Dar Al Takaful PJSC
Dubai - United Arab Emirates

Review report and interim financial information
for the six month period ended 30 June 2016

Dar Al Takaful PJSC

Contents

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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 30 June 2016 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.

Emphasis of matter

We draw attention to the fact that the Group has made a net loss of AED 1.4 million for the period and as of 30 June 2016 the Group had accumulated losses of AED 51 million. As per Article 302 of the Federal Law No. (2) of 2015, when a Joint Stock Company sustains losses amounting to one half of the issued share capital, the Board of Directors shall convene an Extra-Ordinary General Meeting and resolve whether the Company shall be maintained or dissolved. Accordingly, the Group held a general assembly meeting on 30 June 2016, at which the shareholders approved to increase the capital by AED 50 million and empowering the Board of Directors to obtain the required approvals from the authorities and the regulators. As of the date of our conclusion the Group is still in the process of the issuing the share capital. Our conclusion is not qualified in respect of the above matter.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
14 August 2016

Condensed consolidated statement of financial position at 30 June 2016

	Notes	30 June 2016 AED Unaudited	31 December 2015 AED Audited
ASSETS			
Takaful operations' assets			
Investment in securities	4	**471,427**	440,344
Deferred policy cost		**11,510,713**	7,442,077
Retakaful assets	5	**89,962,764**	57,286,760
Takaful and other receivables		**140,730,092**	111,745,767
Cash and cash equivalents	6	**8,859,195**	6,996,999
Total takaful operations' assets		**251,534,191**	183,911,947
Shareholders' assets			
Property and equipment		**13,438,017**	14,159,646
Intangible assets		**710,900**	666,371
Investment properties		**51,610,001**	51,610,001
Investment in securities	4	**21,026,163**	13,488,389
Restricted deposit	7	**6,000,000**	6,000,000
Wakala deposits		**13,754,163**	13,622,951
Due from participants		**29,663,712**	20,658,173
Prepayments and other receivables		**10,710,537**	3,677,920
Cash and cash equivalents	6	**5,616,475**	16,496,903
Total shareholders' assets		**152,529,968**	140,380,354
Total assets		**404,064,159**	324,292,301

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

Condensed consolidated statement of financial position at 30 June 2016 (continued)

	Notes	30 June 2016 AED Unaudited	31 December 2015 AED Audited
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations' liabilities			
Deferred discount		6,710,249	3,406,218
Takaful contract liabilities	5	213,058,157	163,030,071
Takaful payables		99,108,423	80,119,733
Due to shareholders		29,663,712	20,658,173
Total takaful operations' liabilities		348,540,541	267,214,195
Takaful operations' deficit			
Qard Hassan against deficit in participants' fund		(96,921,484)	(83,184,437)
Less: Provision against Qard Hassan to participants' fund		96,921,484	83,184,437
Available-for-sale investments reserve		(84,868)	(117,814)
Total deficit from takaful operations		(84,868)	(117,814)
Total takaful operations' liabilities and deficit		348,455,673	267,096,381
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Other liabilities		6,469,040	6,820,765
Total shareholders' liabilities		6,469,040	6,820,765
Shareholders' equity			
Share capital	8	100,000,000	100,000,000
Statutory reserve		540,483	540,483
Accumulated losses		(50,991,428)	(49,619,140)
Available-for-sale investments reserve		(409,609)	(546,188)
Total shareholders' equity		49,139,446	50,375,155
Total shareholders' liabilities and equity		55,608,486	57,195,920
Total takaful operations' liabilities and deficit, shareholders' liabilities and equity		404,064,159	324,292,301

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 2016

	Three month period ended 30 June		Six month period ended 30 June	
	2016	2015	**2016**	2015
	AED	AED	**AED**	AED
Attributable to participants				
Underwriting income				
Gross contribution written	**80,060,770**	50,959,461	**152,408,965**	115,061,283
Movement in unearned contributions	**(18,618,966)**	(2,220,583)	**(37,670,345)**	(21,372,372)
Takaful contributions revenue	**61,441,804**	48,738,878	**114,738,620**	93,688,911
Retakaful share of contributions	**(36,426,529)**	(18,752,745)	**(71,617,648)**	(49,958,007)
Movement in retakaful share of unearned contributions	**8,049,603**	(347,447)	**20,160,483**	13,149,948
Net retakaful share of contributions	**(28,376,926)**	(19,100,192)	**(51,457,165)**	(36,808,059)
Net takaful revenue	**33,064,878**	29,638,686	**63,281,455**	56,880,852
Policy and other fees	**232,467**	237,052	**474,422**	476,517
Discount received on retakaful contributions	**2,535,717**	3,609,727	**5,008,920**	6,768,817
Total underwriting income	**35,833,062**	33,485,465	**68,764,797**	64,126,186
Underwriting expenses				
Claims incurred	**(41,335,183)**	(44,143,310)	**(82,745,878)**	(77,115,351)
Retakaful share of claims incurred	**22,067,737**	18,863,335	**39,395,276**	33,142,908
Net claims incurred	**(19,267,446)**	(25,279,975)	**(43,350,602)**	(43,972,443)
Policy acquisition cost	**(6,139,289)**	(4,946,582)	**(11,044,835)**	(8,876,033)
Excess of loss retakaful	**(728,383)**	(725,336)	**(1,353,073)**	(1,365,535)
Other underwriting expenses	**(359,963)**	(238,245)	**(679,925)**	(524,807)
Total underwriting expenses	**(26,495,081)**	(31,190,138)	**(56,428,435)**	(54,738,818)
Net underwriting income	**9,337,981**	2,295,327	**12,336,362**	9,387,368
Wakala fees	**(14,506,740)**	(12,143,520)	**(25,894,918)**	(22,962,500)
Expenses allocated to participants	**(471,436)**	(563,654)	**(581,210)**	(1,135,992)
Net deficit from takaful operations	**(5,640,195)**	(10,411,847)	**(14,139,766)**	(14,711,124)
Investment and other income	**401,548**	28,517	**409,609**	21,030
Mudarib's fee	**(6,890)**	(2,847)	**(6,890)**	(2,847)
Deficit for the period attributable to participants	**(5,245,537)**	(10,386,177)	**(13,737,047)**	(14,692,941)

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 2016 (continued)

	Three month period ended 30 June		Six month period ended 30 June	
	2016	2015	**2016**	2015
	AED	AED	**AED**	AED
Attributable to Shareholders				
Income				
Wakala fees from participants	**14,506,740**	12,143,520	**25,894,918**	22,962,500
Mudarib's fee	**6,890**	2,847	**6,890**	2,847
Investment income	**912,913**	2,135,972	**1,834,972**	2,355,828
	15,426,543	14,282,339	**27,736,780**	25,321,175
Expense				
General and administrative expenses	**(7,577,642)**	(7,089,786)	**(15,372,021)**	(13,595,919)
Profit for the period before Qard Hassan	**7,848,901**	7,192,553	**12,364,759**	11,725,256
Provision against Qard Hassan to participants	**(5,245,537)**	(10,386,177)	**(13,737,047)**	(14,692,941)
Profit/(loss) for the period attributable to shareholders	**2,603,364**	(3,193,624)	**(1,372,288)**	(2,967,685)
Earnings/(loss) per share (Note 9)	**0.026**	(0.032)	**(0.014)**	(0.03)

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 2016

	Three month period ended 30 June		Six month period ended 30 June	
	2016	2015	**2016**	2015
	AED	AED	**AED**	AED
Attributable to participants				
Loss for the period	**(5,245,537)**	(10,386,177)	**(13,737,047)**	(14,692,941)
Other comprehensive income				
Items that maybe reclassified subsequently to profit or loss				
Unrealised gain on available-for-sale investments	**5,202**	98,838	**32,946**	190,741
Other comprehensive income for the period	**5,202**	98,838	**32,946**	190,741
Total comprehensive loss for the period attributable to participants	**(5,240,335)**	(10,287,339)	**(13,704,101)**	(14,502,200)
Attributable to Shareholders				
Profit/(loss) for the period	**2,603,364**	(3,193,624)	**(1,372,288)**	(2,967,685)
Other comprehensive income				
Items that maybe reclassified subsequently to profit or loss				
Unrealised gain on available-for-sale investments	**1,217**	1,027,095	**136,579**	1,535,728
Reclassification adjustments relating to available for sale financial assets disposed of in the period	**-**	(182,558)	**-**	(182,558)
Other comprehensive income for the period	**1,217**	844,537	**136,579**	1,353,170
Total comprehensive income/(loss) for the period attributable to shareholders	**2,604,581**	(2,349,087)	**(1,235,709)**	(1,614,515)

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 2016

	Share capital AED	Statutory reserve AED	Accumulated losses AED	Available-for-sale investments reserve AED	Total AED
Balance at 31 December 2014 (Audited)	100,000,000	540,483	(42,477,530)	(1,619,155)	56,443,798
Loss for the period	-	-	(2,967,685)	-	(2,967,685)
Other comprehensive income for the period	-	-	-	1,353,170	1,353,170
Total comprehensive loss for the period	-	-	(2,967,685)	1,353,170	(1,614,515)
Balance at 30 June 2015 (Unaudited)	**100,000,000**	**540,483**	**(45,445,215)**	**(265,985)**	**54,829,283**
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)
Balance at 30 June 2016 (Unaudited)	**100,000,000**	**540,483**	**(50,991,428)**	**(409,609)**	**49,139,446**

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 2016

	Six month period ended 30 June	
	2016	2015
	AED	AED
Cash flows from operating activities		
Loss for the period	**(1,372,288)**	(2,967,685)
Adjustments for:		
Depreciation of property and equipment	**958,583**	829,611
Amortisation of intangible assets	**151,891**	102,819
Changes in the fair value of financial assets carried at FVTPL	**107,769**	63,715
Realised gain on available-for-sale investments	**-**	(919,345)
Realised gain on sale of financial assets carried at FVTPL	**(56,130)**	(52,648)
Income from wakala deposits	**(171,478)**	(105,750)
Rental income	**(1,623,131)**	(1,024,518)
Provision for doubtful debt	**651,499**	117,060
Provision against Qard hassan to participants' fund	**13,737,047**	14,692,941
Provision for employees' end of service benefits	**179,418**	190,213
Operating cash flows before changes in operating assets and liabilities	**12,563,180**	10,926,413
Increase in takaful and other receivables	**(29,635,824)**	(32,404,650)
Increase in retakaful assets	**(32,676,004)**	(15,052,980)
(Increase)/decrease in prepayments and other receivables	**(7,032,617)**	1,256,281
Increase in takaful contract liabilities	**50,028,086**	34,519,843
Increase in takaful payables	**18,988,690**	18,629,720
Decrease in other liabilities	**(405,230)**	(1,404,830)
Increase in deferred policy cost	**(4,068,636)**	(1,446,638)
Increase in deferred discount	**3,304,031**	2,349,494
Qard hassan to participants' fund	**(13,737,047)**	(14,692,941)
Cash (used in)/generated from operations	**(2,671,371)**	2,679,712
Employee's end of service benefits paid	**(125,913)**	(17,586)
Net cash (used in)/generated from operating activities	**(2,797,284)**	2,662,126
Cash flows from investing activities		
Purchase of property and equipment	**(310,429)**	(482,680)
Purchase of intangible assets	**(122,945)**	(128,088)
Addtions of investment in securities	**(7,450,971)**	(15,195,115)
Proceeds from sale of investment securities	**-**	12,866,975
Income received on wakala deposits	**171,478**	105,750
Rental income received	**1,623,131**	1,024,518
(Increase)/decrease in wakala deposits	**(131,212)**	2,944,924
Net cash (used in)/generated from investing activities	**(6,220,948)**	1,136,284
Net (decrease)/increase in cash and cash equivalents	**(9,018,232)**	3,798,410
Cash and cash equivalents at the beginning of the period	**23,493,902**	9,559,037
Cash and cash equivalents at the end of the period (Note 6)	**14,475,670**	13,357,447

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 2016

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 30 June 2016, the Company had the following subsidiary:

Name of Subsidiary	**Proportion of ownership interest**		**Country of incorporation**	**Principal activities**
	30 June 2016	31 December 2015		
Ararat Auto Repairing Workshop LLC	**100%**	100%	UAE	Auto mechanical repairing workshop

The Group has made a net loss of AED 1.4 million for this period and as of 30 June 2016 the Group had accumulated losses of AED 51 million. As per Article 302 of the Federal Law No. (2) of 2015, when a Joint Stock Company sustains losses amounting to one half of the issued share capital, the Board of Directors shall convene an Extra-Ordinary General Meeting and resolve whether the Company shall be maintained or dissolved. Accordingly, the Group held a general assembly meeting on 30 June 2016, at which the shareholders approved to increase the capital by AED 50 million and empowering the Board of Directors to obtain the required approvals from the authorities and the regulators. As of the date of our conclusion the Group is still in the process of the issuing the share capital.

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 IFRSs, which became effective for annual periods beginning on or after 1 January 2016, have been adopted in these condensed consolidated financial statements. The application of these revised IFRS 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.

- IFRS 14 *Regulatory Deferral Accounts.*
- Amendments to IFRS 11 *Joint arrangements* relating to accounting for acquisitions of interests in joint operations.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets* relating to clarification of acceptable methods of depreciation and amortization.
- Amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* relating to bearer plants.

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2016 (continued)

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

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

- Amendments to IAS 27 *Separate Financial Statements* relating to accounting investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.
- Annual Improvements to IFRSs 2012 - 2014 Cycle covering amendments to IFRS 5, IFRS 7 and IAS 9 and IAS 34.
- Amendments to IAS 1 *Presentation of Financial Statements* relating to disclosure initiative.
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 28 *Investment in Associates and Joint Ventures* relating to applying the consolidation exception for investment entities.

2.2 New and revised IFRS in issue but not yet effective

The Group has not yet applied the following new and revised IFRS that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 7 *Statement of cash flow* clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.	1 January 2017
Amendments to IAS 12 *Income taxes* relating to recognition of deferred tax assets for unrealised losses	1 January 2017
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
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.	

Notes to the condensed consolidated financial statements for the six month period ended 30 June 2016 (continued)

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014) (continued) 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. • **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
Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 15 *Revenue from Contracts with Customers* provides a single, principles based five-step model to be applied to all contracts with customers. Amends IFRS 15 *Revenue from Contracts with Customers* clarify three aspects of the standard and to provide some transition relief for modified contracts and completed contracts.	1 January 2018
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 and investor to its associate or joint venture.	Effective date deferred indefinitely

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 2 *Share-based Payment* to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.	1 January 2018

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

The application of the finalised version of IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's condensed consolidated financial statements in respect of Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of effects of the application 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 UAE Federal Law No. 2 of 2015 ("Companies Law") has come into force on 1 July 2015. The Company has twenty four months from the effective date of the Companies Law to comply with its provisions (the "transitional provisions") and the Company has availed of these transitional provisions.

The Group is in the process of implementing the related requirements to comply fully with the Financial Regulations and Circular No. (4) and (9) of 2016 concerning the report requirements for insurance companies operating in the UAE. This mainly include preparation of the financial statements and disclosures based on Appendix (1) of the Financial Regulations.

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 2015.

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 2015. In addition, results for the six month period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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 2015.

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 2015 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 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 2016 (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 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 equivalent

Cash and cash equivalent 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.

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 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 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 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 2016 (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:

		30 June 2016 AED Unaudited	31 December 2015 AED Audited
Quoted equity securities in U.A.E.		**2,366,773**	2,197,249
Quoted debt securities in U.A.E.		**6,134,248**	3,680,683
Unquoted equity securities in U.A.E.		**3,890,000**	3,890,000
Unquoted debt securities in U.A.E.		**4,085,240**	4,029,110
	(A)	**16,476,261**	13,797,042

Available-for-sale investments with fair value of AED 3.08 million (31 December 2015: AED 3.03 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:

	30 June 2016 AED Unaudited	31 December 2015 AED Audited
Quoted equity securities in U.A.E.	**1,346,329**	131,691
(B)	**1,346,329**	131,691

Notes to the condensed consolidated financial statements for the six month period ended 30 June 2016 (continued)

4. Investment in securities (continued)

4.3 Held to maturity

Financial assets held to maturity comprises the following:

		30 June 2016 AED Unaudited	31 December 2015 AED Audited
Unquoted debt securities in U.A.E.		**3,675,000**	-
(C)		**3,675,000**	-
Attributable to:			
Participants		**471,427**	440,344
Shareholders		**21,026,163**	13,488,389
	(A + B + C)	**21,497,590**	13,928,733

5. Takaful contract liabilities and retakaful assets

	30 June 2016 AED Unaudited	31 December 2015 AED Audited
Gross		
Takaful contract liabilities:		
Unearned contribution	**127,550,969**	89,880,624
Claims reported unsettled	**69,745,922**	44,481,605
Claims incurred but not reported	**15,371,339**	28,178,920
Unallocated loss adjustment expenses	**389,927**	488,922
Total takaful contract liabilities, gross	**213,058,157**	163,030,071
Recoverable from retakaful		
Retakaful contract assets:		
Unearned contribution	**52,958,257**	32,797,774
Claims reported unsettled	**29,125,664**	6,062,595
Claims incurred but not reported	**7,878,843**	18,426,391
Total retakaful share of takaful liabilities	**89,962,764**	57,286,760
Net		
Unearned contribution	**74,592,712**	57,082,850
Claims reported unsettled	**40,620,258**	38,419,010
Claims incurred but not reported	**7,492,496**	9,752,529
Unallocated loss adjustment expenses	**389,927**	488,922
	123,095,393	105,743,311

Notes to the condensed consolidated financial statements for the six month period ended 30 June 2016 (continued)

6. Cash and cash equivalents

	30 June 2016 AED Unaudited	31 December 2015 AED Audited
Cash on hand	**16,057**	51,482
Bank balances:		
Current accounts	**11,317,745**	14,119,714
Call accounts	**3,141,868**	9,322,706
	14,475,670	23,493,902
Attributable to:		
Participants	**8,859,195**	6,996,999
Shareholders	**5,616,475**	16,496,903
	14,475,670	23,493,902

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, the issued and fully paid share capital comprised 100,000,000 shares of AED 1 each (31 December 2015: 100,000,000 shares of AED 1 each).

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**	
	2016 Unaudited	2015 Unaudited	**2016 Unaudited**	2015 Unaudited
Profit/(loss) for the period attributable to shareholders (in AED)	**2,603,364**	(3,193,624)	**(1,372,288)**	(2,967,685)
Weighted average numbers of ordinary shares outstanding during the period	**100,000,000**	100,000,000	**100,000,000**	100,000,000
Basic and diluted earnings/(loss) per share (in AED)	**0.026**	(0.032)	**(0.014)**	(0.03)

Diluted earnings per share as of 30 June 2016 and 30 June 2015 are equivalent to basic earnings per share as the Group did not issue any new instrument that would impact earnings per share when executed.

Notes to the condensed consolidated financial statements
for the six month period ended 30 June 2016 (continued)

10. Commitments and guarantees

Commitments

The Group has the following commitments at the reporting date:

	30 June 2016 AED Unaudited	31 December 2015 AED Audited
Software development	-	11,928
	=========	=========

Guarantees

As at 30 June 2016, the Group has outstanding bank guarantees amounting AED 347,020 (31 December 2015: AED 341,020).

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:

	30 June 2016 AED Unaudited	31 December 2015 AED Audited
Takaful and other receivables		
Shareholders	**1,705,574**	11,194
	=========	=========
Takaful and other payables		
Shareholders	**75,000**	10,255
	=========	=========

Notes to the condensed consolidated financial statements for the six month period ended 30 June 2016 (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 30 June		Six month period ended 30 June	
	2016 Unaudited AED	2015 Unaudited AED	**2016 Unaudited AED**	2015 Unaudited AED
Contributions earned				
Shareholder	**14,733**	141,651	**28,655**	172,521
Others	**45,237**	133,386	**78,426**	266,772
	59,970	275,037	**107,081**	439,293
Management charges paid				
Shareholder	**112,500**	107,500	**225,000**	205,000
Others	**-**	347,427	**-**	347,427

c) Compensation of key management personnel

	Three month period ended 30 June		Six month period ended 30 June	
	2016 Unaudited AED	2015 Unaudited AED	**2016 Unaudited AED**	2015 Unaudited AED
Short-term benefits	**1,157,762**	1,156,916	**2,317,277**	2,295,832
Employees' end of service benefits	**62,345**	61,106	**123,451**	121,747
	1,220,107	1,218,022	**2,440,728**	2,417,579

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 six month period ended 30 June 2016 (continued)

12. Segment information (continued)

Six month period ended 30 June 2016 (Unaudited)

	Takaful AED	Investment AED	Total AED
Gross contributions written	152,408,965	-	152,408,965
Movement in unearned contributions	(37,670,345)	-	(37,670,345)
Takaful contributions revenue	114,738,620	-	114,738,620
Net retakaful share of contributions	(51,457,165)	-	(51,457,165)
Net takaful revenue	63,281,455	-	63,281,455
Claims (net of retakaful share)	(43,350,602)	-	(43,350,602)
Net underwriting expenses	(7,594,491)	-	(7,594,491)
Net underwriting income	12,336,362		12,336,362
General and administrative expenses	(581,210)	(15,372,021)	(15,953,231)
Wakala (fee)/income	(25,894,918)	25,894,918	-
Mudarib (fee)/income	(6,890)	6,890	-
Investment and other income	409,609	1,834,972	2,244,581
(Loss)/profit for the period	(13,737,047)	12,364,759	(1,372,288)
Other comprehensive income	32,946	136,579	169,525
Total comprehensive (loss)/income for the period	(13,704,101)	12,501,338	(1,202,763)

Six month period ended 30 June 2015 (Unaudited)

	Takaful AED	Investment AED	Total AED
Gross contributions written	115,061,283	-	115,061,283
Movement in unearned contributions	(21,372,372)	-	(21,372,372)
Takaful contributions revenue	93,688,911	-	93,688,911
Net retakaful share of contributions	(36,808,059)	-	(36,808,059)
Net takaful revenue	56,880,852	-	56,880,852
Claims (net of retakaful share)	(43,972,443)	-	(43,972,443)
Net underwriting expenses	(3,521,041)	-	(3,521,041)
Net underwriting income	9,387,368	-	9,387,368
General and administrative expenses	(1,135,992)	(13,595,919)	(14,731,911)
Wakala (fees)/income	(22,962,500)	22,962,500	-
Mudarib (fee)/income	(2,847)	2,847	-
Investment income	21,030	2,355,828	2,376,858
(Loss)/profit for the period	(14,692,941)	11,725,256	(2,967,685)
Other comprehensive income	190,741	1,353,170	1,543,911
Total comprehensive (loss)/income for the period	(14,502,200)	13,078,426	(1,423,774)

12. Segment information (continued)

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

30 June 2016 (Unaudited)

	Takaful AED	Investment AED	Total AED
Total assets	**251,534,191**	**152,529,968**	**404,064,159**
Total liabilities	**348,540,541**	**6,469,040**	**355,009,581**

31 December 2015 (Audited)

	Takaful AED	Investment AED	Total AED
Total assets	183,911,947	140,380,354	324,292,301
Total liabilities	267,214,195	6,820,765	274,034,960

13. Seasonality of results

No income of seasonal nature was recorded in the condensed statement of income for the six month period ended 30 June 2016 and 2015.

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 2015.

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:

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 30 June 2016 AED	31 December 2015 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	**2,366,773**	2,197,249	Level 1	Quoted bid prices in an active market.	None	N/A
Quoted debt securities	**6,134,248**	3,680,683	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	**3,890,000**	3,890,000	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	**4,085,240**	4,029,110	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	**1,346,329**	131,691	Level 1	Quoted bid prices in an active market.	None	N/A

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).

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 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.

16. Approval of condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 14 August 2016.