Dar Al Takaful PJSC
Dubai - United Arab Emirates

Review report and interim financial information
for the three month period ended 31 March 2017

Dar Al Takaful PJSC

Contents	**Pages**
Report on review of interim financial information	**1**
Condensed consolidated statement of financial position	**2 - 3**
Condensed consolidated statement of income (unaudited)	**4 - 5**
Condensed consolidated statement of comprehensive income (unaudited)	**6**
Condensed consolidated statement of changes in equity	**7**
Condensed consolidated statement of cash flows (unaudited)	**8**
Notes to the condensed consolidated financial statements	**9 - 25**

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

The Board of Directors
Dar Al Takaful PJSC
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Dar Al Takaful PJSC, Dubai, United Arab Emirates** (together with its subsidiary the "Group"), as at 31 March 2017 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, '*Interim Financial Reporting*' ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, '*Review of Interim Financial Information Performed by the Independent Auditor of the Entity'*. A review of interim financial information 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 interim financial information is not prepared, in all material respects in accordance with IAS 34.

Deloitte & Touche (M.E.)

Cynthia Corby
Registration No. 995
7 May 2017

Condensed consolidated statement of financial position at 31 March 2017

	Notes	31 March 2017 AED Unaudited	31 December 2016 AED Audited
ASSETS			
Takaful operations' assets			
Investment in securities	4	**553,392**	584,414
Deferred policy cost		**14,793,518**	13,758,261
Retakaful assets	5	**122,773,557**	111,674,691
Takaful and other receivables		**140,050,245**	130,989,067
Wakala deposits		**25,000,000**	-
Cash and cash equivalents	6	**25,300,700**	31,313,240
Total takaful operations' assets		**328,471,412**	288,319,673
Shareholders' assets			
Property and equipment		**12,884,396**	13,110,991
Intangible assets		**565,769**	633,017
Investment properties		**51,770,001**	51,770,001
Investment in securities	4	**36,474,245**	27,822,197
Restricted deposits	7	**6,000,000**	6,000,000
Wakala deposits		**29,754,163**	24,754,163
Due from participants		**2,078,303**	8,194,897
Prepayments and other receivables		**6,234,625**	5,017,096
Cash and cash equivalents	6	**8,584,569**	8,962,705
Total shareholders' assets		**154,346,071**	146,265,067
Total assets		**482,817,483**	434,584,740

Condensed consolidated statement of financial position at 31 March 2017 (continued)

	Notes	31 March 2017 AED Unaudited	31 December 2016 AED Audited
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations' liabilities			
Deferred discount		**3,004,711**	3,570,039
Takaful contract liabilities	5	**257,352,985**	239,607,681
Takaful payables		**153,724,110**	119,179,148
Due to shareholders		**2,078,303**	8,194,897
Total takaful operations' liabilities		**416,160,109**	370,551,765
Takaful operations' deficit			
Qard Hassan against deficit in participants' fund		**(87,662,795)**	(82,246,063)
Less: Provision against Qard Hassan to participants' fund		**87,662,795**	82,246,063
Available-for-sale investments reserve		**(25,902)**	13,970
Total (deficit)/surplus from takaful operations		**(25,902)**	13,970
Total takaful operations' liabilities and surplus		**416,134,207**	370,565,735
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Other liabilities		**8,471,011**	8,241,745
Total shareholders' liabilities		**8,471,011**	8,241,745
Shareholders' equity			
Share capital	8	**100,000,000**	100,000,000
Statutory reserve		**1,042,700**	1,042,700
Accumulated losses		**(42,797,504)**	(45,099,191)
Available-for-sale investments reserve		**(32,931)**	(166,249)
Total shareholders' equity		**58,212,265**	55,777,260
Total shareholders' liabilities and equity		**66,683,276**	64,019,005
Total takaful operations' liabilities and deficit, shareholders' liabilities and equity		**482,817,483**	434,584,740

Abdul Aziz Al Bannai
Chairman

Abdul Salam Ali
Chief Financial Officer

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of income (unaudited) for the three month period ended 31 March 2017

	Three month period ended 31 March 2017 AED	2016 AED
Attributable to participants		
Underwriting income		
Gross contribution written	**98,594,302**	72,348,195
Movement in unearned contributions	**(18,538,310)**	(19,051,379)
Takaful contributions revenue	**80,055,992**	53,296,816
Retakaful share of contributions	**(49,150,393)**	(35,191,119)
Movement in retakaful share of unearned contributions	**10,233,785**	12,110,880
Net retakaful share of contributions	**(38,916,608)**	(23,080,239)
Net takaful revenue	**41,139,384**	30,216,577
Policy and other fees	**351,890**	241,955
Discount received on retakaful contributions	**2,461,757**	2,473,203
Total underwriting income	**43,953,031**	32,931,735
Underwriting expenses		
Claims incurred	**(61,806,231)**	(41,410,695)
Retakaful share of claims incurred	**37,180,766**	17,327,539
Net claims incurred	**(24,625,465)**	(24,083,156)
Policy acquisition cost	**-**	(4,905,546)
Excess of loss retakaful	**(534,605)**	(624,690)
Other underwriting expenses	**(423,100)**	(319,962)
Total underwriting expenses	**(25,583,170)**	(29,933,354)
Net underwriting income	**18,369,861**	2,998,381
Wakala fees	**(23,913,675)**	(11,388,178)
Expenses allocated to participants	**(361,506)**	(109,774)
Net deficit from takaful operations	**(5,905,320)**	(8,499,571)
Investment income	**488,589**	8,061
Deficit for the period attributable to participants	**(5,416,731)**	(8,491,510)

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of income (unaudited)
for the three month period ended 31 March 2017 (continued)

	Note	Three month period ended 31 March 2017 AED	2016 AED
Attributable to shareholders			
Income			
Wakala fees from participants		**23,913,675**	11,388,178
Investment income		**642,132**	922,059
		24,555,807	12,310,237
Expense			
General and administrative expenses		**(8,106,632)**	(7,794,379)
Policy acquisition cost		**(8,730,757)**	-
Profit for the period before Qard Hassan		**7,718,418**	4,515,858
Provision against Qard Hassan to participants		**(5,416,731)**	(8,491,510)
Profit/(loss) for the period attributable to shareholders		**2,301,687**	(3,975,652)
Earnings/(loss) per share	9	**0.023**	(0.039)

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income (unaudited)
for the three month period ended 31 March 2017

	Three month period ended 31 March	
	2017	2016
	AED	AED
Attributable to participants		
Loss for the period	**(5,416,731)**	(8,491,510)
Other comprehensive income		
Items that maybe reclassified subsequently to profit or loss		
Unrealised (loss)/gain on available-for-sale investments	**(39,882)**	27,744
Other comprehensive (loss)/income for the period	**(39,882)**	27,744
Total comprehensive loss for the period attributable to participants	**(5,456,613)**	(8,463,766)
Attributable to shareholders		
Profit/(loss) for the period	**2,301,687**	(3,975,652)
Other comprehensive income		
Items that maybe reclassified subsequently to profit or loss		
Unrealised gain on available-for-sale investments	**133,318**	135,362
Other comprehensive income for the period	**133,318**	135,362
Total comprehensive income/(loss) for the period attributable to shareholders	**2,435,005**	(3,840,290)

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of changes in equity for the three month period ended 31 March 2017

	Share capital AED	Statutory reserve AED	Accumulated losses AED	Available -for-sale investments reserve AED	Total AED
Balance at 31 December 2015 (Audited)	100,000,000	540,483	(49,619,140)	(546,188)	50,375,155
Loss for the period	-	-	(3,975,652)	-	(3,975,652)
Other comprehensive income for the period	-	-	-	135,362	135,362
Total comprehensive loss for the period	-	-	(3,975,652)	135,362	(3,840,290)
Balance at 31 March 2016 (Unaudited)	**100,000,000**	**540,483**	**(53,594,792)**	**(410,826)**	**46,534,865**
Balance at 31 December 2016 (Audited)	100,000,000	1,042,700	(45,099,191)	(166,249)	55,777,260
Profit for the period	-	-	2,301,687	-	2,301,687
Other comprehensive income for the period	-	-	-	133,318	133,318
Total comprehensive income for the period	-	-	2,301,687	133,318	2,435,005
Balance at 31 March 2017 (Unaudited)	**100,000,000**	**1,042,700**	**(42,797,504)**	**(32,931)**	**58,212,265**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows (unaudited) for the three month period ended 31 March 2017

	Three month period ended 31 March	
	2017	2016
	AED	AED
Cash flows from operating activities		
Profit/(loss) for the period	**2,301,687**	(3,975,652)
Adjustments for:		
Depreciation of property and equipment	**403,758**	479,110
Amortisation of intangible assets	**83,679**	67,584
Changes in the fair value of financial assets carried at FVTPL	**656,018**	(6,484)
Realised gain on sale of financial assets carried at FVTPL	**(194,107)**	-
Income from wakala deposits	**(306,822)**	(81,467)
Income from sukuk investments	**(171,757)**	-
Rental income	**(686,791)**	(809,194)
Provision for doubtful receivables	**177,453**	78,371
Provision for employees' end of service benefits	**126,903**	95,736
Operating cash flows before changes in operating assets and liabilities	**2,390,021**	(4,151,996)
Increase in takaful and other receivables	**(9,238,631)**	(11,430,655)
Increase in retakaful assets	**(11,098,866)**	(6,250,163)
(Increase)/decrease in prepayments and other receivables	**(1,217,529)**	3,601
Increase in takaful contract liabilities	**17,745,304**	14,721,306
Increase in takaful payables	**34,544,962**	6,908,356
Increase in other liabilities	**329,605**	30,176
Increase in deferred policy cost	**(1,035,257)**	(1,921,408)
(Decrease)/increase in deferred discount	**(565,328)**	1,158,126
Cash generated from/(used in) operations	**31,854,281**	(932,657)
Employee's end of service benefits paid	**(26,564)**	(22,162)
Net cash generated from/(used in) operating activities	**31,827,717**	(954,819)
Cash flows from investing activities		
Purchase of property and equipment	**(132,785)**	(252,448)
Additions of investments in securities	**(9,973,617)**	(53,129)
Proceeds from sale of investment securities	**722,639**	-
Income received on wakala deposits	**306,822**	81,467
Rental income received	**686,791**	809,194
Income received from sukuk	**171,757**	-
Wakala deposit made - net	**(30,000,000)**	(131,212)
Net cash (used in)/generated from investing activities	**(38,218,393)**	453,872
Net decrease in cash and cash equivalents	**(6,390,676)**	(500,947)
Cash and cash equivalents at the beginning of the period	**40,275,945**	23,493,902
Cash and cash equivalents at the end of the period (Note 6)	**33,885,269**	22,992,955

The accompanying notes form an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements
for the three month period ended 31 March 2017

1. General information

Dar Al Takaful PJSC was incorporated as a public joint stock company. The Company carries out general takaful (insurance), retakaful (reinsurance) and investments in accordance with the teachings of Islamic Shari'a and within the provisions of U.A.E. Federal Law no. 6 of 2007 relating to takaful companies and takaful agents and the Memorandum and Articles of Association of the Company. The address of the Company is PO Box 235353, Dubai, United Arab Emirates.

The Company obtained its commercial license on 23 July 2008 and commenced operations on 1 September 2008.

The Company mainly issues short term takaful contracts in connection with non-life takaful such as motor, marine, fire, engineering, medical and general accident risks (collectively known as general takaful). The Company also invests its funds in investment securities.

The Company with its subsidiary are together referred to as the "Group" in these condensed consolidated financial statements. At 31 March 2017, the Company had the following subsidiary:

Name of subsidiary	**Proportion of ownership interest**		**Country of incorporation**	**Principal activities**
	31 March 2017	31 December 2016		
Ararat Auto Repairing Workshop LLC	**100%**	100%	UAE	Auto mechanical repairing workshop

2. Application of new and revised International Financial Reporting Standards ("IFRS")

2.1 New and revised IFRS applied with no material effect on the condensed consolidated financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to IAS 12 *Income Taxes* relating to the recognition of deferred tax assets for unrealised losses.
- Amendments to IAS 7 *Statement of Cash Flows* to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.
- Annual Improvements to IFRS Standards 2014 - 2016 Cycle - Amendments to IFRS 12 *Disclosure of Interests in Other Entities.*

2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted

The Group has not yet early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRS	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2014 - 2016 Cycle amending IFRS 1 *First-time Adoption of International Financial Reporting Standards* and IAS 28 *Investments in Associates and Joint Ventures (2015).*	1 January 2018
Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 *Financial Instruments* and the forthcoming new insurance contracts standard.	1 January 2018
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

- **Classification and measurement**: Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2017 (continued)

3. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

3.2 New and revised IFRS in issue but not yet effective and not early adopted (continued)

New and revised IFRS	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014) (continued) • **Impairment**: The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised • **Hedge accounting**: Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. • **Derecognition**: The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.	1 January 2018
IFRIC 22 *Foreign Currency Transactions and Advance Consideration* The interpretation addresses foreign currency transactions or parts of transactions where: • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary.	1 January 2018
IFRS 15 *Revenue from Contracts with Customers*: IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.	1 January 2018
Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018

2. Application of new and revised International Financial Reporting Standards ("IFRS") (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRS	Effective for annual periods beginning on or after
IFRS 16 *Leases* provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.	1 January 2019
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's condensed consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 16, may have no material impact on the condensed consolidated financial statements of the Group in the period of initial application.

The application of IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's condensed consolidated financial statements in respect of the Group's financial assets and financial liabilities and the application of IFRS 16 may have an impact on amounts reported and disclosures made in the Group's condensed financial statements in respect of its leases. However, it is not practicable to provide a reasonable estimate of effects of the application of these standards until the Group performs a detailed review.

3. Summary of significant accounting policies

Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, '*Interim Financial Reporting*' and also comply with the applicable requirements of the laws in the U.A.E.

The Group is in the process of complying with the requirements of the Financial Regulations for Insurance Companies issued by the Insurance Authority especially pertaining to Article (1) of Section (7) and Appendix (1) relating to presentation of financial statements and disclosures and calculation disclosure in respect of the solvency margin.

The condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group's transactions are denominated.

These condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties which are stated at fair value.

The accounting policies, critical accounting judgements and key sources of estimation used in the preparation of these condensed consolidated financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2016.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2017 (continued)

3. Summary of significant accounting policies (continued)

Basis of preparation (continued)

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited annual consolidated financial statements as at and for the year ended 31 December 2016. In addition, results for the three month period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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

The articles of association of the Company require that separate accounts be maintained for takaful operations on behalf of the participants.

The accounting policies disclosed in the annual audited financial statements for the year ended 31 December 2016 are stated below as required by Securities and Commodities Authority notification dated 12 October 2008.

Basis of consolidation

These condensed consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns.

The condensed consolidated financial statements comprise the financial statements of the Company and of the subsidiaries as disclosed in Note 1 to these condensed consolidated financial statements. The condensed consolidated financial statements of the subsidiaries are prepared for the same reporting period as that of the Bank, using consistent accounting policies.

All significant inter-group balances, income and expense items are eliminated on consolidation.

Property and equipment

Property and equipment, including owner-occupied property, is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Capital work-in-progress (CWIP) is not depreciated.

Depreciation is provided on a straight line basis over the useful lives of the following classes of assets:

• Building	40 years
• Furniture and fixtures	4 years
• Office equipment	3 years
• Vehicles	5 years

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively if appropriate at each financial year end.

3. Summary of significant accounting policies (continued)

Property and equipment (continued)

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognised.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other expenditure is recognised in the statement of income as the expense is incurred.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is stated at its fair value at the end of each reporting period. Gains or losses arising from changes in the fair value of investment property are included in the condensed consolidated statement of income.

Financial assets

The effective profit method is a method of calculating the amortised cost of a financial asset and of allocating profit income over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

'Other financial assets' comprise of: cash and cash equivalents, takaful and other receivables.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held with banks (excluding deposits held under lien) with original maturities of three months or less.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. Significant accounting policies (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or profit earned on the financial asset and is included in the condensed consolidated statement of comprehensive income.

Available-for-sale (AFS) financial assets

The Group has investments that are not traded in an active market and are classified as AFS financial assets and stated at fair value because management considers that fair value can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative change in fair values with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair values is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Held-to-maturity (HTM)

Held-to-maturity (HTM) assets are non-derivative financial assets with fixed or determinable payments and fixed maturities, where the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost using the effective profit method less any impairment.

Other financial assets

Other financial assets are measured at amortised costs using the effective profit method, less any impairment. Profit income is recognised by applying the effective profit rate, except for short-term receivables when the recognition of profit would be immaterial.

3. Significant accounting policies (continued)

Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in profit or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties

For certain categories of financial assets, such as takaful receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective profit rate. For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of takaful receivables, where the carrying amount is reduced through the use of an allowance account. When a takaful receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in condensed consolidated statement of income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to condensed consolidated statement of income in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2017 (continued)

3. Significant accounting policies (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained profit in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

4. Investment in securities

4.1 *Available-for-sale investments*

Available-for-sale investments comprise the following:

		31 March 2017 AED Unaudited	31 December 2016 AED Audited
Quoted equity securities in U.A.E.		**2,292,408**	2,708,971
Quoted debt securities in U.A.E.		**6,134,248**	6,134,248
Unquoted equity securities in U.A.E.		**4,461,429**	4,461,429
Unquoted debt securities in U.A.E.		**6,192,410**	6,090,490
	(A)	**19,080,495**	19,395,138

Available-for-sale investments with fair value of AED 5 million (31 December 2016: AED 5 million) are registered in the name of a related party on trust and for the benefit of the Group.

4.2 Financial assets carried at fair value through profit or loss

Financial assets carried at fair value through profit or loss comprises the following:

		31 March 2017 AED Unaudited	31 December 2016 AED Audited
Quoted equity securities in U.A.E.		**7,577,895**	5,336,473
Mutual and other funds		**6,694,247**	-
	(B)	**14,272,142**	5,336,473

Financial assets carried at fair value through profit or loss with fair value of AED 2 million (31 December 2016: AED nil) are registered in the name of a related party on trust and for the benefit of the Group.

Notes to the condensed consolidated financial statements
for the three month period ended 31 March 2017 (continued)

4. Investment in securities (continued)

4.3 Held to maturity

Financial assets held to maturity comprises the following:

		31 March 2017 AED Unaudited	31 December 2016 AED Audited
Unquoted debt securities outside U.A.E.		**3,675,000**	3,675,000
	(C)	**3,675,000**	3,675,000
Attributable to:			
Participants		**553,392**	584,414
Shareholders		**36,474,245**	27,822,197
	(A + B + C)	**37,027,637**	28,406,611

5. Takaful contract liabilities and retakaful assets

	31 March 2017 AED Unaudited	31 December 2016 AED Audited
Gross		
Takaful contract liabilities:		
Unearned contribution	**152,936,396**	134,398,086
Claims reported unsettled	**80,630,512**	85,811,472
Claims incurred but not reported	**21,741,181**	17,916,415
Unallocated loss adjustment expenses	**1,183,113**	1,110,589
Contribution deficiency reserve	**861,783**	371,119
Total takaful contract liabilities, gross	**257,352,985**	239,607,681
Recoverable from retakaful		
Retakaful contract assets:		
Unearned contribution	**70,513,882**	60,280,097
Claims reported unsettled	**40,377,860**	42,779,742
Claims incurred but not reported	**11,881,815**	8,614,852
Total retakaful share of takaful liabilities	**122,773,557**	111,674,691
Net		
Unearned contribution	**82,422,514**	74,117,989
Claims reported unsettled	**40,252,652**	43,031,730
Claims incurred but not reported	**9,859,366**	9,301,563
Unallocated loss adjustment expenses	**1,183,113**	1,110,589
Contribution deficiency reserve	**861,783**	371,119
	134,579,428	127,932,990

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2017 (continued)

6. Cash and cash equivalents

	31 March 2017 AED Unaudited	31 December 2016 AED Audited	31 March 2016 AED Unaudited
Cash on hand	**113,034**	202,345	62,330
Bank balances:			
Current accounts	**28,881,006**	33,290,933	15,452,380
Call accounts	**4,891,229**	6,782,667	7,478,245
	33,885,269	40,275,945	22,992,955
Attributable to:			
Participants	**25,300,700**	31,313,240	7,124,765
Shareholders	**8,584,569**	8,962,705	15,868,190
	33,885,269	40,275,945	22,992,955

7. Restricted deposit

Deposits held as restricted deposits are maintained in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of U.A.E. and are not available to finance the day to day operations of the Group.

8. Share capital

At 31 March 2017, the issued and fully paid share capital comprised 100,000,000 shares of AED 1 each (31 December 2016: 100,000,000 shares of AED 1 each). Subsequent to the period, the Group initiated the process for raising additional share capital through a rights issue. The additional capital raising subject to the successful completion, is expected to be finalised in May 2017.

9. Earnings/(loss) per share

Earnings/(loss) per share are calculated by dividing the net profit/(loss) for the period by the weighted average number of ordinary shares outstanding during the period as follows:

	Three month period ended 31 March	
	2017 Unaudited	2016 Unaudited
Profit/(loss) for the period attributable to shareholders (in AED)	**2,301,687**	(3,975,652)
Weighted average number of ordinary shares outstanding during the period	**100,000,000**	100,000,000
Basic and diluted earnings/(loss) per share (in AED)	**0.023**	(0.039)

Diluted earnings per share as of 31 March 2017 and 31 March 2016 are equivalent to basic earnings per share as the Group did not issue any new instrument that would impact earnings per share when executed.

10. Commitments and guarantees

Commitments

The Group has the following commitments at the reporting date:

	31 March 2017 AED Unaudited	31 December 2016 AED Audited
Document management system	**43,750**	43,750

Guarantees

As at 31 March 2017, the Group has outstanding bank guarantees amounting AED 347,020 (31 December 2016: AED 347,020).

11. Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24: *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. Transactions with such related parties are made on substantially the same terms, as those prevailing at the same time for comparable transactions with external customers and parties.

a) Balances with related parties

Balances with related parties included in the condensed statement of financial position are as follows:

	31 March 2017 AED Unaudited	31 December 2016 AED Audited
Takaful and other receivables		
Major Shareholders	**696,183**	51,132
Takaful and other payables		
Major Shareholders	**272,462**	92,742

Notes to the condensed consolidated financial statements
for the three month period ended 31 March 2017 (continued)

11. Related party transactions (continued)

a) Balances with related parties (continued)

Transactions with related parties included in the condensed statement of income are as follows:

	Three month period ended 31 March	
	2017	2016
	AED	AED
	Unaudited	Audited
Contributions earned		
Major shareholders	**708,867**	13,922
Other related parties	**1,240,774**	33,189
	1,949,641	47,111
Management charges paid		
Major shareholders	**112,500**	112,500

c) Compensation of key management personnel

	Three month period ended 31 March	
	2017	2016
	AED	AED
	Unaudited	Audited
Short-term benefits	**1,153,100**	1,159,515
Employees' end of service benefits	**65,139**	61,106
	1,218,239	1,220,621

12. Segment information

For management purposes the Group is organised into two business segments, general takaful management and investment. The general takaful segment comprises the takaful business undertaken by the Group on behalf of the participants. Investments comprise investment and cash management for the Group's own account. No operating segments have been aggregated to form the above reportable operating segments.

Segment performance is evaluated based on profit or loss which in certain respects is measured differently from profit or loss in the financial statements.

Except for Wakala fees, Mudarib's share and Qard Hassan, no other inter-segment transactions occurred during the period. If any other transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation as shown below.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2017 (continued)

12. Segment information (continued)

Three month period ended 31 March 2017 (Unaudited)

	Takaful AED	Investment AED	Total AED
Gross contributions written	**98,594,302**	**-**	**98,594,302**
Movement in unearned contributions	**(18,538,310)**	**-**	**(18,538,310)**
Takaful contributions revenue	**80,055,992**	**-**	**80,055,992**
Net retakaful share of contributions	**(38,916,608)**	**-**	**(38,916,608)**
Net takaful revenue	**41,139,384**	**-**	**41,139,384**
Claims (net of retakaful share)	**(24,625,465)**	**-**	**(24,625,465)**
Underwriting income	**1,855,942**	**-**	**1,855,942**
Net underwriting income	**18,369,861**	**-**	**18,369,861**
General and administrative expenses	**(361,506)**	**(8,106,632)**	**(8,468,138)**
Policy acquistion cost	**-**	**(8,730,757)**	**(8,730,757)**
Wakala (fee)/income*	**(23,913,675)**	**23,913,675**	**-**
Investment and other income	**488,589**	**642,132**	**1,130,721**
(Loss)/profit for the period	**(5,416,731)**	**7,718,418**	**2,301,687**
Other comprehensive (loss)/income	**(39,882)**	**133,318**	**93,439**
Total comprehensive income for the period	**(5,456,613)**	**7,851,736**	**2,395,126**

Three month period ended 31 March 2016 (Unaudited)

	Takaful AED	Investment AED	Total AED
Gross contributions written	72,348,195	-	72,348,195
Movement in unearned contributions	(19,051,379)	-	(19,051,379)
Takaful contributions revenue	53,296,816	-	53,296,816
Net retakaful share of contributions	(23,080,239)	-	(23,080,239)
Net takaful revenue	30,216,577	-	30,216,577
Claims (net of retakaful share)	(24,083,156)	-	(24,083,156)
Net underwriting expenses	(3,135,040)	-	(3,135,040)
Net underwriting income	2,998,381	-	2,998,381
General and administrative expenses	(109,774)	(7,794,379)	(7,904,153)
Wakala (fee)/income*	(11,388,178)	11,388,178	-
Investment income	8,061	922,059	930,120
(Loss)/profit for the period	(8,491,510)	4,515,858	(3,975,652)
Other comprehensive income	27,744	135,362	163,106
Total comprehensive loss for the period	(8,463,766)	4,651,220	(3,812,546)

* During the current period the rates to calculate wakala fees have increased for several type of takaful classes resulting in increasing of the wakala fees. Such method of calculation has been approved by Sharia'a Board.

Notes to the condensed consolidated financial statements for the three month period ended 31 March 2017 (continued)

12. Segment information (continued)

The following tables demonstrate other information related to each business segments:

31 March 2017 (Unaudited)

	Takaful AED	Investment AED	Total AED
Total assets	**328,471,412**	**154,346,071**	**482,817,483**
Total liabilities	**416,160,109**	**8,471,011**	**424,631,120**

31 December 2016 (Audited)

	Takaful AED	Investment AED	Total AED
Total assets	288,319,673	146,265,067	434,584,740
Total liabilities	370,551,765	8,241,745	378,793,510

13. Seasonality of results

No income of seasonal nature was recorded in the condensed statement of income for the three month period ended 31 March 2017 and 2016.

14. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2016.

Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

Notes to the condensed consolidated financial statements
for the three month period ended 31 March 2017 (continued)

14. Fair value measurements (continued)

Fair value of the Group's financial assets that are measured at fair value on recurring basis (continued)

Financial assets	Fair value as at 31 March 2017 AED	31 December 2016 AED	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Available for sale						
Quoted equity securities	**2,292,408**	2,708,971	Level 1	Quoted bid prices in an active market.	None	N/A
Quoted debt Securities	**6,134,248**	6,134,248	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	**4,461,429**	4,461,429	Level 3	Discounted cash flow method and Net assets valuation method.	Estimated future cash flow and Net assets value	Higher the Discounted cash flow and net assets value of the investees, higher the fair value.
Unquoted debt securities	**6,192,410**	6,090,490	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value
Financial assets at FVTPL						
Quoted equity securities	**7,577,895**	5,336,473	Level 1	Quoted bid prices in an active market.	None	N/A
Mutual and other funds	**6,694,247**	-	Level 2	Net assets valuation method	Net assets value	Higher the net assets value of the investees, higher the fair value

The management considers that the carrying amounts of financial assets held to maturity in the consolidated financial statements approximate their fair values. The fair value is mainly based on unobservable inputs (i.e. Level 3).

The movement in Level 3 represents a fair value gain recomgnized in the condensed consolidated statement of income.

Fair value measurements recognised in the condensed statement of financial position

The above table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the condensed consolidated financial statements
for the three month period ended 31 March 2017 (continued)

15. Fatwa and Shari'a Supervisory Board

The Group's business activities are subject to the supervision of its Fatwa and Shari'a Supervisory Board ("FSSB") consisting of three members appointed by the shareholders. FSSB performs a supervisory role in order to determine whether the operations of the Group are conducted in accordance with Shari'a rules and principles.

16. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 7 May 2017.