzi AbuRass
Registered Auditor Number: 968

Date: 14 NOV 2016

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of profit or loss

for the nine-month period ended 30 September 2016

		Nine-month period ended 30 September 2016 AED'000 (Un-audited)	Nine-month period ended 30 September 2015 AED'000 (Un-audited)	Three-month period ended 30 September 2016 AED'000 (Un-audited)	Three-month period ended 30 September 2015 AED'000 (Un-audited)
CONTINUING OPERATIONS					
UNDERWRITING RESULTS					
Underwriting income					
Gross written contributions	18	595,369	683,093	178,131	241,694
Less: retakaful contributions ceded		(165,672)	(166,287)	(47,972)	(49,074)
Net contributions		429,697	516,806	130,159	192,620
Net movement in unearned contributions		38,661	(6,799)	14,645	3,365
Contributions earned	18	468,358	510,007	144,804	195,985
Commission income on ceded retakaful	18	22,495	32,336	4,734	11,826
	18	490,853	542,343	149,538	207,811
Underwriting expenses					
Gross claims paid		376,684	338,229	87,563	117,159
Less: retakaful share of claims paid		(82,577)	(89,131)	(20,843)	(26,602)
Net claims paid		294,107	249,098	66,720	90,557
Net movement in outstanding claims and technical reserve for family takaful		141,427	45,981	33,914	35,851
Claims incurred	18	435,534	295,079	100,634	126,408
Commission expense and other costs	18	180,720	171,009	56,135	63,555
		616,254	466,088	156,769	189,963
Net underwriting (loss) / income	18	(125,401)	76,255	(7,231)	17,848
Income from other sources					
Income from investments		21,886	10,200	12,152	71
Other income		15,709	16,781	2,966	5,781
		(87,806)	103,236	7,887	23,700
Expenses					
General, administrative and other expenses		(84,944)	(95,871)	(31,242)	(33,523)
Financial expenses		(633)	(805)	(123)	(246)
Impairment on goodwill		-	(27,043)	-	(27,043)
Net loss before tax for the period		(173,383)	(20,483)	(23,478)	(37,112)
Taxation - current		(6,823)	(8,783)	(2,029)	(3,074)
Net loss after tax for the period before policyholders' distribution		(180,206)	(29,266)	(25,507)	(40,186)
Distribution to policyholders of Company		(1,737)	(1,086)	(1,737)	(1,086)
Net loss after tax and distribution to policyholders for the period from continuing operations		(181,943)	(30,352)	(27,244)	(41,272)
DISCONTINUED OPERATIONS					
Loss from discontinued operations	13	(45,209)	(48,806)	(44,017)	(6,569)
Net loss after tax and distribution to policyholders for the period		(227,152)	(79,158)	(71,261)	(47,841)

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 2016

	Nine-month period ended 30 September 2016	Nine-month period ended 30 September 2015	Three-month period ended 30 September 2016	Three-month period ended 30 September 2015
<i>Note</i>	AED'000	AED'000	AED'000	AED'000
	(Un-audited)	(Un-audited)	(Un-audited)	(Un-audited)
Net loss after tax and distribution to policyholders for the period	(227,152)	(79,158)	(71,261)	(47,841)
Attributable to:				
Shareholders	(235,040)	(84,628)	(73,586)	(49,322)
Non-controlling interest	7,888	5,470	2,325	1,481
	(227,152)	(79,158)	(71,261)	(47,841)
Loss per share (AED) (Note 16)	(0.198)	(0.071)	(0.062)	(0.042)
Loss per share (AED) - continuing operations	(0.160)	(0.030)	(0.025)	(0.036)

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

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of profit or loss and other comprehensive income
for the nine-month period ended 30 September 2016

	Nine-month period ended 30 September 2016 AED'000 (Un-audited)	Nine-month period ended 30 September 2015 AED'000 (Un-audited)	Three-month period ended 30 September 2016 AED'000 (Un-audited)	Three-month period ended 30 September 2015 AED'000 (Un-audited)
Net loss after tax and distribution to policyholders for the period	(227,152)	(79,158)	(71,261)	(47,841)
Other comprehensive 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)	(7,281)	(3,554)	(1,426)
Foreign exchange translation reserve	(15,055)	(34,853)	1,040	(10,832)
Other comprehensive loss for the period	(23,277)	(42,134)	(2,119)	(12,258)
Total comprehensive loss for the period	(250,429)	(121,292)	(73,380)	(60,099)
Attributable to:				
Shareholders	(252,355)	(121,631)	(75,901)	(60,428)
Non-controlling interest	1,926	339	2,521	329
	(250,429)	(121,292)	(73,380)	(60,099)

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

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries
Condensed consolidated interim statement of financial position
as at 30 September 2016

	Note	30 September 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
ASSETS			
Property and equipment		69,562	71,138
Goodwill and intangibles		127,176	127,194
Investment properties	8	51,608	53,873
Investments in associates	9	91,264	87,548
Statutory deposits		12,401	21,476
Investments	11	591,907	701,552
Participants' investments in unit-linked contracts	11.2	931,441	766,687
Deposits with takaful and retakaful companies		4,256	4,598
Contributions and takaful balance receivables		244,861	203,829
Retakafuls' share of outstanding claims		170,459	116,243
Retakafuls' share of unearned contributions		93,643	71,345
Amounts due from related parties	12	11,948	11,474
Other assets and receivables		365,481	339,320
Cash and bank balances		100,393	52,603
Assets held-for-sale	14	620,643	730,309
TOTAL ASSETS		3,487,043	3,359,189
LIABILITIES			
Bank finance		5,701	4,676
Outstanding claims and family takaful reserve		591,102	388,338
Payable to Participants for unit-linked contracts		925,065	759,597
Unearned contributions reserve		210,509	235,808
Takaful balances payable		141,377	120,742
Other payables and accruals		274,370	203,311
Amounts due to related parties	12	726	-
Liabilities held-for-sale	14	554,036	613,264
TOTAL LIABILITIES		2,702,886	2,325,736
Policyholders' fund	15	-	-
NET ASSETS EMPLOYED		784,157	1,033,453
FINANCED BY:			
Shareholders' equity		710,277	959,307
Non-controlling interest		73,880	74,146
		784,157	1,033,453

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

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

Sheikh Khaled Bin Zayed Al Nahayan
Chairman

Dr. Saleh J. Malaikah
Vice Chairman & CEO

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of cash flows

for the nine-month period ended 30 September 2016

	Note	Nine-month period ended 30 September 2016 AED'000 (Un-audited)	Nine-month period ended 30 September 2015 AED'000 (Un-audited)
Cash flows from operating activities			
Net loss before non-controlling interest		(227,152)	(79,158)
<i>Adjustments for:</i>			
Depreciation		2,823	3,493
Net movement in unearned contributions reserve		(47,597)	(83,049)
Investment properties		2,265	201,875
Amortisation of intangible assets		374	480
Share of profit from associates		(4,709)	(3,063)
Dividend income		(2,132)	(1,292)
<i>Operating (loss) / profit before changes in working capital</i>		<u>(276,128)</u>	<u>39,286</u>
Change in deposits with takaful and retakaful companies		342	139,647
Change in contributions and takaful balance receivable		(41,032)	272,218
Change in due from / to related parties		252	4,502
Change in other assets and receivables		(26,161)	(158,948)
Change in assets held-for-sale	14	109,666	(804,386)
Change in outstanding claims (net of retakaful)		148,548	(239,719)
Change in takaful payables and other payables		91,694	(256,005)
Change in liabilities held-for-sale	14	(59,228)	661,607
<i>Net cash used in operating activities</i>		<u>(52,047)</u>	<u>(341,798)</u>
Cash flows from investing activities			
Property and equipment - net		(852)	31,003
Net movement in intangible assets		(356)	27,897
Net movement in associates		-	(43,524)
Statutory deposits		9,075	(6,069)
Dividend received		2,132	1,292
Investments-net		85,973	212,219
Dividend income from associate		993	931
Net movement in Participants' investments in unit-linked contracts		714	(4,043)
<i>Net cash generated from investing activities</i>		<u>97,679</u>	<u>219,706</u>
Cash flows from financing activities			
Bank finance		1,025	(143,475)
Net movement in non-controlling interest		1,133	4,209
<i>Net cash generated from / (used in) financing activities</i>		<u>2,158</u>	<u>(139,266)</u>
Net increase / (decrease) in cash and cash equivalents		47,790	(261,358)
Cash and cash equivalents at 1 January		52,603	388,753
Cash and cash equivalents at 30 September		<u>100,393</u>	<u>127,395</u>

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

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

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

for the nine-month period ended 30 September 2016

	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 2015	1,210,000	73,861	42,173	(30,697)	12,719	(35,972)	(99,151)	1,172,933	65,671	1,238,604
Total comprehensive income for the period										
(Loss) / profit for the period	-	-	-	-	-	-	(84,628)	(84,628)	5,470	(79,158)
Other comprehensive loss										
Movement in net change in fair value of available-for-sale investments	-	-	-	-	(7,252)	-	-	(7,252)	(5,102)	(12,354)
Movement in foreign exchange translation reserve	-	-	-	(29,751)	-	-	-	(29,751)	(29)	(29,780)
Total other comprehensive loss	-	-	-	(29,751)	(7,252)	-	-	(37,003)	(5,131)	(42,134)
Total comprehensive (loss) / income for the period	-	-	-	(29,751)	(7,252)	-	(84,628)	(121,631)	339	(121,292)
Transaction with owners, recorded directly in equity										
Surplus revaluation reserve transferred on disposals of property	-	-	(4,258)	-	-	-	4,278	20	(20)	-
Change in non-controlling interest due to capital increase	-	-	-	-	-	-	-	-	6,719	6,719
Dividend paid	-	-	-	-	-	-	-	-	(2,510)	(2,510)
Balance at 30 September 2015	1,210,000	73,861	37,915	(60,448)	5,467	(35,972)	(179,501)	1,051,322	70,199	1,121,521

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

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

for the nine-month period ended 30 September 2016

	Attributable to the equity holders of the Company									
	Share capital AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Foreign exchange translation reserve AED'000	Investment fair value reserve AED'000	Treasury stock AED'000	Accumulated losses AED'000	Total AED'000	Non-controlling interest AED'000	Total equity AED'000
Balance at 1 January 2016	1,210,000	73,861	35,469	(61,610)	3,980	(35,972)	(266,421)	959,307	74,146	1,033,453
Total comprehensive income for the period										
(Loss) / profit for the period	-	-	-	-	-	-	(235,040)	(235,040)	7,888	(227,152)
Other comprehensive (loss) / income										
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										
Surplus revaluation reserve transferred on disposal of property	-	-	3,325	-	-	-	-	3,325	(3,325)	-
Dividend paid	-	-	-	-	-	-	-	-	(109)	(109)
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

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes

(forming part of the condensed consolidated interim financial statements)

1 Legal status and activities

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

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

Subsidiaries	Group’s Ownership		Country of incorporation
	30 September 2016	31 December 2015	
<i>Directly owned</i>			
Tariic Holding Company B.S.C	99.40%	99.40%	Kingdom of Bahrain
Misr Emirates Takaful Life Insurance Co.	85.00%	85.00%	Egypt
Salama Immobilier *	84.25%	81.50%	Senegal
<i>Through Tariic</i>			
Salama Assurances Senegal	58.45%	57.41%	Senegal
Salama Assurances Algerie	96.98%	96.98%	Algeria
Egyptian Saudi Insurance Home	51.15%	51.15%	Egypt
Best Re Holding Company (discontinued operations)	100%	100%	Malaysia

* - During the period, the Company acquired all the shares of Salama Immobilier that were held by Salama Assurances Senegal, thereby increasing the holding percentage.

2 Basis of preparation

a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for the full annual audited consolidated financial statements, and should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

On 1 April 2015, a new UAE Federal Law No. 2 of 2015 for the Commercial Companies (“UAE Companies Law of 2015”) was issued with effective date on 1 July 2015. In June 2016, the UAE Cabinet passed a resolution to extend the deadline for existing companies in the UAE to ensure compliance with the new UAE Companies Law from 30 June 2016 to 30 June 2017. The Group is in the process of adopting the new federal law and will be fully compliant before the transitional provisions deadline.

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (*continued*)

2 Basis of preparation (*continued*)

b) Basis of measurement

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

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

c) Functional and reporting currency

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

d) Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual audited consolidated financial statements for the year ended 31 December 2015.

3 Financial risk management

The Group's financial risk management objectives, policies and accounting policies are consistent with those disclosed in the audited consolidated financial statements as at and for the year ended 31 December 2015.

4 Estimates

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

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were significantly same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2015.

5 Interim measurement

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

6 Allocation of the net profit (Un-audited)

	For the nine-month period ended 30 September 2016				For the nine-month period ended 30 September 2015			
	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 (loss) / income	-	(125,401)	-	(125,401)	-	76,255	-	76,255
Income								
Wakalah share (Note 7)	61,598	(61,598)	-	-	74,142	(74,142)	-	-
Mudarib share (Note 7)	12	(12)	-	-	20	(20)	-	-
Net technical charges from policyholders to shareholders	4,062	(4,062)	-	-	10,111	(10,111)	-	-
Net underwriting income from subsidiaries	30,675	(30,675)	-	-	45,969	(45,969)	-	-
Income from investments	22,042	(156)	-	21,886	9,998	202	-	10,200
Other income	15,709	-	-	15,709	16,781	-	-	16,781
	134,098	(221,904)	-	(87,806)	157,021	(53,785)	-	103,236
Expenses								
General, administrative and other expenses	(83,299)	-	-	(83,299)	(95,393)	-	-	(95,393)
Financial expenses	(633)	-	-	(633)	(805)	-	-	(805)
Impairment on goodwill	-	-	-	-	(27,043)	-	-	(27,043)
Charitable donations	(1,645)	-	-	(1,645)	(478)	-	-	(478)
Net profit / (loss) before tax for the period	48,521	(221,904)	-	(173,383)	33,302	(53,785)	-	(20,483)
Tax – current	(6,823)	-	-	(6,823)	(8,783)	-	-	(8,783)
Net profit / (loss) after tax for the period	41,698	(221,904)	-	(180,206)	24,519	(53,785)	-	(29,266)
Loss from discontinued operations	(45,209)	-	-	(45,209)	(48,806)	-	-	(48,806)
Share of non-controlling interest	(7,888)	-	7,888	-	(5,470)	-	5,470	-
Distribution to policyholders of the Company	-	(1,737)	-	(1,737)	-	(1,086)	-	(1,086)
Policyholders' loss financed by shareholders / recovery of loss from policyholders' fund (Note 15)	(223,641)	223,641	-	-	(54,871)	54,871	-	-
Net (loss) / profit for the period	(235,040)	-	7,888	(227,152)	(84,628)	-	5,470	(79,158)

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 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
ASSETS		
<i>Participants' assets</i>		
Participants' investments in unit-linked contracts	931,441	766,687
Contributions and takaful balance receivables	163,561	136,742
Retakafuls' share of outstanding claims	134,964	81,429
Retakafuls' share of unearned contributions	69,553	51,802
Other assets and receivables	7,427	-
Cash and bank balances	23,484	3,257
Total participants' assets	<u>1,330,430</u>	<u>1,039,917</u>
Total shareholders' assets *	<u>2,156,613</u>	<u>2,319,272</u>
Total assets	<u>3,487,043</u>	<u>3,359,189</u>
LIABILITIES		
<i>Participants' liabilities</i>		
Outstanding claims and family takaful reserve	381,926	262,386
Payable to Participants for unit-linked contracts	925,065	759,597
Unearned contributions reserve	105,911	128,007
Takaful balances payable	87,411	70,012
Other payables and accruals	75,121	51,164
Total participants' liabilities	<u>1,575,434</u>	<u>1,271,166</u>
Total shareholders' liabilities *	<u>1,127,452</u>	<u>1,054,570</u>
Total liabilities	<u>2,702,886</u>	<u>2,325,736</u>
NET ASSETS EMPLOYED	<u>784,157</u>	<u>1,033,453</u>
FINANCED BY:		
Shareholders' equity	710,277	959,307
Non-controlling interest	73,880	74,146
	<u>784,157</u>	<u>1,033,453</u>

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

7 Wakalah and Mudarib Share

The shareholders manage the takaful operations of the Group for the policyholders and charge 15% (2015: 15%) of gross written contributions of non family takaful business (excluding subsidiaries) as wakalah share. For family takaful business, sharing ratio is 15% (2015: 15%) of mortality costs.

The shareholders of the Group also manage the policyholders' investment funds other than family takaful and charge 15% (2015: 15%) of investment income earned by the policyholders as Mudarib share.

8 Investment properties

The geographic dispersion of investment properties is as follows:

	30 September 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Within UAE	15,500	15,500
Outside UAE	36,108	38,373
	<u>51,608</u>	<u>53,873</u>

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

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

9 Investments in associates

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

Associates	Ownership		Country of incorporation	30 September 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
	2016	2015			
Salama Cooperative Insurance Company (formerly Saudi IAIC)	30.00%	30.00%	KSA	61,293	58,204
Islamic Insurance Jordan	20.00%	20.00%	Jordan	29,971	29,344
				<u>91,264</u>	<u>87,548</u>
				30 September 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Movements during the period/year					
Balance at the beginning of period/year				87,548	42,559
Rights share issue in Salama Cooperative Insurance Company				-	44,040
Share of profit from associates				4,709	2,396
Dividend received				(993)	(931)
Transfer to assets held-for-sale				-	(516)
Balance at the end of period/year				<u>91,264</u>	<u>87,548</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

10 Classes and categories of financial assets and financial liabilities

The table below sets out the classification of each class of financial assets and liabilities and their fair values.

For instruments carried at amortised cost, the management believes that their carrying values approximates to their fair values.

At 30 September 2016 (Un-audited)

<u>Financial assets</u>	Amortised				Total AED'000
	FVTPL AED'000	AFS AED'000	cost AED'000	Others AED'000	
Investments	43,952	82,604	465,351	-	591,907
Statutory deposits	-	-	12,401	-	12,401
Participants' investments in unit-linked contracts	931,441	-	-	-	931,441
Deposits with takaful and retakaful companies	-	-	4,256	-	4,256
Contributions and takaful balance receivables	-	-	244,861	-	244,861
Amounts due from related parties	-	-	11,948	-	11,948
Other assets and receivables	-	-	90,135	-	90,135
Cash and bank balances	-	-	100,393	-	100,393
Assets held-for-sale	-	-	-	620,643	620,643
	975,393	82,604	929,345	620,643	2,607,985

Financial liabilities

Bank finance	-	-	5,701	-	5,701
Payable to Participants for unit-linked contracts	925,065	-	-	-	925,065
Takaful balances payable	-	-	141,377	-	141,377
Other payables and accruals	-	-	274,370	-	274,370
Liabilities held-for-sale	-	-	-	554,036	554,036
	925,065	-	422,174	554,036	1,901,275

At 31 December 2015 (Audited)

<u>Financial assets</u>	Amortised				Total AED'000
	FVTPL AED'000	AFS AED'000	cost AED'000	Others AED'000	
Investments	33,009	110,260	558,283	-	701,552
Statutory deposits	-	-	21,476	-	21,476
Participants' investments in unit-linked contracts	766,687	-	-	-	766,687
Deposits with takaful and retakaful companies	-	-	4,598	-	4,598
Contributions and takaful balance receivables	-	-	203,829	-	203,829
Amounts due from related parties	-	-	11,474	-	11,474
Other assets and receivables	-	-	18,575	-	18,575
Cash and bank balances	-	-	52,603	-	52,603
Assets held-for-sale	-	-	-	730,309	730,309
	799,696	110,260	870,838	730,309	2,511,103

Financial liabilities

Bank finance	-	-	4,676	-	4,676
Payable to Participants for unit-linked contracts	759,597	-	-	-	759,597
Takaful balances payable	-	-	120,742	-	120,742
Other payables	-	-	173,602	-	173,602
Liabilities held-for-sale	-	-	-	613,264	613,264
	759,597	-	299,020	613,264	1,671,881

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11 Investments

	30 September 2016 (Un-audited)			31 December 2015 (Audited)		
	Domestic investments AED'000	International investments AED'000	Total AED'000	Domestic investments AED'000	International investments AED'000	Total AED'000
	Financial assets at fair value through profit or loss					
Mutual fund and externally managed portfolios	-	24,611	24,611	-	18,999	18,999
Shares and securities	4,670	14,671	19,341	4,492	9,518	14,010
	4,670	39,282	43,952	4,492	28,517	33,009
Available-for-sale investments						
Mutual fund and externally managed portfolios	-	81,814	81,814	-	105,473	105,473
Shares and securities	-	790	790	4,358	429	4,787
	-	82,604	82,604	4,358	105,902	110,260
Islamic placements (refer 11.1)	-	177,629	177,629	-	116,605	116,605
Held to maturity						
SUKUK and Government bonds	-	163,320	163,320	-	230,976	230,976
Other investments	-	124,402	124,402	-	210,702	210,702
Total investments	4,670	587,237	591,907	8,850	692,702	701,552

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

11.2 Participants' investments in unit-linked contracts

	30 September 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Financial assets at fair value through profit or loss	931,441	766,687

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11 Investments (continued)

Determining fair values

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

Investments securities	Level 1	Level 2	Level 3	Total
	AED'000	AED'000	AED'000	AED'000
30 September 2016 (Un-audited)				
Fair value through profit or loss				
Mutual fund	24,611	-	-	24,611
Participants' investments in unit-linked contracts	-	931,441	-	931,441
Shares and securities	19,341	-	-	19,341
	<u>43,952</u>	<u>931,441</u>	<u>-</u>	<u>975,393</u>
Available-for-sale				
Mutual fund	-	81,814	-	81,814
Shares and securities	337	453	-	790
	<u>337</u>	<u>82,267</u>	<u>-</u>	<u>82,604</u>
31 December 2015 (Audited)				
Fair value through profit or loss				
Mutual fund	15,765	3,234	-	18,999
Participants' investments in unit-linked contracts	-	766,687	-	766,687
Shares and securities	14,010	-	-	14,010
	<u>29,775</u>	<u>769,921</u>	<u>-</u>	<u>799,696</u>
Available-for-sale				
Mutual fund	-	105,473	-	105,473
Shares and securities	4,358	429	-	4,787
	<u>4,358</u>	<u>105,902</u>	<u>-</u>	<u>110,260</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

12 Related party transactions

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

	Nine-month period ended 30 September 2016 AED'000 (Un-audited)	Nine-month period ended 30 September 2015 AED'000 (Un-audited)
General and administrative expenses	2,093	2,113
Retakaful on contributions	-	1,145
Retakaful on claims	-	26
	=====	=====

Compensation of key management personnel

Short term benefits	5,298	6,666
Employees end of service benefits	402	384
	=====	=====
	5,700	7,050

	30 September 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Amounts due from related parties		
Bin Zayed Group (funds advanced for investment)	11,128	11,128
Other entities under common management with the Group	820	346
	=====	=====
	11,948	11,474

Amounts due to related parties

Other entities under common management with the Group	726	-
	=====	=====
	726	-

13 Discontinued operation

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

13 Discontinued operations (continued)

Results from discontinued operations

	Nine-month period ended 30 September 2016 AED'000 (Un-audited)	Nine-month period ended 30 September 2015 AED'000 (Un-audited)
Revenue	9,869	40,308
Expenses	(55,078)	(83,609)
Results from operating activities	(45,209)	(43,301)
Delinquencies relating to subsidiary	-	(5,505)
Loss from discontinued operations	(45,209)	(48,806)
Loss per share	(0.038)	(0.041)

Cash flows from / (used in) discontinued operations

	30 September 2016 AED'000 (Un-audited)
Net cash used in operating activities	(48,942)
Net cash flows from investing activities	68,916
Net cash flows from financing activities	2,973
Net cash flows for the period	22,947

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

	30 September 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Property and equipment	11,676	11,594
Intangible assets	508	547
Investment property	83,870	115,774
Investments in associates	516	517
Statutory and investment deposits	754	756
Investments	31,369	51,861
Deposits with insurance and reinsurance companies	168,584	116,449
Premiums and insurance balance receivables	137,605	250,320
Reinsurers' share of outstanding claims	49,261	45,559
Reinsurers' share of unearned premium	488	1,020
Other assets	15,767	16,404
Islamic placements	75,718	97,928
Cash in hand and at bank	50,032	27,085
Delinquencies relating to disposal group	(5,505)	(5,505)
Assets held-for-sale	<u>620,643</u>	<u>730,309</u>
Gross outstanding claims	146,517	176,674
Unearned premiums	56,656	55,039
Insurance balance payable	214,311	250,166
Other payables and accruals	5,909	3,717
Bank loan - long term portion	130,643	127,668
Liabilities held-for-sale	<u>554,036</u>	<u>613,264</u>
Net assets	<u>66,607</u>	<u>117,045</u>

Measurement of fair values

i. Fair value hierarchy

The non-recurring fair value measurement for the disposal group of AED 68,442 thousand (before costs to sell of AED 1,835 thousand) has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

ii. Valuation technique

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

15 Policyholders' fund

	30 September 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)	30 September 2015 AED'000 (Un-audited)
Balance at 1 January	(231,827)	(98,407)	(98,407)
Net deficit attributable to policyholders for the period/year	(221,904)	(117,823)	(53,785)
Surplus distribution to policyholders of family takaful	-	(15,597)	(1,086)
	(453,731)	(231,827)	(153,278)
Financed by shareholders'	453,731	231,827	153,278
	-	-	-

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

16 Loss per share

The calculation of loss per share for the period ended 30 September 2016 is based on the loss attributable to shareholders of AED 235 million (30 September 2015: loss attributable to shareholders of AED 84.6 million) divided by the weighted average number of shares of 1,188 million (30 September 2015: 1,188 million) outstanding during the period. There is no dilutive effect on basic earnings per share.

17 Contingent liabilities and capital commitments

	30 September 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
Letters of guarantee	11,119	11,873

Statutory deposits of AED 11.38 million (31 December 2015: AED 12.14 million) are held as lien by the bank against the above guarantees.

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

17 Contingent liabilities and capital commitments (continued)

The Group is exposed to certain claims and litigations, these are subject to legal cases filed by the policyholders, cedants and retakaful operators in connection with the policies issued. The management believes, based on independent legal counsel opinions, that the ascertainment of liabilities and its timing is highly subjective and dependent on outcomes of court's decisions. Furthermore, as per the independent legal counsel, the Group has strong grounds to defend the suits successfully. Accordingly, no additional provision for these claims has been made in the condensed consolidated interim financial statements. However a provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Group in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

There are no significant capital commitments at 30 September 2016 (31 December 2015: nil).

18 Operating segment

By business

(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	<u>268,579</u>	<u>199,779</u>	<u>468,358</u>
Commissions income on ceded retakaful	<u>18,519</u>	<u>3,976</u>	<u>22,495</u>
	<u>287,098</u>	<u>203,755</u>	<u>490,853</u>
Net claims incurred	<u>(407,513)</u>	<u>(28,021)</u>	<u>(435,534)</u>
Commissions expense and other costs	<u>(52,425)</u>	<u>(128,295)</u>	<u>(180,720)</u>
Net underwriting (loss) / income	<u>(172,840)</u>	<u>47,439</u>	<u>(125,401)</u>
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>

(for the nine-month period ended 30 September 2015)

(Restated)

	General takaful AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	<u>495,703</u>	<u>187,390</u>	<u>683,093</u>
Net contributions earned	<u>350,230</u>	<u>159,777</u>	<u>510,007</u>
Commissions income on ceded retakaful	<u>29,289</u>	<u>3,047</u>	<u>32,336</u>
	<u>379,519</u>	<u>162,824</u>	<u>542,343</u>
Net claims incurred	<u>(274,505)</u>	<u>(20,574)</u>	<u>(295,079)</u>
Commissions expense and other costs	<u>(80,503)</u>	<u>(90,506)</u>	<u>(171,009)</u>
Net underwriting income	<u>24,511</u>	<u>51,744</u>	<u>76,255</u>
Investment and other income			26,981
Unallocated expenses and tax			(132,502)
Distribution to policyholders of Company			(1,086)
Profit from discontinued operations			<u>(48,806)</u>
Net loss after tax			<u>(79,158)</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 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 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			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>

(for the nine-month period ended 30 September 2015)

(Restated)

	Africa AED'000	Asia AED'000	Total AED'000
Gross written contributions	<u>222,439</u>	<u>460,654</u>	<u>683,093</u>
Net contributions earned	<u>183,052</u>	<u>326,955</u>	<u>510,007</u>
Commissions income on ceded retakaful	<u>9,717</u>	<u>22,619</u>	<u>32,336</u>
	<u>192,769</u>	<u>349,574</u>	<u>542,343</u>
Net claims incurred	<u>(104,084)</u>	<u>(190,995)</u>	<u>(295,079)</u>
Commissions expense and other cost	<u>(41,597)</u>	<u>(129,412)</u>	<u>(171,009)</u>
Net underwriting income	<u>47,088</u>	<u>29,167</u>	<u>76,255</u>
Investment and other income			26,981
Unallocated expenses and tax			(132,502)
Distribution to policyholders of Company			(1,086)
Profit from discontinued operations			<u>(48,806)</u>
Net loss after tax			<u>(79,158)</u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

18 Operating segment (continued)

By business

(As at 30 September 2016)

ASSETS	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Property and equipments	64,866	4,696	69,562
Goodwill and intangibles	127,000	176	127,176
Investment properties	51,608	-	51,608
Investments in associates	91,264	-	91,264
Statutory deposits	8,401	4,000	12,401
Investments	584,672	7,235	591,907
Participants' investments in unit-linked contracts	-	931,441	931,441
Deposits with takaful and retakaful companies	4,256	-	4,256
Contributions and takaful balance receivables	225,812	19,049	244,861
Retakafuls' share of outstanding claims	148,079	22,380	170,459
Retakafuls' share of unearned contributions	92,801	842	93,643
Amounts due from related parties	11,948	-	11,948
Other assets and receivables	28,326	337,155	365,481
Cash and bank balances	51,858	48,535	100,393
Assets held-for-sale	520,627	100,016	620,643
TOTAL ASSETS	2,011,518	1,475,525	3,487,043

LIABILITIES EXCLUDING POLICYHOLDERS' FUND

	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Bank finance	5,551	150	5,701
Outstanding claims and family takaful reserve	494,110	96,992	591,102
Payable to Participants for unit-linked contracts	-	925,065	925,065
Unearned contributions reserve	205,785	4,724	210,509
Takaful balances payable	127,438	13,939	141,377
Other payables and accruals	160,381	113,989	274,370
Amounts due to related parties	109	617	726
Liabilities held-for-sale	467,642	86,394	554,036
TOTAL LIABILITIES	1,461,016	1,241,870	2,702,886
Policyholders' fund	-	-	-
NET ASSETS EMPLOYED	550,502	233,655	784,157

FINANCED BY:

Shareholders' equity	710,277
Non-controlling interest	73,880
	784,157

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

18 Operating segment (continued)

By business

(As at 31 December 2015)

ASSETS	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Property and equipments	70,561	577	71,138
Goodwill and intangibles	127,147	47	127,194
Investment properties	53,873	-	53,873
Investments in associates	87,548	-	87,548
Statutory deposits	17,476	4,000	21,476
Investments	701,552	-	701,552
Participants' investments in unit-linked contracts	-	766,687	766,687
Deposits with takaful and retakaful companies	4,598	-	4,598
Contributions and takaful balance receivables	192,718	11,111	203,829
Retakafuls' share of outstanding claims	100,485	15,758	116,243
Retakafuls' share of unearned contributions	70,483	862	71,345
Amounts due from related parties	11,474	-	11,474
Other assets and receivables	22,446	316,874	339,320
Cash and bank balances	38,660	13,943	52,603
Assets held-for-sale	703,688	26,621	730,309
TOTAL ASSETS	2,202,709	1,156,480	3,359,189
LIABILITIES EXCLUDING POLICYHOLDERS' FUND			
	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Bank finance	4,676	-	4,676
Outstanding claims and family takaful reserve	325,165	63,173	388,338
Payable to Participants for unit-linked contracts	-	759,597	759,597
Unearned contributions reserve	232,646	3,162	235,808
Takaful balances payable	114,204	6,538	120,742
Other payables and accruals	126,850	76,461	203,311
Amounts due to related parties	-	-	-
Liabilities held-for-sale	590,977	22,287	613,264
TOTAL LIABILITIES	1,394,518	931,218	2,325,736
Policyholders' fund	-	-	-
NET ASSETS EMPLOYED	808,191	225,262	1,033,453
FINANCED BY:			
Shareholders' equity			959,307
Non-controlling interest			74,146
			1,033,453

19 Comparative figures

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