Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)
Dubai - United Arab Emirates

Review report and interim financial information for the period from 1 January 2016 to 30 September 2016

Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)

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Report on Review of Interim Financial Information

The Board of Directors
Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)
Dubai
United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)** (the "Company") **and its Subsidiaries** (collectively the "Group") as of 30 September 2016 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from 1 January 2016 to 30 September 2016. Management of the Group 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.

Report on Review of Interim Financial Information (continued)

Emphasis of matters

1) We draw attention to Note 18(b) to the interim financial information, which describes the uncertainty related to the outcome of exceptional litigation matters.

2) We draw attention to Note 20 to the interim financial information which explains that the Company entered into an agreement with the former Chief Executive Officer (CEO) on 9 July 2013 for the payment for and/or transfer of certain assets and investments that were held by him on trust and for the benefit of the Group. As of the date of this report, assets with a total carrying value of AED 13.5 million (31 December 2015: AED 13.7 million) which are still in his name or owing from him, have not been yet transferred or paid to the Group.

Our conclusion is not qualified in respect of the above matters.

Deloitte & Touche (M.E.)

Musa Ramahi
Registration Number 872

Condensed consolidated statement of financial position as at 30 September 2016

	Note	30 September 2016 AED (Un-audited)	31 December 2015 AED (Audited)
ASSETS			
Cash and cash equivalents	4	**37,690,752**	31,217,405
Investment deposits		**35,000,000**	35,000,000
Retakaful contract assets	5	**227,438,370**	227,805,673
Takaful receivables		**95,410,208**	92,853,387
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	6	**96,169,210**	88,675,112
Other financial assets measured at fair value through profit and loss (FVTPL)	6	**622,331,548**	573,082,036
Prepayments and other receivables		**20,452,011**	19,272,935
Due from related parties	15	**312,025**	5,355,039
Investment property	7	**70,000,000**	70,000,000
Furniture and equipment		**4,345,712**	4,260,283
Total Assets		**1,209,149,836**	1,147,521,870
LIABILITIES, POLICY HOLDERS' FUND AND EQUITY			
Liabilities			
Due to Bank		**19,569,275**	20,001,125
Trade and other payables		**77,598,547**	88,308,495
Takaful and Retakaful payables		**69,412,788**	57,730,041
Due to a related party	15	**-**	1,259,677
Takaful contract liabilities	5	**938,495,828**	875,438,945
Murabaha and Ijara payables		**11,068,795**	14,295,181
Amounts held under Retakaful treaties		**3,497,147**	3,888,905
Total Liabilities		**1,119,642,380**	1,060,922,369
Policyholders' Fund			
Deficit in policyholders' fund		**(183,438,784)**	(161,805,510)
Qard Hassan from shareholders		**183,438,784**	161,805,510
Policyholders' investments revaluation reserve	8	**(45,978,558)**	(48,583,895)
Total deficit in Policyholders' Fund		**(45,978,558)**	(48,583,895)
Total Policyholders' Fund and Liabilities		**1,073,663,822**	1,012,338,474
Equity			
Share capital	9	**225,750,000**	225,750,000
Legal reserve	10	**18,950,175**	18,950,175
General reserve	11	**18,950,175**	18,950,175
Investments revaluation reserve - FVTOCI		**(47,942,306)**	(50,371,164)
Accumulated losses		**(79,925,220)**	(69,654,460)
Equity attributable to shareholders of the Parent		**135,782,824**	143,624,726
Non-controlling interest	21	**(296,810)**	(8,441,330)
Total Equity		**135,486,014**	135,183,396
Total Liabilities, Policyholders' Fund and Equity		**1,209,149,836**	1,147,521,870

Abdul Nazar Moopentakath
Director – Finance & Investments

Jihad Faitrouni
Chief Executive Officer

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

Condensed consolidated income statement (Un-audited)
for the period from 1 January 2016 to 30 September 2016

	Note	Nine months period ended 30 September 2016 AED	Nine months period ended 30 September 2015 AED	Three months period ended 30 September 2016 AED	Three months period ended 30 September 2015 AED
Attributable to policyholders:					
Takaful income					
Takaful contributions		**267,224,958**	253,851,504	**100,992,164**	89,972,051
Retakaful contributions ceded		**(158,933,951)**	(129,876,152)	**(64,564,979)**	(49,972,677)
Net Takaful contributions		**108,291,007**	123,975,352	**36,427,185**	39,999,374
Commission received on ceded retakaful		**12,631,172**	11,192,994	**3,622,113**	3,434,223
Policy and survey fees		**15,787,626**	11,011,658	**6,617,136**	2,907,720
		136,709,805	146,180,004	**46,666,434**	46,341,317
Takaful expenses					
Gross claims incurred		**(144,120,024)**	(143,588,083)	**(27,045,915)**	(46,110,058)
Retakaful share of claims		**64,013,118**	60,338,152	**5,725,666**	25,084,530
Net claims incurred		**(80,106,906)**	(83,249,931)	**(21,320,249)**	(21,025,528)
Commissions paid		**(22,468,786)**	(19,294,859)	**(6,682,171)**	(7,426,570)
Excess of loss of Takaful contributions		**(5,876,131)**	(7,269,768)	**(2,230,848)**	(1,337,586)
		(108,451,823)	(109,814,558)	**(30,233,268)**	(29,789,684)
Net Takaful income		**28,257,982**	36,365,446	**16,433,166**	16,551,633
Wakala fees	12	**(51,628,302)**	(58,108,457)	**(12,430,155)**	(14,424,017)
Net loss from Takaful operations		**(23,370,320)**	(21,743,011)	**4,003,011**	2,127,616
Investment income/(loss)	13	**2,316,062**	(79,098)	**497,190**	(704,465)
Mudarib's share	12	**(579,016)**	-	**(124,298)**	156,342
(Loss)/profit for the period		**(21,633,274)**	(21,822,109)	**4,375,903**	1,579,493
Attributable to shareholders					
Income					
Investment income/(loss)	13	**2,547,374**	(273,349)	**558,207**	(3,084,564)
Wakala fees from policyholders	12	**51,628,302**	58,108,457	**12,430,155**	14,424,017
Mudarib's share from policyholders	12	**579,016**	-	**124,298**	(156,342)
Other income		**9,090,582**	10,064,043	**(967,174)**	(988,930)
		63,845,274	67,899,151	**12,145,486**	10,194,181
Expenses					
General and administrative expenses		**(45,488,831)**	(40,159,801)	**(15,687,424)**	(12,909,767)
Contribution of Qard Hasan to policyholders' fund		**(21,633,274)**	(21,822,109)	**4,375,904**	1,579,493
(Loss)/profit for the period		**(3,276,831)**	5,917,241	**833,966**	(1,136,093)
Attributable to:					
Shareholders of the parent		**(2,976,760)**	5,166,905	**847,323**	(1,408,006)
Non-controlling interest		**(300,071)**	750,336	**(13,357)**	271,913
		(3,276,831)	5,917,241	**833,966**	(1,136,093)
(Loss)/earnings per share	14	**(0.013)**	0.023	**0.004**	(0.006)

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

Condensed consolidated statement of comprehensive income (Un-audited) for the period from 1 January 2016 to 30 September 2016

	Nine months period ended 30 September		Three months period ended 30 September	
	2016	2015	**2016**	2015
	AED	AED	**AED**	AED
Attributable to Policyholders:				
(Loss)/profit for the period	**(21,633,274)**	(21,822,109)	**4,375,903**	1,579,493
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to profit or loss:				
Changes in fair value of financial assets carried at fair value through other comprehensive income	**2,605,337**	(1,147,555)	**2,116,403**	(567,793)
Other comprehensive income/(loss) for the period	**2,605,337**	(1,147,555)	**2,116,403**	(567,793)
Total (loss)/profit for the period attributable to policyholders	**(19,027,937)**	(22,969,664)	**6,492,306**	1,011,700
Attributable to Shareholders:				
(Loss)/profit for the period	**(3,276,831)**	5,917,241	**833,966**	(1,136,093)
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to profit or loss:				
Changes in fair value of financial assets carried at fair value through other comprehensive income	**2,428,858**	(5,065,390)	**2,206,795**	(7,624,506)
Other comprehensive income/(loss) for the period	**2,428,858**	(5,065,390)	**2,206,795**	(7,624,506)
Total comprehensive (loss)/income for the period	**(847,973)**	851,851	**3,040,761**	(8,760,599)
Attributable to:				
Shareholders of the parent	**(547,902)**	101,515	**3,054,118**	(9,032,512)
Non-controlling interest	**(300,071)**	750,336	**(13,357)**	271,913
	(847,973)	851,851	**3,040,761**	(8,760,599)

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

Dubai Islamic Insurance & Reinsurance Co. (Aman) (PSC)

Condensed consolidated statement of changes in equity for the period from 1 January 2016 to 30 September 2016

	Share capital AED	Legal reserve AED	General reserve AED	Investments revaluation reserve - FVTOCI AED	Accumulated losses AED	Equity attributable to shareholders of the Parent AED	Non-controlling interest AED	Total AED
Balance at 1 January 2015 (Audited)	**225,750,000**	**18,729,615**	**18,729,615**	**(59,637,987)**	**(69,926,025)**	**133,645,218**	**(8,778,953)**	**124,866,265**
Profit for the period	-	-	-	-	5,166,905	5,166,905	750,336	5,917,241
Other comprehensive loss for the period	-	-	-	(5,065,390)	-	(5,065,390)	-	(5,065,390)
Total other comprehensive income for the period	-	-	-	(5,065,390)	5,166,905	101,515	750,336	851,851
Balance at 30 September 2015 (Un-audited)	**225,750,000**	**18,729,615**	**18,729,615**	**(64,703,377)**	**(64,759,120)**	**133,746,733**	**(8,028,617)**	**125,718,116**
Balance at 1 January 2016 (Audited)	**225,750,000**	**18,950,175**	**18,950,175**	**(50,371,164)**	**(69,654,460)**	**143,624,726**	**(8,441,330)**	**135,183,396**
Loss for the period	-	-	-	-	(2,976,760)	(2,976,760)	(300,071)	(3,276,831)
Other comprehensive income for the period	-	-	-	2,428,858	-	2,428,858	-	2,428,858
Total other comprehensive loss for the period	-	-	-	2,428,858	(2,976,760)	(547,902)	(300,071)	(847,973)
Introduction of new share capital in non-controlling interest	-	-	-	-	-	-	353,000	353,000
Net change in non-controlling interest due to change in ownership percentage	-	-	-	-	(7,294,000)	(7,294,000)	8,091,591	797,591
Balance at 30 September 2016 (Un-audited)	**225,750,000**	**18,950,175**	**18,950,175**	**(47,942,306)**	**(79,925,220)**	**135,782,824**	**(296,810)**	**135,486,014**

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

Condensed consolidated statement of cash flows (Un-audited)
for the period from 1 January 2016 to 30 September 2016

	Nine months period ended 30 September 2016 (Un-audited) AED	2015 (Un-audited) AED
Cash flows from operating activities		
(Loss)/profit for the period	(3,276,831)	5,917,241
Adjustments for:		
Depreciation of furniture and equipment	1,168,374	1,039,037
Gain/(loss) on investments measured at FVTPL, net	(1,770,829)	3,216,071
Provision for employees' end of service benefits	401,376	1,113,279
Dividend income	(2,458,065)	(2,084,675)
Profit income	(157,310)	(331,287)
Changes in operating assets and liabilities:	(6,093,285)	8,869,666
Decrease/(increase) in retakaful contract assets	367,303	(19,905,614)
Increase in takaful receivables	(2,556,821)	(36,451,238)
Increase in prepayments and other receivables	(1,179,076)	(8,293,164)
Increase in takaful contract liabilities	63,056,883	102,055,446
(Increase)/decrease in amounts held under retakaful treaties	(391,758)	17,866
Increase in Takaful and retakaful payables	11,682,747	8,596,148
(Decrease)/increase in trade and other payables	(9,942,209)	14,372,348
Decrease in due to related parties	(1,259,677)	-
Decrease/(increase) in due from related parties	5,043,014	(1,170,359)
Cash generated from operations	58,727,120	68,091,099
Employees' end of service benefits paid	(18,524)	(468,479)
Net cash from operating activities	58,708,596	67,622,620
Cash flows from investing activities		
Purchase of furniture and equipment	(1,253,803)	(1,369,907)
Purchase of other financial assets measured at FVTOCI	(2,459,903)	-
Purchase of other financial assets measured at FVTPL	(3,195,317)	(6,845,114)
Proceeds from sale of other financial assets measured at FVTPL	5,160,033	6,717,537
Proceeds from sale of other financial assets measured at FVTOCI	-	25,166
Net increase in unit linked investments	(49,443,399)	(70,696,137)
Dividend income received	2,458,065	2,084,675
Profit income received	157,310	331,287
Net cash used in investing activities	(48,577,013)	(69,752,493)
Cash flows from financing activities		
Repayment of Ijara payable	(3,226,386)	(2,411,693)
Decrease in due to a bank	(431,850)	(42,278)
Net cash used in financing activities	(3,658,236)	(2,453,971)
Net increase/(decrease) in cash and cash equivalents	6,473,347	(4,583,844)
Cash and cash equivalents at the beginning of the period	31,217,405	34,531,926
Cash and cash equivalents at the end of the period (Note 4)	37,690,752	29,948,082
<u>Non-cash transactions:</u>		
Introduction of new share capital in non-controlling interest	353,000	-
Write off of loan from shareholder	797,591	-

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

Notes to the condensed consolidated financial statements for the period from 1 January 2016 to 30 September 2016

1. General information

Dubai Islamic Insurance & Reinsurance Company (Aman) (PSC) (the "Company") is registered as a public shareholding Company in Dubai, United Arab Emirates. The Company carries out general Takaful (insurance) business in accordance with the teachings of Islamic Sharia'a. The Company is also licensed to engage in retakaful and life Takaful business. The registered address of the Company is P.O. Box 157, Dubai, United Arab Emirates.

The Company obtained its commercial license on 12 March 2003 and commenced operations on 8 April 2003.

The Company mainly issues short term Takaful contracts in connection with motor, marine, fire and engineering, general accident risks and Company life and medical risks (collectively known as general Takaful). The Company also invests in investment securities and properties.

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

The Company with its subsidiaries are together referred to as the "Group" in these condensed consolidated financial statements. At 30 September 2016, the Company had the following subsidiaries:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership profit %	Proportion of voting power held %	Principal activity
Nawat Investments L.L.C.	United Arab Emirates	100.00	100.00	Investment in commercial, industrial and agricultural enterprises and management
Technik Auto Service Centre Co. L.L.C	United Arab Emirates	100.00	100.00	Vehicles' repair services
Amity Health L.L.C.	United Arab Emirates	90.00	90.00	Medical billing services

The Chairman of the Group holds 1% of Nawat Investments L.L.C and 1% of Technik Auto Service Centre Co. L.L.C on behalf and for the benefit of the Group.

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 interest 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.

Notes to the condensed consolidated financial statements for the period from 1 January 2016 to 30 September 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 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* relating to bearer plants.
- 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 IFRS	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 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
Finalised version of IFRS 9 [IFRS 9 Financial Instruments (2014)] was issued in July 2014 incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition. This amends classification and measurement requirement of financial assets and introduces new expected loss impairment model.	1 January 2018
A new measurement category of fair value through other comprehensive income (FVTOCI) will apply for debt instruments held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets.	
A new impairment model based on expected credit losses will apply to debt instruments measured at amortised costs or FVTOCI, lease receivables, contract assets and certain written loan commitments and financial guarantee contract.	

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

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

New and revised IFRS	Effective for annual periods beginning on or after
IFRS 15 *Revenue from Contracts with Customers* provides a single, principles based five-step model to be applied to all contracts with customers.	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

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, IFRS 15 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 the finalised version of IFRS 9, IFRS 15 and IFRS 16 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

The condensed consolidated financial statements of the Group is prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, issued by the International Accounting Standard Board and also complies with the applicable requirements of the laws in the U.A.E.

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 includes preparation of the financial statements and disclosures based on Appendix (1) of the Financial Regulations and calculation of disclosures in respect of the technical provisions. The current technical provisions calculations are based on the management estimates.

The accounting policies applied in the preparation of the condensed consolidated financial statements are consistent with those applied in the preparation of the audited annual financial statements for the year ended 31 December 2015.

The condensed consolidated financial statements do not include all the information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's consolidated financial statements as of 31 December 2015. In addition, results for the nine months ended 30 September 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

3. Summary of significant accounting policies (continued)

Basis of preparation (continued)

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.

Significant judgments and key sources of estimation uncertainty

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

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

Financial risk management

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

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.

Financial instruments

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification of financial assets (continued)

Debt instruments, including receivables related to Takaful contracts, are measured at amortised cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Amortised cost and effective profit method

The effective profit method is a method of calculating the amortised cost of a debt instrument and of allocating profit income over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective profit basis for debt instruments (other than those financial assets designated as FVTPL) are measured subsequently at amortised cost. Profit income is recognised in the consolidated income statement.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, in banks and deposits in banks with original maturity not more than three months from the date of placement.

Takaful, Retakaful and other receivables

Takaful, Retakaful and other receivables that have fixed or determinable payments are measured at amortised cost using the effective profit rate method, less any impairment.

Financial assets at fair value through other comprehensive income (FVTOCI)

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking.

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through other comprehensive income (FVTOCI) (continued)

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not transferred to consolidated income statement, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in the consolidated income statement when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition (as described above).

Debt instruments that do not meet the amortised cost criteria (as described above) are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognised in the consolidated income statement. The net gain or loss recognised in the consolidated income statement is included in the 'net investment income' line item in the consolidated income statement. Fair value is determined in the manner described in Note 19 to the consolidated financial statements.

Profit income on debt instruments as at FVTPL is included in the net gain or loss described above and is included in the 'net investment income' line item.

Dividend income on investments in equity instruments at FVTPL is recognised in the consolidated income statement when the Group's right to receive the dividends is established in accordance with IAS 18 *Revenue* and is included in the net gain or loss described above.

Notes to the condensed consolidated financial statements for the period from 1 January 2016 to 30 September 2016 (continued)

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Foreign exchange gains and losses

The fair value of financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The foreign exchange component forms part of its fair value gain or loss. Therefore,

- for financial assets that are classified as at FVTPL, the foreign exchange component is recognised in the consolidated income statement; and
- for financial assets that are designated as at FVTOCI, any foreign exchange component is recognised in other comprehensive income.

For foreign currency denominated debt instruments measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the financial assets and are recognised in the consolidated income statement.

Impairment of financial assets

Financial assets that are measured at amortised cost are assessed for 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 assets, the estimated future cash flows of the asset have been affected.

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
- the disappearance of an active market for that financial asset because of financial difficulties.

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 reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective profit rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement.

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 the consolidated income statement to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the condensed consolidated financial statements
for the period from 1 January 2016 to 30 September 2016 (continued)

3. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

De-recognition 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 and also recognises a collateralised financing for the proceeds received.

On de-recognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in the consolidated income statement.

On de-recognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to the consolidated income statement, but is reclassified to retained earnings.

Furniture and equipment

Furniture and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement when incurred.

Depreciation is charged so as to write off the cost, over their estimated useful lives, using the straight-line method, as follows:

Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	4 years

The gain or loss arising on the disposal or retirement of an item of furniture and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in consolidated income statement.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the investment property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the period in which the investment property is derecognised.

Notes to the condensed consolidated financial statements
for the period from 1 January 2016 to 30 September 2016 (continued)

4. Cash and cash equivalents

	30 September 2016 AED (Un-audited)	31 December 2015 AED (Audited)
Cash on hand	**2,735,726**	167,615
Bank balances in current accounts	**34,955,026**	31,049,790
	37,690,752	31,217,405

For cash flow purposes, the cash and cash equivalents was analysed as follows:

	30 September 2016 AED (Un-audited)	30 September 2015 AED (Un-audited)
Cash and cash equivalents	**37,690,752**	29,948,082

5. Retakaful contract assets and Takaful contract liabilities

	Contract Liabilities		Contract Assets		Net	
	30 September 2016 AED (Un-audited)	31 December 2015 AED (Audited)	30 September 2016 AED (Un-audited)	31 December 2015 AED (Audited)	30 September 2016 AED (Un-audited)	31 December 2015 AED (Audited)
Unearned contributions	**142,520,948**	144,372,372	**88,753,502**	90,134,695	**53,767,446**	54,237,677
Additional reserve	**33,809,557**	20,275,984	**-**	-	**33,809,557**	20,275,984
Outstanding claims	**155,939,688**	154,008,353	**138,684,868**	137,670,978	**17,254,820**	16,337,375
Unit linked liabilities	**606,225,635**	556,782,236	**-**	-	**606,225,635**	556,782,236
	938,495,828	875,438,945	**227,438,370**	227,805,673	**711,057,458**	647,633,272

Notes to the condensed consolidated financial statements
for the period from 1 January 2016 to 30 September 2016 (continued)

6. Other financial assets measured at fair value

	30 September 2016 AED (Un-audited)	31 December 2015 AED (Audited)
Financial assets measured at fair value through other comprehensive income (FVTOCI) (A)		
- Listed	**60,411,198**	52,917,040
- Unlisted	**35,758,012**	35,758,072
	96,169,210	88,675,112
Financial assets measured at fair value through profit and loss (FVTPL) (B)		
- Listed	**16,105,913**	16,299,800
- Unit linked investments	**606,225,635**	556,782,236
	622,331,548	573,082,036
Total other financial assets measured at fair value (A+B)	**718,500,758**	661,757,148

Investments by geographical area are as follows:

	30 September 2016 AED (Un-audited)	31 December 2015 AED (Audited)
- Within U.A.E.	**67,154,429**	60,558,921
- Outside U.A.E.	**651,346,329**	601,198,227
	718,500,758	661,757,148

i. FVTOCI listed and unlisted securities are carried at a value of AED 96,169,210 (31 December 2015: AED 88,675,112), with a decline in their fair value from original acquisition cost amounting to AED 93,920,864 (31 December 2015: AED 98,955,059). Of this amount, AED 47,942,306 (31 December 2015: AED 50,371,164) is deducted from shareholders' equity and AED 45,978,558 (31 December 2015: AED 48,583,895) is deducted from policyholders' fund in accordance with the allocation of investment losses to the shareholders and policyholders as approved by the Group's Fatwa and Sharia'a Supervisory Board.

ii. Unlisted securities carried at a fair value of AED 35,758,012 (31 December 2015: AED 35,758,072) mainly represent the Group's investments in shares of companies registered in Dubai, Algeria, Kuwait and certain other international markets.

iii. The Group holds shares of Al Salam Bank - Bahrain and Al Salam Bank - Algeria which are held by the former CEO (who resigned during 2013 - see Note 20) on behalf and for the benefit of the Group [Note 15(a)].

Notes to the condensed consolidated financial statements
for the period from 1 January 2016 to 30 September 2016 (continued)

7. Investment property

	30 September 2016 AED (Un-audited)	31 December 2015 AED (Audited)
Balance at beginning of the period/year	**70,000,000**	70,000,000
Balance at end of the period/year	**70,000,000**	70,000,000

The investment property comprises a plot of land purchased in 2007. The Group used the fair value model permitted under IAS 40 for determining the carrying value of the investment property. The property is subject to a facility from a local Islamic bank and is mortgaged as security against an Ijara payable. The valuation was based on management assessment derived from third party offers received. The Group's management reassessed this valuation internally during the nine months period ended 30 September 2016 and no material differences were noted.

The fair value of the Group's investment property is based on unobservable inputs i.e. Level 3.

8. Policyholders' investments revaluation reserve

The Group transfers to the policyholders their share of investment revaluation reserve FVTOCI from the shareholders' equity on pro-rata basis. The percentage of such allocation for the nine months period ended 30 September 2016 is identical to that used for the year ended 31 December 2015 and approved by the Group's Fatwa and Sharia'a Supervisory Board. This allocation will be revised and finalised by year end once the Board approval is obtained.

9. Share capital

	30 September 2016 AED (Un-audited)	31 December 2015 AED (Audited)
Issued and fully paid:		
225,750,000 (31 December 2015: 225,750,000) ordinary shares of AED 1 each	**225,750,000**	225,750,000

10. Legal reserve

In accordance with United Arab Emirates Federal Law No. (2) of 2015, the Group has established a legal reserve by appropriation of 10% of the profit of the Parent Company for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law.

11. General reserve

The Group is required to transfer 10% of the profit of the Parent Company for the year to a general reserve in accordance with its Articles of Association. The reserve is available for distribution by a resolution of the shareholders of the Group at an ordinary general meeting, on the recommendation of the Board of Directors.

Notes to the condensed consolidated financial statements
for the period from 1 January 2016 to 30 September 2016 (continued)

12. Wakala fees and Mudarib's share

The Group manages the Takaful operations for the policyholders and charges 25% of the gross Takaful contributions net of gross unearned contribution as Wakala fees (30 September 2015: 25%). During the period, no Wakala fee was charged on gross Takaful contributions amounting to AED 73,185,804 (30 September 2015: AED 50,874,031) as the Group retained insignificant risk on such contributions and commission income from such business was significantly lower than the normal commission. Management, therefore, decided not to charge Wakala fee on these Takaful contributions. The Wakala fee was charged on a total gross contribution of AED 206,513,206 (30 September 2015: AED 232,433,827).

Wakala fee was calculated as follows:

	Nine months period ended 30 September	
	2016	2015
	AED	AED
	(Un-audited)	(Un-audited)
Takaful contributions	**279,699,010**	283,307,858
Less: Takaful contributions not subject to Wakala fee	**(73,185,804)**	(50,874,031)
	206,513,206	232,433,827
Percentage	**25%**	25%
Wakala fee for the period	**51,628,302**	58,108,457

The Group also manages the policyholders' investment funds and is entitled to 25% of net investment income earned by the policyholders' investment funds as the Mudarib's share. The Mudarib's share was AED 579,016 for the period (30 September 2015: AED NIL).

13. Investment income/(loss)

	Nine months period ended 30 September	
	2016	2015
	AED	AED
	(Un-audited)	(Un-audited)
Gain/(loss) on investments measured at FVTPL, net	**1,770,829**	(3,216,071)
Other investment income		
Income from investment deposits	**157,310**	331,287
Dividend income	**2,458,065**	2,084,675
Rental income	**477,232**	375,000
Other income	**-**	72,662
	4,863,436	(352,447)
Allocated to:		
Policyholders	**2,316,062**	(79,098)
Shareholders	**2,547,374**	(273,349)
	4,863,436	(352,447)

Notes to the condensed consolidated financial statements for the period from 1 January 2016 to 30 September 2016 (continued)

13. Investment income/(loss) (continued)

Investment income is allocated amongst the shareholders and the policyholders on a pro rata basis. The percentage of allocation for 30 September 2016 is identical to that used for 31 December 2015 (percentage of allocation for 30 September 2015 is identical to that used for 31 December 2014) and approved by the Group's Fatwa and Sharia'a Supervisory Board on an annual basis.

14. Basic and diluted earnings per share

Earnings per share are calculated by dividing profit attributable to the shareholders of the parent for the period by the weighted average number of shares outstanding during the period as follows:

	Nine months period ended 30 September 2016 (Un-audited)	2015 (Un-audited)
(Loss)/profit for the period (AED)	**(2,976,760)**	5,166,905
Weighted average number of shares outstanding during the period	**225,750,000**	225,750,000
(Loss)/earnings per share (AED)	**(0.013)**	0.023

15. 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.

The significant balances outstanding at reporting date in respect of related parties included in the condensed consolidated financial statements were as follows:

	30 September 2016 (Un-audited)			31 December 2015 (Audited)		
	Major shareholders AED	**Other related parties AED**	**Total AED**	Major shareholders AED	Other related parties AED	Total AED
Investment deposits	**-**	**5,000,000**	**5,000,000**	-	5,000,000	5,000,000
Carrying value of investments in ordinary shares [Note 15(a)]	**-**	**28,526,922**	**28,526,922**	-	27,374,659	27,374,659
Contributions receivable	**2,291,406**	**-**	**2,291,406**	2,523,643	-	2,523,643
Cash and cash equivalents	**-**	**221,924**	**221,924**	-	122,006	122,006
Due from related parties [Note 15(b)]	**-**	**312,025**	**312,025**	-	5,355,039	5,355,039
Due to a related party	**-**	**-**	**-**	-	1,259,677	1,259,677

Notes to the condensed consolidated financial statements
for the period from 1 January 2016 to 30 September 2016 (continued)

15. Related party transactions (continued)

(a) A major shareholder, who is a member of the Board of Directors, is also a Board Member of Al Salam Bank - Algeria and Al Salam Bank - Bahrain. The Group has equity investments in Al Salam Bank - Algeria and Al Salam Bank - Bahrain amounting AED 28.5 million (31 December 2015: AED 27.3 million). The acquisition price of these transactions was approved by the Board of Directors at the time of the transactions.

Out of the total shareholding at the reporting date, 106,530 shares amounting AED 7.7 million of Al Salam Bank - Algeria are held by the former CEO (who resigned during 2013 and no longer qualifies as a related party - see Note 20) on trust and for the benefit of the Group and the total shares of Al Salam Bank - Bahrain (5,476,149 shares amounting AED 4.8 million) are held by a company controlled by the former CEO (who resigned during 2013 and no longer qualifies as a related party - see Note 20), in trust and for the benefit of the Group. Refer to note 20 for further details.

(b) Due from related parties represented the following:

	2016 AED (Un-audited)	2015 AED (Audited)
Entities owned by the Chairman of the Board of Directors		
Fast Rent A Car LLC, United Arab Emirates	**232,076**	1,430,645
Emirates Cab LLC, United Arab Emirates	**10,642**	764,452
Emirates Taxi LLC, United Arab Emirates	**64,957**	3,022,772
Fast Service Centre LLC, United Arab Emirates	-	10,603
Fast Passenger Transport LLC, United Arab Emirates	**4,350**	29,567
Shareholder of a subsidiary	-	97,000
Total	**312,025**	5,355,039

The income and expenses in respect of related parties included in the condensed consolidated financial statements were as follows:

	30 September 2016 (Un-audited)			30 September 2015 (Un-audited)		
	Major shareholders AED	**Other related parties AED**	**Total AED**	Major shareholders AED	Other related parties AED	Total AED
Gross contributions	**1,108,816**	**389,061**	**1,497,877**	1,771,480	12,927,102	14,698,582
Gross claims (paid)	**80,315**	**16,831,014**	**16,911,329**	90,140	27,809,120	27,899,260
Profit share on investment deposits	**-**	**24,918**	**24,918**	-	255,492	255,492

Notes to the condensed consolidated financial statements
for the period from 1 January 2016 to 30 September 2016 (continued)

15. Related party transactions (continued)

Compensation of key management personnel was as follows:

	30 September 2016 AED (Un-audited)	30 September 2015 AED (Un-audited)
Short term employee benefits	**1,262,190**	1,266,893
End of service benefits	**42,564**	60,422
Total compensation paid to key management personnel	**1,304,754**	1,327,315

16. Segmental information

Operating Segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Company's management in order to allocate resources to the segment and to assess its performance. Information reported to the Company's Board of Directors for the purpose of resource allocation and assessment of performance is based on following strategic business activities:

- **Takaful activities** include the general, life and medical insurance business undertaken by the Group.
- **Investment activities** represent investment and cash management for the Group's own account.
- **Others** represent income and expense activities conducted by the subsidiaries and included in this consolidated financial report

Notes to the condensed consolidated financial statements for the period from 1 January 2016 to 30 September 2016 (continued)

16. Segmental information (continued)

The following table presents segment information for the nine months period ended 30 September 2016 and the nine months period ended 30 September 2015.

	Period from 1 January 2016 to 30 September 2016					Period from 1 January 2015 to 30 September 2015				
	Takaful AED (Un-audited)	**Investments AED (Un-audited)**	**Other AED (Un-audited)**	**Eliminations AED (Un-audited)**	**Total AED (Un-audited)**	Takaful AED (Un-audited)	Investments AED (Un-audited)	Other AED (Un-audited)	Eliminations AED (Un-audited)	Total AED (Un-audited)
Takaful										
Takaful income	**137,501,709**	**-**	**-**	**(791,904)**	**136,709,805**	146,666,327	-	-	(486,323)	146,180,004
Takaful expenses	**(115,533,481)**	**-**	**-**	**7,081,658**	**(108,451,823)**	(116,402,146)	-	-	6,587,588	(109,814,558)
Net Takaful income	**21,968,228**	**-**	**-**	**6,289,754**	**28,257,982**	30,264,181	-	-	6,101,265	36,365,446
Wakala fees	**(51,628,302)**	**51,628,302**	**-**	**-**	**-**	(58,108,457)	58,108,457	-	-	-
Mudarib fees	**(579,016)**	**579,016**	**-**	**-**	**-**	-	-	-	-	-
	(30,239,090)	**52,207,318**	**-**	**6,289,754**	**28,257,982**	(27,844,276)	58,108,457	-	6,101,265	36,365,446
Investment income/(loss)	**2,316,062**	**2,547,374**	**-**	**-**	**4,863,436**	(79,098)	(273,349)	-	-	(352,447)
Unallocated expenses	**-**	**(27,052,390)**	**(19,228,345)**	**791,904**	**(45,488,831)**	-	(26,435,247)	(14,210,877)	486,323	(40,159,801)
Other income	**-**	**-**	**16,172,240**	**(7,081,658)**	**9,090,582**	-	-	16,651,631	(6,587,588)	10,064,043
Net (loss)/profit for the period	**(27,923,028)**	**27,702,301**	**(3,056,105)**	**-**	**(3,276,831)**	(27,923,374)	31,399,861	2,440,754	-	5,917,241

During the period, the management of the group has changed its internal reporting in the way business segments are monitored. As a result, the presentation for the current and prior periods has been changed to correspond to the group's new internal reporting.

Notes to the condensed consolidated financial statements
for the period from 1 January 2016 to 30 September 2016 (continued)

16. Segmental information (continued)

Other information

	Takaful		Investment		Other		Total	
	30 September 2016 AED (Un-audited)	31 December 2015 AED (Audited)	**30 September 2016 AED (Un-audited)**	31 December 2015 AED (Audited)	**30 September 2016 AED (Un-audited)**	31 December 2015 AED (Audited)	**30 September 2016 AED (Un-audited)**	31 December 2015 AED (Audited)
Segment assets	**977,205,423**	921,639,828	**218,275,123**	210,974,912	**13,669,290**	14,907,130	**1,209,149,836**	1,147,521,870
Segment liabilities	**1,093,418,463**	1,030,563,067	**11,068,795**	14,295,181	**15,155,122**	16,064,121	**1,119,642,380**	1,060,922,369

Notes to the condensed consolidated financial statements for the period from 1 January 2016 to 30 September 2016 (continued)

17. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated income statement for the nine months period ended 30 September 2016 and for the nine months period ended 30 September 2015.

18. Contingencies

(a) At reporting date, the Group has contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business amounting AED 0.64 million (31 December 2015: AED 0.64 million).

(b) The Group, in common with other insurance companies, is involved as a defendant in a number of legal cases with other insurance, reinsurance, companies and customers. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Group in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made. The expected outcome of the cases is dependent on future legal proceedings. The gross disputed amount is AED 16.5 million, for which no contingency provision has been made as of the reporting date due to the uncertainty of possible outcome of the legal cases. This amount directly impacts the outstanding claims, takaful receivables, and retakaful liability,

19. Fair value of financial instruments

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. Differences can therefore arise between book value under historical cost method and fair value estimates.

(a) Fair value of financial instruments measured at amortised cost

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

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

Valuation of financial instruments recorded at fair value, is based on quoted market prices and other valuation techniques.

The fair values of financial assets and financial liabilities were determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on the present value calculation of the expected future cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The following 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).

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 period from 1 January 2016 to 30 September 2016 (continued)

19. Fair value of financial instruments (continued)

(b) Valuation techniques and assumptions applied for the purposes of measuring fair value (continued)

Financial assets	Fair value as at 30 September 2016 (Unaudited) AED'000	31 December 2015 (Audited) AED'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Financial assets at FVTOCI						
Quoted equity securities	**60,411**	52,917	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	**35,758**	35,758	Level 3	Comparable multiples method.	Net assets value	Higher the comparable assets, higher the multiplier of the investee
Financial assets at FVTPL						
Quoted equity securities	**16,106**	16,300	Level 1	Quoted bid prices in an active market.	None	N/A
Unit linked investments	**606,226**	556,782	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value.

There were no transfers between each of the levels during the period.

Reconciliation of Level 3 fair value measurement of other financial assets measured at FVTOCI:

	30 September 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
At beginning of the period/year	**35,758**	47,598
Redemptions/disposals during the period/year	-	(25)
Changes in fair value	-	(11,815)
At end of the period/year	**35,758**	35,758

Notes to the condensed consolidated financial statements
for the period from 1 January 2016 to 30 September 2016 (continued)

19. Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurement of other financial assets measured at FVTPL:

	30 September 2016 AED'000 (Un-audited)	31 December 2015 AED'000 (Audited)
At beginning of the period/year	**556,782**	447,365
Net change during the period/year	**49,444**	109,417
At end of the period/year	**606,226**	556,782

The investments classified under Level 3 category have been fair-valued based on information available for each investment. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

20. Significant events

The former CEO of the Group resigned on 10 July 2013. The Group entered into an agreement with the former CEO on 9 July 2013 for the payment and/or transfer of certain assets and investments that were held by him or by entities controlled by him on trust and for the benefit of the Group. Given the delay in settlement and the level of uncertainty involved, this is considered as an exceptional outstanding matter, for which the chances of favourable outcome cannot be fully guaranteed. However, the Board of Directors is confident in the realization of a minimum of the carrying value of assets due from him and therefore no adjustments to the carrying value of the assets are required.

The settlement agreement referred to above contains the following three clauses:

(a) The advance of AED 5,358,581 to invest in a real estate project in the Emirate of Ajman will be returned to the Company.

(b) Transfer of shares of Al Salam Bank - Bahrain (currently held under the name of Leader Capital L.L.C) together with the payment of any associated dividends due, to the Company's name.

(c) Transfer of legal ownership of Al Salam Bank - Algeria shares held by the former CEO to the Company's name.

The Company has received an amount of AED 2.3 million during the previous years against the advance mentioned in clause (a) above, in addition to receiving dividends of Al Salam Bank - Bahrain pertaining to previous years amounting to AED 0.46 million.

Notes to the condensed consolidated financial statements for the period from 1 January 2016 to 30 September 2016 (continued)

21. Non-controlling interest

During the period, the ownership structure of Amity Health L.L.C. changed to being 90% owned by Nawat Investments L.L.C (subsidiary) (31 December 2015: 51%) and 10% owned by CEO of Amity Health L.L.C through capitalization of shareholders' funds. This resulted in a decrease in the non-controlling interest in the subsidiary by AED 7,294,000.

The movement on the non-controlling interest during the period is as follows:

	30 September 2016 AED (Un-audited)
At beginning of the period	**(8,441,330)**
Loss for the period attributable to non-controlling interest	**(300,071)**
Introduction of new share capital in non-controlling interest	**353,000**
Net change in non-controlling interest due to change in ownership percentage	**8,091,591**
At end of the period	**(296,810)**

22. Approval of the condensed consolidated financial statements

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 13 November 2016.