

**Dar Al Takaful PJSC  
Dubai - United Arab Emirates**

**Review report and interim financial information  
for the six month period ended 30 June 2017**

## **Dar Al Takaful PJSC**

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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"), at 30 June 2017 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six 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.)**



Signed by  
Mohammad Khamees Al Tah  
Registration No. 717  
9 August 2017  
Dubai  
United Arab Emirates

**Condensed consolidated statement of financial position  
at 30 June 2017**

	Notes	30 June 2017 AED Unaudited	31 December 2016 AED Audited
<b>ASSETS</b>			
<b>Takaful operations' assets</b>			
Available-for-sale investments	4.1	398,820	440,436
Financial assets carried at fair value through profit or loss	4.2	146,775	143,978
Held to maturity	4.3	7,072,894	-
Deferred policy cost		19,059,496	13,758,261
Retakaful contract assets:			
Unearned contribution	5	86,156,215	60,280,097
Claims reported unsettled	5	28,100,749	42,779,742
Claims incurred but not reported	5	26,785,599	8,614,852
Due from shareholder	11	36,983,828	-
Takaful and other receivables		138,295,972	130,989,067
Wakala deposits		68,000,000	-
Cash and cash equivalents	6	8,032,548	31,313,240
<b>Total takaful operations' assets</b>		<b>419,032,896</b>	<b>288,319,673</b>
<b>Shareholders' assets</b>			
Property and equipment		13,039,033	13,110,991
Intangible assets		473,620	633,017
Investment properties		51,770,001	51,770,001
Available-for-sale investments	4.1	18,776,224	18,954,702
Financial assets carried at fair value through profit or loss	4.2	13,479,679	5,192,495
Held to maturity	4.3	3,675,000	3,675,000
Restricted deposit	7	6,000,000	6,000,000
Wakala deposits		34,754,163	24,754,163
Due from participants		-	8,194,897
Prepayments and other receivables		7,521,044	5,017,096
Cash and cash equivalents	6	3,949,382	8,962,705
<b>Total shareholders' assets</b>		<b>153,438,146</b>	<b>146,265,067</b>
<b>Total assets</b>		<b>572,471,042</b>	<b>434,584,740</b>

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

**Condensed consolidated statement of financial position  
at 30 June 2017 (continued)**

	Notes	30 June 2017 AED Unaudited	31 December 2016 AED Audited
<b>TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT</b>			
<b>Takaful operations' liabilities</b>			
Deferred discount		3,061,404	3,570,039
<b>Takaful contract liabilities:</b>			
Unearned contribution	5	185,210,302	134,398,086
Claims reported unsettled	5	48,194,523	85,811,472
Claims incurred but not reported	5	41,127,360	17,916,415
Unallocated loss adjustment expenses	5	1,226,375	1,110,589
Contribution deficiency reserve	5	728,325	371,119
Takaful payables		139,512,243	119,179,148
Due to shareholders		-	8,194,897
<b>Total takaful operations' liabilities</b>		<b>419,060,532</b>	<b>370,551,765</b>
<b>Takaful operations' deficit</b>			
Qard Hassan against deficit in participants' fund		(93,702,123)	(82,246,063)
Less: Provision against Qard Hassan to participants' fund		93,702,123	82,246,063
Available-for-sale investments reserve		(27,636)	13,970
<b>Total (deficit)/surplus from takaful operations</b>		<b>(27,636)</b>	<b>13,970</b>
<b>Total takaful operations' liabilities and surplus</b>		<b>419,032,896</b>	<b>370,565,735</b>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>Shareholders' liabilities</b>			
Other liabilities		7,032,193	8,241,745
Due to participants	11	36,983,828	-
<b>Total shareholders' liabilities</b>		<b>44,016,021</b>	<b>8,241,745</b>
<b>Shareholders' equity</b>			
Share capital	8	150,000,000	100,000,000
Statutory reserve		1,042,700	1,042,700
Accumulated losses		(41,680,432)	(45,099,191)
Available-for-sale investments reserve		59,857	(166,249)
<b>Total shareholders' equity</b>		<b>109,422,125</b>	<b>55,777,260</b>
<b>Total shareholders' liabilities and equity</b>		<b>153,438,146</b>	<b>64,019,005</b>
<b>Total takaful operations' liabilities and deficit, shareholders' liabilities and equity</b>		<b>572,471,042</b>	<b>434,584,740</b>

  
Abdul Salam Ali  
Chief Financial Officer

  
Saleh Al Hashimi  
Managing Director

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

**Condensed consolidated statement of income (unaudited)  
for the six month period ended 30 June 2017**

	Three month period ended		Six month period ended	
	30 June		30 June	
	2017	2016	2017	2016
	AED	AED	AED	AED
<b>Attributable to participants</b>				
<b>Takaful income</b>				
Gross contribution written	123,292,624	80,060,770	221,886,926	152,408,965
Retakaful share of accepted business	-	(14,614)	(97,623)	(165,988)
Retakaful share of ceded business	(60,001,558)	(36,411,915)	(109,054,328)	(71,451,660)
<b>Net Takaful contributions</b>	<b>63,291,066</b>	<b>43,634,241</b>	<b>112,734,975</b>	<b>80,791,317</b>
Net transfer to unearned contributions reserve	(16,631,572)	(10,569,363)	(24,936,097)	(17,509,862)
<b>Net Takaful contributions earned</b>	<b>46,659,494</b>	<b>33,064,878</b>	<b>87,798,878</b>	<b>63,281,455</b>
Discount earned	1,794,440	2,535,717	4,256,197	5,008,920
Policy fee	264,673	232,467	616,563	474,422
<b>Total Takaful Income</b>	<b>48,718,607</b>	<b>35,833,062</b>	<b>92,671,638</b>	<b>68,764,797</b>
<b>Takaful expenses</b>				
Gross claims paid	(79,275,703)	(24,647,382)	(141,874,938)	(70,388,137)
Retakaful share of ceded business paid	36,758,540	3,691,500	73,074,225	26,879,755
<b>Net Takaful claims paid</b>	<b>(42,517,163)</b>	<b>(20,955,882)</b>	<b>(68,800,713)</b>	<b>(43,508,382)</b>
Change in provision for outstanding claims	32,435,990	(22,187,148)	37,616,949	(25,264,317)
Change in retakaful share of outstanding claims	(12,277,109)	22,545,736	(14,678,993)	23,063,069
Change in incurred but not reported claims	(4,482,395)	1,293,428	(5,040,198)	2,260,033
Change in unallocated loss adjustment expenses reserve	(43,262)	36,420	(115,786)	98,995
Changes in the provision for contribution deficiency reserve	133,458	-	(357,206)	-
<b>Net claims incurred</b>	<b>(26,750,481)</b>	<b>(19,267,446)</b>	<b>(51,375,947)</b>	<b>(43,350,602)</b>
Excess of loss of takaful contribution	(722,063)	(728,383)	(1,256,668)	(1,353,073)
<b>Total Takaful Income</b>	<b>21,246,063</b>	<b>15,837,233</b>	<b>40,039,023</b>	<b>24,061,122</b>
Wakala fees	(28,387,797)	(14,506,740)	(52,301,472)	(25,894,918)
Mudarib's fee	(8,748)	(6,890)	(8,748)	(6,890)
Policy acquisition cost	-	(6,139,289)	-	(11,044,835)
Other underwriting reversal/(expenses)	423,100	(359,963)	-	(679,925)
Expenses reversed from/(allocated to) participants	361,505	(471,436)	-	(581,210)
Investment and other income	326,548	401,548	815,137	409,609
<b>Net loss from takaful operation for the period</b>	<b>(6,039,329)</b>	<b>(5,245,537)</b>	<b>(11,456,060)</b>	<b>(13,737,047)</b>

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

**Condensed consolidated statement of income (unaudited)  
for the six month period ended 30 June 2017 (continued)**

	Three month period ended 30 June		Six month period ended 30 June	
	2017 AED	2016 AED	2017 AED	2016 AED
<b>Attributable to Shareholders</b>				
<b>Income</b>				
Wakala fees from participants	28,387,797	14,506,740	52,301,472	25,894,918
Mudarib's fee	8,748	6,890	8,748	6,890
Investment income	577,075	912,913	1,219,207	1,834,972
	<u>28,973,620</u>	<u>15,426,543</u>	<u>53,529,427</u>	<u>27,736,780</u>
<b>Expense</b>				
General and administrative expenses	(10,371,809)	(7,577,642)	(18,478,441)	(15,372,021)
Policy acquisition cost	(10,488,448)	-	(19,219,205)	-
Other underwriting expenses	(956,962)	-	(956,962)	-
	<u>(21,817,219)</u>	<u>(7,577,642)</u>	<u>(38,654,608)</u>	<u>(15,372,021)</u>
Profit for the period before Qard Hassan	7,156,401	7,848,901	14,874,819	12,364,759
Provision against Qard Hassan to participants	(6,039,329)	(5,245,537)	(11,456,060)	(13,737,047)
	<u>1,117,072</u>	<u>2,603,364</u>	<u>3,418,759</u>	<u>(1,372,288)</u>
<b>Profit/(loss) for the period attributable to shareholders</b>	<u>1,117,072</u>	<u>2,603,364</u>	<u>3,418,759</u>	<u>(1,372,288)</u>
<b>Earnings/(loss) per share (Note 9)</b>	<u>0.010</u>	<u>0.026</u>	<u>0.030</u>	<u>(0.014)</u>

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

**Condensed consolidated statement of comprehensive income (unaudited)  
for the six month period ended 30 June 2017**

	Three month period ended 30 June		Six month period ended 30 June	
	2017 AED	2016 AED	2017 AED	2016 AED
<b>Attributable to participants</b>				
Loss for the period	<u>(6,823,934)</u>	<u>(5,245,537)</u>	<u>(11,456,060)</u>	<u>(13,737,047)</u>
<b>Other comprehensive income</b>				
<i>Items that maybe reclassified subsequently to profit or loss</i>				
Unrealised (loss)/gain on available-for- sale investments	<u>(1,724)</u>	<u>5,202</u>	<u>(41,606)</u>	<u>32,946</u>
<b>Other comprehensive (loss)/income for the period</b>	<u>(1,724)</u>	<u>5,202</u>	<u>(41,606)</u>	<u>32,946</u>
<b>Total comprehensive loss for the period attributable to participants</b>	<u><u>(6,825,658)</u></u>	<u><u>(5,240,335)</u></u>	<u><u>(11,497,666)</u></u>	<u><u>(13,704,101)</u></u>
<b>Attributable to Shareholders</b>				
Profit/(loss) for the period	<u>1,117,072</u>	<u>2,603,364</u>	<u>3,418,759</u>	<u>(1,372,288)</u>
<b>Other comprehensive income</b>				
<i>Items that maybe reclassified subsequently to profit or loss</i>				
Unrealised gain on available-for-sale investments	<u>92,788</u>	<u>1,217</u>	<u>226,106</u>	<u>136,579</u>
<b>Other comprehensive income for the period</b>	<u>92,788</u>	<u>1,217</u>	<u>226,106</u>	<u>136,579</u>
<b>Total comprehensive income/(loss) for the period attributable to shareholders</b>	<u><u>1,209,860</u></u>	<u><u>2,604,581</u></u>	<u><u>3,644,865</u></u>	<u><u>(1,235,709)</u></u>

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

**Condensed consolidated statement of changes in equity  
for the six month period ended 30 June 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	-	-	(1,372,288)	-	(1,372,288)
Other comprehensive income for the period	-	-	-	136,579	136,579
Total comprehensive loss for the period	-	-	(1,372,288)	136,579	(1,235,709)
<b>Balance at 30 June 2016 (Unaudited)</b>	<b>100,000,000</b>	<b>540,483</b>	<b>(50,991,428)</b>	<b>(409,609)</b>	<b>49,139,446</b>
<b>Balance at 31 December 2016 (Audited)</b>	100,000,000	1,042,700	(45,099,191)	(166,249)	55,777,260
Profit for the period	-	-	3,418,759	-	3,418,759
Other comprehensive income for the period	-	-	-	226,106	226,106
Total comprehensive income for the period	-	-	3,418,759	226,106	3,644,865
Issuance of share capital ( Note 8)	50,000,000	-	-	-	50,000,000
<b>Balance at 30 June 2017 (Unaudited)</b>	<b>150,000,000</b>	<b>1,042,700</b>	<b>(41,680,432)</b>	<b>59,857</b>	<b>109,422,125</b>

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

**Condensed consolidated statement of cash flows (unaudited)  
for the six month period ended 30 June 2017**

	Six month period ended 30 June	
	2017 AED	2016 AED
<b>Cash flows from operating activities</b>		
Profit/(loss) for the period	3,418,759	(1,372,288)
Adjustments for:		
Depreciation of property and equipment	905,188	958,583
Amortisation of intangible assets	144,711	151,891
Changes in the fair value of financial assets carried at FVTPL	1,244,846	107,769
Realised gain on sale of financial assets carried at FVTPL	(269,803)	(56,130)
Income from wakala deposits	(781,809)	(171,478)
Rental income	(1,361,053)	(1,623,131)
Income from sukuk investments	(341,805)	-
Provision for doubtful debt	709,434	651,499
Provision for employees' end of service benefits	249,186	179,418
<b>Operating cash flows before changes in operating assets and liabilities</b>	<b>3,917,654</b>	<b>(1,173,867)</b>
Increase in takaful and other receivables	(8,016,339)	(29,635,824)
Increase in retakaful assets	(29,367,872)	(32,676,004)
Increase in prepayments and other receivables	(2,503,948)	(7,032,617)
Increase in takaful contract liabilities	36,879,204	50,028,086
Increase in takaful payables	20,333,095	18,988,690
Decrease in other liabilities	(1,209,552)	(405,230)
Increase in deferred policy cost	(5,301,235)	(4,068,636)
(Decrease)/increase in deferred discount	(508,635)	3,304,031
<b>Cash generated from/(used in) operations</b>	<b>14,222,372</b>	<b>(2,671,371)</b>
Employee's end of service benefits paid	(43,502)	(125,913)
<b>Net cash generated from/(used in) operating activities</b>	<b>14,178,870</b>	<b>(2,797,284)</b>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(789,204)	(310,429)
Purchase of intangible assets	(29,340)	(122,945)
Additions of investment in securities	(17,046,511)	(7,450,971)
Proceeds from sale of investment securities	907,503	-
Income received on wakala deposits	781,809	171,478
Rental income received	1,361,053	1,623,131
Income received from sukuk received	341,805	-
Increase in wakala deposits	(78,000,000)	(131,212)
<b>Net cash used in investing activities</b>	<b>(92,472,885)</b>	<b>(6,220,948)</b>
<b>Cash flows from financing activities</b>		
Issuance of share capital	50,000,000	-
<b>Net cash generated from financing activities</b>	<b>50,000,000</b>	<b>-</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(28,294,015)</b>	<b>(9,018,232)</b>
Cash and cash equivalents at the beginning of the period	40,275,945	23,493,902
<b>Cash and cash equivalents at the end of the period (Note 6)</b>	<b>11,981,930</b>	<b>14,475,670</b>

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

**Notes to the condensed consolidated financial statements  
for the six month period ended 30 June 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 P.O. 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 30 June 2017, the Company had the following subsidiary:

Name of subsidiary	Proportion of ownership interest		Country of incorporation	Principal activities
	30 June 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*.

**Notes to the condensed consolidated financial statements  
for the six month period ended 30 June 2017 (continued)**

**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:

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014 - 2016 Cycle amending IFRS 1 <i>First-time Adoption of International Financial Reporting Standards</i> and IAS 28 <i>Investments in Associates and Joint Ventures (2015)</i> .	1 January 2018
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 <i>Financial Instruments</i> and the forthcoming new insurance contracts standard.	1 January 2018
IFRS 9 <i>Financial Instruments</i> (revised versions in 2009, 2010, 2013 and 2014)	1 January 2018
<p>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.</p> <p>A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 <i>Financial Instruments: Recognition and Measurement</i>. The standard contains requirements in the following areas:</p> <ul style="list-style-type: none"> <li>• <b>Classification and measurement:</b> 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.</li> </ul>	

**Notes to the condensed consolidated financial statements  
for the six month period ended 30 June 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)**

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
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IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014) 1 January 2018  
(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.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration* 1 January 2018

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.

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

**Notes to the condensed consolidated financial statements  
for the six month period ended 30 June 2017 (continued)**

**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)**

<u>New and revised IFRS</u>	<u>Effective for annual periods beginning on or after</u>
IFRS 16 <i>Leases</i> 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 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (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 Arab Emirates Dirhams (AED) since this 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 six month period ended 30 June 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 six month period ended 30 June 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.

**Notes to the condensed consolidated financial statements  
for the six month period ended 30 June 2017 (continued)****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 six 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.

**Notes to the condensed consolidated financial statements  
for the six month period ended 30 June 2017 (continued)**

**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.

**Notes to the condensed consolidated financial statements  
for the six month period ended 30 June 2017 (continued)****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 six month period ended 30 June 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:

	<b>30 June 2017 AED Unaudited</b>	31 December 2016 AED Audited
Quoted equity securities in U.A.E.	2,383,467	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.	6,195,900	6,090,490
	<u>19,175,044</u>	<u>19,395,138</u>
Attributable to:		
Participants	398,820	440,436
Shareholders	18,776,224	18,954,702
	<u>19,175,044</u>	<u>19,395,138</u>

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.

**Notes to the condensed consolidated financial statements  
for the six month period ended 30 June 2017 (continued)**

**4. Investment in securities (continued)**

*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:

	<b>30 June 2017 AED Unaudited</b>	31 December 2016 AED Audited
Quoted equity securities in U.A.E.	7,446,536	5,336,473
Mutual and other funds	6,179,918	-
	<u>13,626,454</u>	<u>5,336,473</u>
Attributable to:		
Participants	146,775	143,978
Shareholders	13,479,679	5,192,495
	<u>13,626,454</u>	<u>5,336,473</u>

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.

*4.3 Held to maturity*

Financial assets held to maturity comprises the following:

	<b>30 June 2017 AED Unaudited</b>	31 December 2016 AED Audited
Unquoted debt securities inside U.A.E.	2,008,770	-
Unquoted debt securities outside U.A.E.	8,739,124	3,675,000
	<u>10,747,894</u>	<u>3,675,000</u>
Attributable to:		
Participants	7,072,894	-
Shareholders	3,675,000	3,675,000
	<u>10,747,894</u>	<u>3,675,000</u>

**Notes to the condensed consolidated financial statements  
for the six month period ended 30 June 2017 (continued)**

**5. Takaful contract liabilities and retakaful contract assets**

	<b>30 June 2017 AED Unaudited</b>	<b>31 December 2016 AED Audited</b>
<b>Gross</b>		
Takaful contract liabilities:		
Unearned contribution	185,210,302	134,398,086
Claims reported unsettled	48,194,523	85,811,472
Claims incurred but not reported	41,127,360	17,916,415
Unallocated loss adjustment expenses	1,226,375	1,110,589
Contribution deficiency reserve	728,325	371,119
	<u>276,486,885</u>	<u>239,607,681</u>
<b>Total takaful contract liabilities, gross</b>		
<b>Recoverable from retakaful</b>		
Retakaful contract assets:		
Unearned contribution	86,156,215	60,280,097
Claims reported unsettled	28,100,749	42,779,742
Claims incurred but not reported	26,785,599	8,614,852
	<u>141,042,563</u>	<u>111,674,691</u>
<b>Total retakaful share of takaful liabilities</b>		
<b>Net</b>		
Unearned contribution	99,054,087	74,117,989
Claims reported unsettled	20,093,774	43,031,730
Claims incurred but not reported	14,341,761	9,301,563
Unallocated loss adjustment expenses	1,226,375	1,110,589
Contribution deficiency reserve	728,325	371,119
	<u>135,444,322</u>	<u>127,932,990</u>

**6. Cash and cash equivalents**

	<b>30 June 2017 AED Unaudited</b>	<b>31 December 2016 AED Audited</b>	<b>30 June 2016 AED Unaudited</b>
Cash on hand	143,335	202,345	16,057
Bank balances:			
Current accounts	10,614,083	33,290,933	11,317,745
Call accounts	1,224,512	6,782,667	3,141,868
	<u>11,981,930</u>	<u>40,275,945</u>	<u>14,475,670</u>
Attributable to:			
Participants	8,032,548	31,313,240	8,859,195
Shareholders	3,949,382	8,962,705	5,616,475
	<u>11,981,930</u>	<u>40,275,945</u>	<u>14,475,670</u>

**Notes to the condensed consolidated financial statements  
for the six month period ended 30 June 2017 (continued)**

**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 30 June 2016, at the Extra-Ordinary General Meeting the shareholders approved the increase in the Company's issued share capital from AED 100,000,000 to AED 150,000,000 by way of a rights issue of 50,000,000 shares at an issue price of AED 1 per new share, reflecting the nominal value of AED 1 per new share. During the period ended 30 June 2017, the Company completed the process of issuing 50,000,000 shares for AED 50,000,000.

**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 30 June		Six month period ended 30 June	
	2017 Unaudited	2016 Unaudited	2017 Unaudited	2016 Unaudited
Profit/(loss) for the period attributable to shareholders (in AED)	<u>1,117,072</u>	<u>2,603,364</u>	<u>3,418,759</u>	<u>(1,372,288)</u>
Weighted average numbers of ordinary shares outstanding at 1 January	<u>100,000,000</u>	100,000,000	<u>100,000,000</u>	100,000,000
Effect of right issue of shares New shares issued	<u>13,744,589</u>	<u>1,298,701</u>	<u>13,744,589</u>	<u>1,298,701</u>
Weighted average number of shares outstanding at 30 June	<u>113,744,589</u>	<u>101,298,701</u>	<u>113,744,589</u>	<u>101,298,701</u>
Basic and diluted earnings/(loss) per share (in AED)	<u>0.010</u>	<u>0.026</u>	<u>0.030</u>	<u>(0.014)</u>

Diluted earnings per share as of 30 June 2017 and 30 June 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:

	30 June 2017 AED Unaudited	31 December 2016 AED Audited
Document management system	-	43,750
Medical software Thoshfa	<u>685,850</u>	<u>-</u>

**Notes to the condensed consolidated financial statements  
for the six month period ended 30 June 2017 (continued)**

**10. Commitments and guarantees (continued)**

**Guarantees**

As at 30 June 2017, the Group has outstanding bank guarantees amounting AED 347,020 (31 December 2016: AED 347,020).

**11. Due from shareholder and due to participants**

During the current period, the Group has transferred the amount of AED 50,072,894 to Takaful Operation and offset the Wakala fee receivables as of 30 June 2017 which resulted in a balance due from shareholder/due to participants amounted to AED 36,983,828 (31 December 2016: AED Nil), such transaction was performed during the second quarter due to the separation of assets and liability of the shareholder and policyholder as required by the Insurance Authority.

**12. 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:

	<b>30 June 2017 AED Unaudited</b>	31 December 2016 AED Audited
<i><b>Takaful and other receivables</b></i>		
Major Shareholders	<b>1,892,448</b>	51,132
<i><b>Takaful and other payables</b></i>		
Major Shareholders	<b>40,320</b>	92,742

**Notes to the condensed consolidated financial statements  
for the six month period ended 30 June 2017 (continued)**

**12. Related party transactions (continued)**

**b) Transactions with related parties**

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

	Three month period ended 30 June		Six month period ended 30 June	
	2017 Unaudited AED	2016 Unaudited AED	2017 Unaudited AED	2016 Unaudited AED
<i>Contributions earned</i>				
Major Shareholders	293,607	14,733	1,002,474	28,655
Other	36,487	45,237	1,277,261	78,426
	<u>330,094</u>	<u>59,970</u>	<u>2,279,735</u>	<u>107,081</u>
<i>Management charges paid</i>				
Shareholder	-	112,500	112,500	225,000

**c) Compensation of key management personnel**

	Three month period ended 30 June		Six month period ended 30 June	
	2017 Unaudited AED	2016 Unaudited AED	2017 Unaudited AED	2016 Unaudited AED
Short-term benefits	1,404,940	1,157,762	2,558,040	2,317,277
Employees' end of service benefits	82,964	62,345	148,103	123,451
	<u>1,487,904</u>	<u>1,220,107</u>	<u>2,706,143</u>	<u>2,440,728</u>

**13. Segment information**

For management purposes the Group is organised into three business segments, general takaful, employee benefits and investments. 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 six month period ended 30 June 2017 (continued)**

**13. Segment information (continued)**

Six month period ended 30 June 2017 (Unaudited)

	General Takaful AED	Employee benefits AED	Investments AED	Total AED
<b>Attributable to participants</b>				
<b>Takaful income</b>				
Gross contribution written	221,082,191	804,735	-	221,886,926
Retakaful share of accepted business	(97,623)	-	-	(97,623)
Retakaful share of ceded business	(108,463,100)	(591,228)	-	(109,054,328)
<b>Net Takaful contributions</b>	<b>112,521,468</b>	<b>213,507</b>	<b>-</b>	<b>112,734,975</b>
Net transfer to unearned contributions reserve	(24,851,515)	(84,582)	-	(24,936,097)
<b>Net Takaful contributions earned</b>	<b>87,669,953</b>	<b>128,925</b>	<b>-</b>	<b>87,798,878</b>
Discount earned	4,256,197	-	-	4,256,197
Policy fee	616,563	-	-	616,563
<b>Total Takaful Income</b>	<b>92,542,713</b>	<b>128,925</b>	<b>-</b>	<b>92,671,638</b>
<b>Takaful expenses</b>				
Gross claims paid	(141,328,074)	(546,864)	-	(141,874,938)
Retakaful share of ceded business paid	72,582,046	492,179	-	73,074,225
<b>Net Takaful claims paid</b>	<b>(68,746,028)</b>	<b>(54,685)</b>	<b>-</b>	<b>(68,800,713)</b>
Provision for outstanding claims	37,616,949	-	-	37,616,949
Retakaful share of outstanding claims	(14,678,993)	-	-	(14,678,993)
Change in incurred but not reported claims	(5,040,198)	-	-	(5,040,198)
Change in unallocated loss adjustment expenses reserve	(115,786)	-	-	(115,786)
Changes in the provision for contribution deficiency reserve	(357,206)	-	-	(357,206)
<b>Net claims incurred</b>	<b>(51,321,262)</b>	<b>(54,685)</b>	<b>-</b>	<b>(51,375,947)</b>
Excess of loss of takaful contribution	(1,256,668)	-	-	(1,256,668)
<b>Total Takaful Income</b>	<b>39,964,783</b>	<b>74,240</b>	<b>-</b>	<b>40,039,023</b>
Wakala (fees)/income	(52,248,762)	(52,710)	52,301,472	-
Mudarib's (fee)/income	(8,748)	-	8,748	-
Policy acquisition cost	-	-	(19,219,205)	(19,219,205)
Other underwriting expenses	-	-	(956,962)	(956,962)
General and administrative expenses	-	-	(18,478,441)	(18,478,441)
Investment and other income	815,137	-	1,219,207	2,034,344
<b>(Loss)/profit for the period</b>	<b>(11,477,590)</b>	<b>21,530</b>	<b>14,874,819</b>	<b>3,418,759</b>

**Notes to the condensed consolidated financial statements  
for the six month period ended 30 June 2017 (continued)**

**13. Segment information (continued)**

Six month period ended 30 June 2016 (Unaudited)

	General Takaful AED	Employee benefits AED	Investments AED	Total AED
<b>Attributable to participants</b>				
<b>Takaful income</b>				
Gross contribution written	151,572,955	836,010	-	152,408,965
Retakaful share of accepted business	(165,988)	-	-	(165,988)
Retakaful share of ceded business	(70,893,550)	(558,110)	-	(71,451,660)
<b>Net Takaful contributions</b>	<b>80,513,417</b>	<b>277,900</b>	<b>-</b>	<b>80,791,317</b>
Net transfer to unearned contributions reserve	(17,400,413)	(109,449)	-	(17,509,862)
<b>Net Takaful contributions earned</b>	<b>63,113,004</b>	<b>168,451</b>	<b>-</b>	<b>63,281,455</b>
Discount earned	5,008,920	-	-	5,008,920
Policy fee	474,422	-	-	474,422
<b>Total Takaful Income</b>	<b>68,596,346</b>	<b>168,451</b>	<b>-</b>	<b>68,764,797</b>
<b>Takaful expenses</b>				
Gross claims paid	(70,387,401)	(736)	-	(70,388,137)
Retakaful share of ceded business paid	26,879,093	662	-	26,879,755
<b>Net Takaful claims paid</b>	<b>(43,508,308)</b>	<b>(74)</b>	<b>-</b>	<b>(43,508,382)</b>
Provision for outstanding claims	(25,264,317)	-	-	(25,264,317)
Retakaful share of outstanding claims	23,063,069	-	-	23,063,069
Change in incurred but not reported claims	2,260,033	-	-	2,260,033
Change in unallocated loss adjustment expenses reserve	98,995	-	-	98,995
<b>Net claims incurred</b>	<b>(43,350,528)</b>	<b>(74)</b>	<b>-</b>	<b>(43,350,602)</b>
Excess of loss of takaful contribution	(1,353,073)	-	-	(1,353,073)
<b>Total Takaful Income</b>	<b>23,892,744</b>	<b>168,378</b>	<b>-</b>	<b>24,061,122</b>
Wakala (fees)/income	(25,785,317)	(109,601)	25,894,918	-
Mudarib's (fee)/income	(6,890)	-	6,890	-
Policy acquisition cost	(11,023,419)	(21,416)	-	(11,044,835)
Other underwriting expenses	(675,745)	(4,180)	-	(679,925)
General and administrative expenses	(581,210)	-	(15,372,021)	(15,953,231)
Investment and other income	409,609	-	1,834,972	2,244,581
<b>(Loss)/profit for the period</b>	<b>(13,770,228)</b>	<b>33,181</b>	<b>12,364,759</b>	<b>(1,372,288)</b>

\* 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 six month period ended 30 June 2017 (continued)**

**13. Segment information (continued)**

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

**30 June 2017 (Unaudited)**

	Takaful AED	Investment AED	Total AED
<b>Total assets</b>	<b>419,032,896</b>	<b>153,438,146</b>	<b>572,471,042</b>
<b>Total liabilities</b>	<b>419,060,532</b>	<b>44,016,021</b>	<b>463,076,553</b>

**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

**14. Seasonality of results**

No income of seasonal nature was recorded in the condensed statement of income for the six month periods ended 30 June 2017 and 2016.

**15. 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 six month period ended 30 June 2017 (continued)**

**15. 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		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	30 June 2017 AED	31 December 2016 AED				
<b>Available for sale</b>						
Quoted equity securities	2,383,467	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	6,195,900	6,090,490	Level 3	Discounted cash flow method.	Estimated future cash flow	Higher the net assets value of the investees, higher the fair value
<b>Financial assets at FVTPL</b>						
Quoted equity securities	7,446,536	5,336,473	Level 1	Quoted bid prices in an active market.	None	N/A
Mutual and other funds	6,179,918	-	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 recognised 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 six month period ended 30 June 2017 (continued)**

**16. 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 six 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.

**17. Comparative figures**

- (a) Certain comparative figures have been reclassified to align the presentation of the condensed consolidated financial statements to the requirement of the insurance authority.
- (b) As per Article (3) of Section 7 to the Financial Regulation of Takaful Insurance Companies, the shareholder account should bear all operational, administrative and general expenses for takaful insurance business. Accordingly, effective 1 January 2016, the policy acquisition cost has been classified in the condensed consolidated statement of income as attributable to shareholders.

**18. Approval of condensed consolidated financial statements**

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 9 August 2017.