

**Islamic Arab Insurance Co.
(Salama) and its subsidiaries**
Condensed consolidated interim financial
statements
for the three-month period ended 31 March 2017

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim financial statements

for the three-month period ended 31 March

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

The Shareholders of Islamic Arab Insurance Co. (Salama)

Introduction

We have reviewed the accompanying 31 March 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 31 March 2017;
- the condensed consolidated interim statement of profit or loss for the three-month period ended 31 March 2017;
- the condensed consolidated interim statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2017;
- the condensed consolidated interim statement of changes in equity for the three-month period ended 31 March 2017;
- the condensed consolidated interim statement of cash flows for the three-month period ended 31 March 2017; and
- notes to the condensed consolidated interim financial statements.

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

Scope of Review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 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

Fawzi AbuRass
Registration No.: 968
Dubai, United Arab Emirates
Date: 15 MAY 2017

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Condensed consolidated interim statement of profit or loss

for the three-month period ended 31 March

		Three-month period ended 31 March 2017 AED'000 (Un-audited)	Three-month period ended 31 March 2016 AED'000 (Un-audited)
CONTINUING OPERATIONS			
UNDERWRITING RESULTS			
Underwriting income			
Gross written contributions	18	219,768	235,157
Less: reinsurance and retakaful contributions ceded		(68,932)	(65,315)
Net contributions		150,836	169,842
Net movement in unearned contributions		(11,761)	16,850
Contributions earned	18	139,075	186,692
Commission income on ceded reinsurance and retakaful	18	10,533	7,255
	18	149,608	193,947
Underwriting expenses			
Gross claims paid		84,203	147,585
Less: reinsurance and retakaful share of claims paid		(27,655)	(30,592)
Net claims paid		56,548	116,993
Net movement in outstanding claims and family takaful reserve		(5,544)	76,389
Claims incurred	18	51,004	193,382
Commission paid and other costs	18	62,097	69,157
		113,101	262,539
Net underwriting income / (loss)	18	36,507	(68,592)
Income from other sources			
Income from investments		11,307	7,982
Other income		2,662	8,415
		50,476	(52,195)
Expenses			
General, administrative and other expenses		(28,761)	(31,686)
Financial expenses		(277)	(234)
Net profit / (loss) before tax for the period		21,438	(84,115)
Taxation - current			
Net profit / (loss) after tax for the period before policyholders' distribution		18,309	(89,510)
Distribution to policyholders of Company		-	-
Net profit / (loss) after tax and distribution to policyholders for the period from continuing operations		18,309	(89,510)
DISCONTINUED OPERATIONS			
Loss from discontinued operations	13	(11,666)	(2,187)
Net profit / (loss) after tax and distribution to policyholders for the period		6,643	(91,697)

Islamic Arab Insurance Co. (Salama) and its subsidiaries
 Condensed consolidated interim statement of profit or loss (*continued*)
 for the three-month period ended 31 March

	Three-month period ended 31 March 2017 AED'000 (Un-audited)	Three-month period ended 31 March 2016 AED'000 (Un-audited)
Net profit / (loss) after tax and distribution to policyholders for the period	6,643	(91,697)
Attributable to:		
Shareholders	4,167	(97,621)
Non-controlling interest	2,476	5,924
	6,643	(91,697)
Profit / (loss) per share (AED) (Note 16)	0.004	(0.082)
Profit / (loss) per share (AED) - continuing operations	0.013	(0.080)

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 three-month period ended 31 March

	Three-month period ended 31 March 2017 AED'000 (Un-audited)	Three-month period ended 31 March 2016 AED'000 (Un-audited)
Net profit / (loss) after tax and distribution to policyholders for the period	6,643	(91,697)
Other comprehensive income / (loss) net of income tax		
<i>Items that are or may be reclassified to profit or loss:</i>		
Net change in fair value of available-for-sale investments	-	555
Foreign exchange translation reserve	(628)	(14,890)
Other comprehensive loss for the period	(628)	(14,335)
Total comprehensive income / (loss) for the period	6,015	(106,032)
Attributable to:		
Shareholders	3,624	(105,662)
Non-controlling interest	2,391	(370)
	6,015	(106,032)

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 31 March

	Note	31 March 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
ASSETS			
Property and equipment		65,001	64,585
Goodwill and intangibles		127,272	127,192
Investment properties	8	128,087	128,210
Investments in associates	9	100,087	94,736
Statutory deposits		12,995	11,761
Investments	11	446,730	432,877
Participants' investments in unit-linked contracts	11.2	1,077,468	989,369
Deposits with takaful and retakaful companies		2,080	2,109
Contributions and takaful balance receivables		251,903	222,449
Retakafuls' share of outstanding claims		113,700	157,023
Retakafuls' share of unearned contributions		85,679	70,796
Amounts due from related parties	12	11,279	11,230
Other assets and receivables		367,524	365,567
Cash and bank balances		144,843	118,830
Assets held-for-sale	14	581,810	593,296
TOTAL ASSETS		3,516,458	3,390,030
LIABILITIES EXCLUDING POLICYHOLDERS' FUNDS			
Bank finance		4,104	3,983
Outstanding claims and family takaful reserve		430,201	479,343
Payable to Participants for unit-linked contracts		1,069,760	982,592
Unearned contributions reserve		185,322	158,846
Takaful balances payable		287,944	227,887
Other payables and accruals		246,400	251,004
Amounts due to related parties	12	90	304
Liabilities against assets held-for-sale	14	519,310	519,212
TOTAL LIABILITIES		2,743,131	2,623,171
Policyholders' fund	15	-	-
NET ASSETS EMPLOYED		773,327	766,859
FINANCED BY:			
Shareholders' equity		714,206	710,584
Non-controlling interest		59,121	56,275
		773,327	766,859

These condensed consolidated interim financial statements were approved and authorised for issue by the Board of Directors on 15 MAY 2017 and signed on their behalf by:



Sheikh Khaled Bin Zayed Al Nahayan
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 three-month period ended 31 March

	Three-month period ended 31 March 2017	Three-month period ended 31 March 2016
<i>Note</i>	AED'000 (Un-audited)	AED'000 (Un-audited)
Cash flows from operating activities		
Net profit / (loss) before non-controlling interest	6,643	(91,697)
<i>Adjustments for:</i>		
Depreciation	970	3,324
Net movement in unearned contributions reserve	11,593	(17,208)
Investment properties	123	2,202
Amortisation of intangible assets	107	471
Share of profit from associates	(5,351)	(1,331)
Dividend income	380	(1,134)
<i>Operating profit / (loss) before changes in working capital</i>	14,465	(105,373)
Change in deposits with takaful and retakaful companies	29	479
Change in contributions and takaful balance receivable	(29,454)	(19,338)
Change in due from / to related parties	(263)	(87)
Change in other assets and receivables	(1,957)	(11,945)
Change in assets held-for-sale	11,486	17,673
Change in outstanding claims (net of retakaful)	(5,819)	71,855
Change in takaful payables and other payables	55,453	65,219
Change in liabilities held-for-sale	98	(15,681)
<i>Net cash generated from operating activities</i>	44,038	2,802
Cash flows from investing activities		
Property and equipment - net	(1,386)	(2,361)
Net movement in intangible assets	(187)	(554)
Statutory deposits	(1,234)	2,964
Dividend received	(380)	1,134
Investments-net	(14,481)	39,514
Net movement in Participants' investments in unit-linked contracts	(931)	296
<i>Net cash (used in) / generated from investing activities</i>	(18,599)	40,993
Cash flows from financing activities		
Bank finance	121	(327)
Net movement in non-controlling interest	453	495
<i>Net cash generated from financing activities</i>	574	168
Net increase in cash and cash equivalents	26,013	43,963
Cash and cash equivalents at 1 January	118,830	52,603
Cash and cash equivalents at 31 March	144,843	96,566

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 three-month period ended 31 March

	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	-	-	-	-	-	-	(97,621)	(97,621)	5,924	(91,697)
Other comprehensive loss										
Movement in net change in fair value of available-for-sale investments	-	-	-	-	554	-	-	554	1	555
Movement in foreign exchange translation reserve	-	-	-	(8,595)	-	-	-	(8,595)	(6,295)	(14,890)
Total other comprehensive loss	-	-	-	(8,595)	554	-	-	(8,041)	(6,294)	(14,335)
Total comprehensive (loss) / income for the period	-	-	-	(8,595)	554	-	(97,621)	(105,662)	(370)	(106,032)
Transaction with owners, recorded directly in equity										
Surplus revaluation reserve transferred on disposals of property	-	-	3,326	-	-	-	-	3,326	(3,326)	-
Change in non-controlling interest due to capital increase	-	-	-	-	-	-	-	-	495	495
Balance at 31 March 2016	1,210,000	73,861	38,795	(70,205)	4,534	(35,972)	(364,042)	856,971	70,945	927,916

Islamic Arab Insurance Co. (Salama) and its subsidiaries

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

for the three-month period ended 31 March

	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	-	-	-	-	-	-	4,167	4,167	2,476	6,643
Other comprehensive income / (loss)										
Movement in foreign exchange translation reserve	-	-	-	(545)	-	-	-	(545)	(83)	(628)
Total other comprehensive loss	-	-	-	(545)	-	-	-	(545)	(83)	(628)
Total comprehensive (loss) / income for the period	-	-	-	(545)	-	-	4,167	3,622	2,393	6,015
Transaction with owners, recorded directly in equity										
Change in non-controlling interest due to capital increase	-	-	-	-	-	-	-	-	453	453
Balance at 31 March 2017	1,210,000	73,861	39,189	(108,158)	(3,407)	(35,972)	(461,307)	714,206	59,121	773,327

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

2 Basis of preparation

a) Statement of compliance

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

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

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (*continued*)

2 Basis of preparation (*continued*)

b) Basis of measurement

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

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

c) Functional and reporting currency

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

d) Significant accounting policies

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

3 Financial risk management

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

4 Estimates

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

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

In preparing these condensed consolidated interim financial statements, the significant judgments made by 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 three-month period ended 31 March 2017				For the three-month period ended 31 March 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)	-	36,507	-	36,507	-	(68,592)	-	(68,592)
Income								
Wakalah share (Note 7)	23,686	(23,686)	-	-	23,073	(23,073)	-	-
Mudarib share (Note 7)	4	(4)	-	-	8	(8)	-	-
Net technical charges from policyholders to shareholders	1,730	(1,730)	-	-	3,643	(3,643)	-	-
Net underwriting income from subsidiaries	13,841	(13,841)	-	-	24,492	(24,492)	-	-
Income from investments	11,262	45	-	11,307	7,901	81	-	7,982
Other income	2,662	-	-	2,662	8,415	-	-	8,415
	53,185	(2,709)	-	50,476	67,532	(119,727)	-	(52,195)
Expenses								
General, administrative and other expenses	(28,345)	-	-	(28,345)	(31,579)	-	-	(31,579)
Financial expenses	(277)	-	-	(277)	(234)	-	-	(234)
Charitable donations	(416)	-	-	(416)	(107)	-	-	(107)
Net profit / (loss) before tax for the period	24,147	(2,709)	-	21,438	35,612	(119,727)	-	(84,115)
Tax – current	(3,129)	-	-	(3,129)	(5,395)	-	-	(5,395)
Net profit / (loss) after tax for the period	21,018	(2,709)	-	18,309	30,217	(119,727)	-	(89,510)
Loss from discontinued operations	(11,666)	-	-	(11,666)	(2,187)	-	-	(2,187)
Share of non-controlling interest	(2,476)	-	2,476	-	(5,924)	-	5,924	-
Policyholders' loss financed by shareholders / recovery of loss from policyholders' fund (Note 15)	(2,709)	2,709	-	-	(119,727)	119,727	-	-
Net profit / (loss) for the period	4,167	-	2,476	6,643	(97,621)	-	5,924	(91,697)

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (*continued*)

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

Consolidated statement of financial position

	31 March 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
ASSETS		
<i>Participants' assets</i>		
Participants' investments in unit-linked contracts	1,077,468	989,369
Contributions and takaful balance receivables	164,622	147,392
Retakafuls' share of outstanding claims	97,322	135,013
Retakafuls' share of unearned contributions	57,436	45,632
Other assets and receivables	5,993	6,476
Cash and bank balances	28,539	13,104
Total participants' assets	1,431,380	1,336,986
Total shareholders' assets *	2,085,078	2,053,044
Total assets	3,516,458	3,390,030
LIABILITIES		
<i>Participants' liabilities</i>		
Outstanding claims and family takaful reserve	234,438	290,840
Payable to Participants for unit-linked contracts	1,069,760	982,592
Unearned contributions reserve	103,393	76,081
Takaful balances payable	117,243	109,314
Other payables and accruals	58,866	88,658
Total participants' liabilities	1,583,700	1,547,485
Total shareholders' liabilities *	1,159,431	1,075,686
Total liabilities	2,743,131	2,623,171
NET ASSETS EMPLOYED	773,327	766,859
FINANCED BY:		
Shareholders' equity	714,206	710,584
Non-controlling interest	59,121	56,275
	773,327	766,859

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

7 Wakalah and Mudarib Share

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

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

8 Investment properties

The geographic dispersion of investment properties is as follows:

	31 March 2017	31 December 2016
	AED'000	AED'000
	(Un-audited)	(Audited)
Within UAE	15,000	15,000
Outside UAE	113,087	113,210
	<u>128,087</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	31 March 2017	31 December 2016
	2017	2016		AED'000	AED'000
				(Un-audited)	(Audited)
Salama Cooperative Insurance Company (formerly Saudi IAIC)	30.00%	30.00%	KSA	68,623	64,461
Islamic Insurance Jordan	20.00%	20.00%	Jordan	31,464	30,275
				<u>100,087</u>	<u>94,736</u>
				31 March 2017	31 December 2016
				AED'000	AED'000
				(Un-audited)	(Audited)
Balance at the beginning of period/year				94,736	87,548
Share of profit from associates				5,351	8,181
Transfer to assets held-for-sale				-	(993)
Balance at the end of period/year				<u>100,087</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 31 March 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	58,353	82,480	305,897	446,730
Investment in associates	-	-	100,087	100,087
Statutory deposits	-	-	12,995	12,995
Participants' investments in unit-linked contracts	1,077,468	-	-	1,077,468
Deposits with takaful and retakaful companies	-	-	2,080	2,080
Contributions and takaful balance receivables	-	-	251,903	251,903
Amounts due from related parties	-	-	11,279	11,279
Other assets and receivables	-	-	92,670	92,670
Cash and bank balances	-	-	144,843	144,843
	<u>1,135,821</u>	<u>82,480</u>	<u>921,754</u>	<u>2,140,055</u>

Financial liabilities

Bank finance	-	-	4,104	4,104
Payable to Participants for unit-linked contracts	1,069,760	-	-	1,069,760
Takaful balances payable	-	-	287,944	287,944
Other payables and accruals	-	-	192,704	192,704
Amounts due to related parties	-	-	90	90
	<u>1,069,760</u>	<u>-</u>	<u>484,842</u>	<u>1,554,602</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
Investment in associates	-	-	94,736	94,736
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>773,024</u>	<u>1,902,050</u>

Financial liabilities

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

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11 Investments

	31 March 2017 (Un-audited)			31 December 2016 (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	-	27,868	27,868	-	35,236	35,236
Shares and securities	5,130	25,355	30,485	4,717	17,221	21,938
	5,130	53,223	58,353	4,717	52,457	57,174
Available-for-sale investments						
Mutual fund and externally managed portfolios	-	81,692	81,692	-	81,692	81,692
Shares and securities	-	788	788	-	791	791
	-	82,480	82,480	-	82,483	82,483
Islamic placements (refer 11.1)	-	146,085	146,085	-	145,854	145,854
Held to maturity						
Sukuk and Government bonds	-	132,991	132,991	-	120,545	120,545
Other investments	-	26,821	26,821	-	26,821	26,821
Total investments	5,130	441,600	446,730	4,717	428,160	432,877

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

11.2 Participants' investments in unit-linked contracts

	31 March 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Financial assets at fair value through profit or loss	1,077,468	989,369

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

11 Investments (continued)

Determining fair values

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

31 March 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	27,868	-	-	27,868
Participants' investments in unit-linked contracts	-	1,077,468	-	1,077,468
Shares and securities	30,485	-	-	30,485
	<u>58,353</u>	<u>1,077,468</u>	<u>-</u>	<u>1,135,821</u>
Available-for-sale				
Mutual fund	-	81,692	-	81,692
Shares and securities	503	285	-	788
	<u>503</u>	<u>81,977</u>	<u>-</u>	<u>82,480</u>
<u>Non-financial assets</u>				
Investment properties	-	-	128,087	128,087
<u>Financial liabilities</u>				
Payable to Participants for unit-linked contracts	-	1,069,760	-	1,069,760
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.

	Three-month period ended 31 March 2017 AED'000 (Un-audited)	Three-month period ended 31 March 2016 AED'000 (Un-audited)
General and administrative expenses	<u>540</u>	<u>544</u>
Compensation of key management personnel		
Short term benefits	1,759	1,835
Employees end of service benefits	<u>142</u>	<u>141</u>
	<u>1,901</u>	<u>1,976</u>
	31 March 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	<u>351</u>	<u>302</u>
	<u>11,279</u>	<u>11,230</u>
Amounts due to related parties		
Other entities under common management with the Group	<u>90</u>	<u>304</u>
	<u>90</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

	Three-month period ended 31 March 2017 AED'000 (Un-audited)	Three-month period ended 31 March 2016 AED'000 (Un-audited)
Revenue	2,279	3,751
Expenses	<u>(13,945)</u>	<u>(5,938)</u>
Results from operating activities	<u>(11,666)</u>	<u>(2,187)</u>
Income tax	-	-
Results from operating activities, net of tax	<u>(11,666)</u>	<u>(2,187)</u>
Loss per share	<u>(0.010)</u>	<u>(0.002)</u>

Cash flows from / (used in) discontinued operations

	31 March 2017 AED'000 (Un-audited)	31 March 2016 AED'000 (Un-audited)
Net cash used in operating activities	<u>(8,523)</u>	<u>(14,697)</u>
Net cash used in investing activities	<u>(4)</u>	<u>(3,677)</u>
Net cash flows from financing activities	<u>1,985</u>	<u>694</u>
Net cash used in the period	<u><u>(6,542)</u></u>	<u><u>(17,680)</u></u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

14 Disposal group held-for-sale

Assets and liabilities of disposal group held-for-sale

At 31 March 2017, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

	31 March 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Property and equipment	11,510	11,588
Intangible assets	488	495
Investment property	83,870	83,870
Investments in associates	516	516
Statutory and investment deposits	754	754
Investments	31,347	31,369
Deposits with insurance and reinsurance companies	161,075	161,169
Premiums and insurance balance receivables	130,230	133,913
Reinsurers' share of outstanding claims	49,715	49,669
Reinsurers' share of unearned premium	375	412
Other assets	12,143	13,225
Islamic placements	68,303	68,290
Cash in hand and at bank	36,989	43,531
Delinquencies relating to disposal group	(5,505)	(5,505)
Assets held-for-sale	581,810	593,296
Gross outstanding claims	128,506	125,333
Unearned premiums	53,623	54,372
Insurance balance payable	202,224	207,551
Other payables and accruals	8,098	7,082
Bank loan - long term portion	126,859	124,874
Liabilities against assets held-for-sale	519,310	519,212
Net assets	62,500	74,084

Measurement of fair values

i. Fair value hierarchy

The non-recurring fair value measurement for the disposal group of AED 64,335 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

	31 March 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)	31 March 2016 AED'000 (Un-audited)
Balance at 1 January	(454,144)	(231,827)	(231,827)
Net deficit attributable to policyholders for the period/year	(2,709)	(207,126)	(119,727)
Surplus distribution to policyholders of family takaful	-	(15,191)	-
	(456,853)	(454,144)	(351,554)
Financed by shareholders'	456,853	454,144	351,554
	-	-	-

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 31 March 2017 is based on the profit attributable to shareholders of AED 4.2 million (31 March 2016: loss attributable to shareholders of AED 97.6 million) divided by the weighted average number of shares of 1,188 million (31 March 2016: 1,188 million) outstanding during the period. There is no dilutive effect on basic earnings per share.

17 Contingent liabilities and capital commitments

	31 March 2017 AED'000 (Un-audited)	31 December 2016 AED'000 (Audited)
Letters of guarantee	13,314	12,027

Statutory deposits of AED 13.35 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 31 March 2017 (31 December 2016: nil).

18 Operating segment

By business

(for the three-month period ended 31 March 2017)

	General takaful AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	<u>139,776</u>	<u>79,992</u>	<u>219,768</u>
Net contributions earned	<u>71,010</u>	<u>68,065</u>	<u>139,075</u>
Commissions income on ceded reinsurance and retakaful	<u>10,533</u>	-	<u>10,533</u>
	<u>81,543</u>	<u>68,065</u>	<u>149,608</u>
Net claims incurred	<u>(42,735)</u>	<u>(8,269)</u>	<u>(51,004)</u>
Commissions expense and other costs	<u>(17,791)</u>	<u>(44,306)</u>	<u>(62,097)</u>
Net underwriting income	<u>21,017</u>	<u>15,490</u>	<u>36,507</u>
Investment and other income			<u>13,969</u>
Unallocated expenses and tax			<u>(32,167)</u>
Loss from discontinued operations			<u>(11,666)</u>
Net profit after tax			<u><u>6,643</u></u>

(for the three-month period ended 31 March 2016)

	General takaful AED'000	Family takaful AED'000	Total AED'000
Gross written contributions	<u>154,565</u>	<u>80,592</u>	<u>235,157</u>
Net contributions earned	<u>116,362</u>	<u>70,330</u>	<u>186,692</u>
Commissions income on ceded reinsurance and retakaful	<u>7,255</u>	-	<u>7,255</u>
	<u>123,617</u>	<u>70,330</u>	<u>193,947</u>
Net claims incurred	<u>(183,533)</u>	<u>(9,849)</u>	<u>(193,382)</u>
Commissions expense and other costs	<u>(26,714)</u>	<u>(42,443)</u>	<u>(69,157)</u>
Net underwriting (loss) / income	<u>(86,630)</u>	<u>18,038</u>	<u>(68,592)</u>
Investment and other income			<u>16,397</u>
Unallocated expenses and tax			<u>(37,315)</u>
Loss from discontinued operations			<u>(2,187)</u>
Net loss after tax			<u><u>(91,697)</u></u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

18 Operating segment (continued)

By geography

(for the three-month period ended 31 March 2017)

	Africa AED'000	Asia AED'000	Total AED'000
Gross written contributions	<u>65,946</u>	<u>153,822</u>	<u>219,768</u>
Net contributions earned	<u>49,857</u>	<u>89,218</u>	<u>139,075</u>
Commissions income on ceded reinsurance and retakaful	<u>1,988</u>	<u>8,545</u>	<u>10,533</u>
	<u>51,845</u>	<u>97,763</u>	<u>149,608</u>
Net claims incurred	<u>(27,097)</u>	<u>(23,907)</u>	<u>(51,004)</u>
Commissions expense and other cost	<u>(10,907)</u>	<u>(51,190)</u>	<u>(62,097)</u>
Net underwriting income	<u>13,841</u>	<u>22,666</u>	<u>36,507</u>
Investment and other income			<u>13,969</u>
Unallocated expenses and tax			<u>(32,167)</u>
Loss from discontinued operations			<u>(11,666)</u>
Net profit after tax			<u><u>6,643</u></u>

(for the three-month period ended 31 March 2016)

	Africa AED'000	Asia AED'000	Total AED'000
Gross written contributions	<u>73,020</u>	<u>162,137</u>	<u>235,157</u>
Net contributions earned	<u>60,863</u>	<u>125,829</u>	<u>186,692</u>
Commissions income on ceded reinsurance and retakaful	<u>3,039</u>	<u>4,216</u>	<u>7,255</u>
	<u>63,902</u>	<u>130,045</u>	<u>193,947</u>
Net claims incurred	<u>(27,920)</u>	<u>(165,462)</u>	<u>(193,382)</u>
Commissions expense and other cost	<u>(11,644)</u>	<u>(57,513)</u>	<u>(69,157)</u>
Net underwriting income / (loss)	<u>24,338</u>	<u>(92,930)</u>	<u>(68,592)</u>
Investment and other income			<u>16,397</u>
Unallocated expenses and tax			<u>(37,315)</u>
Loss from discontinued operations			<u>(2,187)</u>
Net loss after tax			<u><u>(91,697)</u></u>

Islamic Arab Insurance Co. (Salama) and its subsidiaries

Notes (continued)

18 Operating segment (continued)

By business

(as at 31 March 2017)

ASSETS	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Property and equipment	61,528	3,473	65,001
Goodwill and intangibles	126,971	301	127,272
Investment properties	128,087	-	128,087
Investments in associates	100,087	-	100,087
Statutory deposits	7,717	5,278	12,995
Investments	442,087	4,643	446,730
Participants' investments in unit-linked contracts	-	1,077,468	1,077,468
Deposits with takaful and retakaful companies	2,049	31	2,080
Contributions and takaful balance receivables	237,049	14,854	251,903
Retakafuls' share of outstanding claims	89,240	24,460	113,700
Retakafuls' share of unearned contributions	84,996	683	85,679
Amounts due from related parties	11,279	-	11,279
Other assets and receivables	22,813	344,711	367,524
Cash and bank balances	123,976	20,867	144,843
Assets held-for-sale	485,545	96,265	581,810
TOTAL ASSETS	1,923,424	1,593,034	3,516,458

LIABILITIES EXCLUDING POLICYHOLDERS' FUND

	General takaful	Family takaful	Total
	AED'000	AED'000	AED'000
Bank finance	4,104	-	4,104
Outstanding claims and family takaful reserve	320,116	110,085	430,201
Payable to Participants for unit-linked contracts	-	1,069,760	1,069,760
Unearned contributions reserve	180,814	4,508	185,322
Takaful balances payable	154,054	133,890	287,944
Other payables and accruals	150,663	95,737	246,400
Amounts due to related parties	90	-	90
Liabilities against assets held-for-sale	432,824	86,486	519,310
TOTAL LIABILITIES	1,242,665	1,500,466	2,743,131
Policyholders' fund	-	-	-
NET ASSETS EMPLOYED	680,759	92,568	773,327

FINANCED BY:

Shareholders' equity	714,206
Non-controlling interest	59,121
	773,327

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 EXCLUDING POLICYHOLDERS' FUND			
	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
Policyholders' fund	-	-	-
NET ASSETS EMPLOYED	624,676	142,183	766,859
FINANCED BY:			
Shareholders' equity			710,584
Non-controlling interest			56,275
			766,859

19 Comparative figures

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