

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

**Review report and interim
financial information
for the period from 1 January 2018
to 30 September 2018**

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

Table of contents	<u>Pages</u>
Report on review of interim financial information	1
Condensed consolidated statement of financial position	2 - 3
Condensed consolidated income statement (Un-audited)	4 - 5
Condensed consolidated statement of comprehensive income (Un-audited)	6
Condensed consolidated statement of changes in equity	7
Condensed consolidated statement of cash flows (Un-audited)	8
Notes to the condensed consolidated financial statements	9 - 37

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Dubai Islamic Insurance & Reinsurance Co. (Aman) (PJSC)** (the "Company") and its **Subsidiaries** (collectively the "Group") as of 30 September 2018 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the period from 1 January 2018 to 30 September 2018. 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.

Emphasis of matters

We draw attention to Note 26 of the condensed consolidated financial statements, which describes the uncertainty as to the full and timely recoverability of assets with a total carrying value of AED 16.1 million held by the former Chief Executive Officer (CEO) or entities controlled by him on trust and for the benefit of the Group. Our conclusion is not modified in respect of the above matter.

Deloitte & Touche (M.E.)



Musa Ramahi
Registration No.: 872
13 November 2018
Dubai
United Arab Emirates

Akbar Ahmad (1141), Anis Sadek (521), Cynthia Corby (995), Georges Najem (809), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Obada Alkawatly (1056), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

**Condensed consolidated statement of financial position
as at 30 September 2018**

	Notes	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)
ASSETS			
Takaful operations' assets			
Cash and bank balances	5	32,929,782	14,755,343
<i>Retakaful contract assets:</i>			
Unearned contribution reserve	7	73,936,478	121,497,776
Claims reported unsettled	7	89,432,999	129,915,475
Mathematical reserve	7	1,118,126	11,525,312
Claims incurred but not reported	7	22,987,866	30,140,723
Takaful receivables	9	76,389,282	74,193,165
Other financial assets measured at fair value	8	16,221,798	18,776,154
Investment property	10	12,174,832	12,174,832
Due from Shareholders'		71,989,954	92,101,449
Total takaful operations' assets		397,181,117	505,080,229
Shareholders' assets			
Cash and bank balances	5	46,446,534	49,477,352
Statutory deposit	6	10,000,000	10,000,000
Other financial assets measured at fair value	8	743,209,497	721,368,197
Prepayments and other receivables		11,662,449	12,169,939
Deferred policy acquisition costs		6,710,184	6,974,744
Investment property	10	52,915,168	52,915,168
Furniture and equipment		1,616,914	3,149,146
Due from related parties	21	6,181,778	5,957,097
Total shareholders' assets		878,742,524	862,011,643
Total assets		1,275,923,641	1,367,091,872

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

**Consolidated statement of financial position
as at 30 September 2018 (continued)**

		30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)
	Notes		
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations' liabilities			
Trade and other payables		44,511,912	48,729,421
Takaful payables		82,659,809	68,908,083
<i>Takaful contract liabilities:</i>			
Unearned contribution reserve	7	112,556,816	169,456,552
Claims reported unsettled	7	114,065,122	155,660,576
Mathematical reserve	7	1,637,872	13,868,172
Claims incurred but not reported	7	44,878,225	51,850,187
Unallocated loss adjustment expenses	7	2,206,700	2,491,330
Deferred discount		7,350,181	4,225,429
Amounts held under Retakaful treaties		4,892,292	5,615,009
Total takaful operations' liabilities		414,758,929	520,804,759
Takaful operations' deficit			
Deficit in policyholders' fund		(178,280,429)	(189,902,361)
Qard Hassan from shareholders		178,280,429	189,902,361
Policyholders' investments revaluation reserve	11	(17,577,812)	(15,724,530)
Total deficit from takaful operations		(17,577,812)	(15,724,530)
Total takaful operations' liabilities and deficit		397,181,117	505,080,229
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Due to Bank		18,915,174	19,948,801
Murabaha payable	12	15,387,006	-
Trade and other payables		17,234,090	20,707,884
Takaful payables		3,289,709	3,148,052
Due to related parties	21	868,288	3,379,083
Unit linked liabilities	7	671,816,170	639,150,280
Due to policyholder		71,989,954	92,101,449
Total shareholders' liabilities		799,500,391	778,435,549
Shareholders' equity			
Share capital	13	225,750,000	225,750,000
Legal reserve	14	1,371,054	1,371,054
General reserve	15	1,371,054	1,371,054
Investments revaluation reserve - FVTOCI		(75,622,222)	(67,567,235)
Accumulated losses		(72,443,553)	(76,547,190)
Equity attributable to shareholders of the Parent		80,426,333	84,377,683
Non-controlling interest		(1,184,200)	(801,589)
Total Equity		79,242,133	83,576,094
Total shareholders' liabilities and equity		878,742,524	862,011,643
Total takaful operations' liabilities and deficit, shareholders' liabilities and equity		1,275,923,641	1,367,091,872

Jihad Faitrouni
Chief Executive Officer

Abdul Nazar Moopentakath
Executive Director - Finance & Investments

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 2018 to 30 September 2018

	Notes	Nine months period ended 30 September		Three months period ended 30 September	
		2018 AED	2017 AED	2018 AED	2017 AED
Attributable to policyholders					
Takaful income					
Gross takaful contribution	16	196,023,173	246,733,320	66,202,026	64,437,964
Retakaful share of accepted business	16	(90,222,849)	(116,882,609)	(35,158,375)	(32,483,598)
Retakaful share of ceded business	16	(44,597,637)	(39,002,102)	(18,360,061)	(8,836,236)
Net takaful contributions		61,202,687	90,848,609	12,683,590	23,118,130
Net transfer to unearned contribution reserve		9,338,438	7,333,424	9,434,479	7,868,480
Net decrease in mathematical reserve		1,823,114	359,173	1,584,529	155,798
Net takaful contributions earned		72,364,239	98,541,206	23,702,598	31,142,408
Discount received on ceded Retakaful		14,390,297	10,962,382	4,950,512	2,573,534
Policy fees		8,979,550	10,333,863	2,984,223	3,101,610
		95,734,086	119,837,451	31,637,333	36,817,552
Takaful expenses					
Gross claims paid	17	(92,377,695)	(103,246,313)	(27,455,392)	(28,925,112)
Retakaful share of accepted business claims	17	27,765,867	24,352,831	6,384,624	5,597,444
Retakaful share of ceded business claims	17	30,592,010	16,037,313	10,727,630	5,161,649
Net takaful claims paid		(34,019,818)	(62,856,169)	(10,343,138)	(18,166,019)
Release of provision for claims reported unsettled		41,595,454	2,117,533	5,348,972	(3,906,185)
Retakaful share of claims reported unsettled		(40,482,476)	(2,306,710)	(4,609,879)	4,084,032
Net (increase)/decrease in claims incurred but not reported		(180,895)	335,817	1,075,235	(680,212)
Net decrease in unallocated loss adjustment expenses		284,630	151,836	56,958	(23,652)
Net claims incurred		(32,803,105)	(62,557,693)	(8,471,852)	(18,692,036)
Excess of loss of takaful contribution		(2,402,183)	(4,799,994)	(723,568)	(996,054)
		(35,205,288)	(67,357,687)	(9,195,420)	(19,688,090)
Net takaful income		60,528,798	52,479,764	22,441,913	17,129,462
Wakala fees	18	(49,785,386)	(60,828,006)	(15,035,799)	(15,269,488)
Investment income	19	1,171,360	199,525	20,836	92,159
Mudarib's share	18	(292,840)	(49,881)	(5,209)	(23,039)
Net profit/(loss) from takaful operation for the period		11,621,932	(8,198,598)	7,421,741	1,929,094

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 2018 to 30 September 2018 (continued)

		Nine months period ended 30 September		Three months period ended 30 September	
	Notes	2018 AED	2017 AED	2018 AED	2017 AED
Attributable to shareholders					
Income					
Investment income	19	5,529,730	1,136,252	1,215,637	531,973
Wakala fees from policyholders	18	49,785,386	60,828,006	15,035,799	15,269,488
Mudarib's share from policyholders	18	292,840	49,881	5,209	23,039
Other operating income		3,401	-	-	-
		<u>55,611,357</u>	<u>62,014,139</u>	<u>16,256,645</u>	<u>15,824,500</u>
Expenses					
Policy acquisition cost		(23,279,872)	(21,160,425)	(9,081,656)	(6,592,438)
General and administrative expenses		(29,682,693)	(25,606,770)	(10,959,719)	(8,756,980)
Reversal of /(provision for) Qard Hassan to policyholders' fund		11,621,932	(8,198,598)	7,421,741	1,929,094
Net Operating Loss of Subsidiaries		(6,346,168)	(3,290,552)	(2,456,312)	(1,140,153)
		<u>(47,686,801)</u>	<u>(58,256,345)</u>	<u>(15,075,946)</u>	<u>(14,560,477)</u>
Profit for the period attributable to shareholders		<u>7,924,556</u>	<u>3,757,794</u>	<u>1,180,699</u>	<u>1,264,023</u>
Attributable to:					
Shareholders of the parent		8,307,167	4,043,704	1,325,081	1,379,478
Non-controlling interests		(382,611)	(285,910)	(144,382)	(115,455)
		<u>7,924,556</u>	<u>3,757,794</u>	<u>1,180,699</u>	<u>1,264,023</u>
Earnings per share	20	<u>0.037</u>	<u>0.018</u>	<u>0.006</u>	<u>0.006</u>

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 2018 to 30 September 2018**

	Nine months period ended 30 September		Three months period ended 30 September	
	2018	2017	2018	2017
	AED	AED	AED	AED
Attributable to Policyholders:				
Profit/(loss) for the period	11,621,932	(8,198,598)	7,421,741	1,929,094
Other comprehensive income/(loss)				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Changes in fair value of financial assets carried at fair value through other comprehensive income	(1,853,282)	708,523	154,221	701,773
Total comprehensive income/(loss) for the period attributable to Policyholders	<u>9,768,650</u>	<u>(7,490,075)</u>	<u>7,575,962</u>	<u>2,630,867</u>
Attributable to Shareholders:				
Profit for the period	7,924,556	3,757,794	1,180,699	1,264,023
Other comprehensive (loss)/income				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Changes in fair value of financial assets carried at fair value through other comprehensive income	(8,054,987)	3,060,762	670,314	3,031,266
Total comprehensive (loss)/income for the period attributable to Shareholders	<u>(130,431)</u>	<u>6,818,556</u>	<u>1,851,013</u>	<u>4,295,289</u>
Attributable to:				
Shareholders of the parent	252,180	7,104,466	1,995,395	4,410,744
Non-controlling interests	(382,611)	(285,910)	(144,382)	(115,455)
	<u>(130,431)</u>	<u>6,818,556</u>	<u>1,851,013</u>	<u>4,295,289</u>

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

**Condensed consolidated statement of changes in equity
for the period from 1 January 2018 to 30 September 2018**

	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 2017 (Audited)	225,750,000	18,729,615	18,729,615	(74,808,679)	(118,029,974)	70,370,577	(407,494)	69,963,083
Profit for the period	-	-	-	-	4,043,704	4,043,704	(285,910)	3,757,794
Other comprehensive income for the period	-	-	-	3,060,762	-	3,060,762	-	3,060,762
Total other comprehensive income for the period	-	-	-	3,060,762	4,043,704	7,104,466	(285,910)	6,818,556
Transfer to accumulated losses (Note 14&15)	-	(18,729,615)	(18,729,615)	-	37,459,230	-	-	-
Balance at 30 September 2017 (Un-audited)	225,750,000	-	-	(71,747,917)	(76,527,040)	77,475,043	(693,404)	76,781,639
Balance at 1 January 2018 (audited)	225,750,000	1,371,054	1,371,054	(67,567,235)	(76,547,190)	84,377,683	(801,589)	83,576,094
Adjustment on adoption of IFRS 9 (Note 2.1)	-	-	-	-	(3,703,530)	(3,703,530)	-	(3,703,530)
Restated balances at 1 January 2018	225,750,000	1,371,054	1,371,054	(67,567,235)	(80,250,720)	80,674,153	(801,589)	79,872,564
Profit for the period	-	-	-	-	8,307,167	8,307,167	(382,611)	7,924,556
Other comprehensive loss for the period	-	-	-	(8,054,987)	-	(8,054,987)	-	(8,054,987)
Total other comprehensive loss for the period	-	-	-	(8,054,987)	8,307,167	252,180	(382,611)	(130,431)
Directors' remuneration	-	-	-	-	(500,000)	(500,000)	-	(500,000)
Balance at 30 September 2018 (unaudited)	225,750,000	1,371,054	1,371,054	(75,622,222)	(72,443,553)	80,426,333	(1,184,200)	79,242,133

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 2018 to 30 September 2018**

	Nine months period ended 30 September	
	2018	2017
	(Un-audited)	(Un-audited)
	AED	AED
Cash flows from operating activities		
Profit for the period	7,924,556	3,757,794
Adjustments for:		
Depreciation of furniture and equipment	876,734	950,252
Loss on investments measured at FVTPL, net	1,147,173	2,344,886
Provision for employees' end of service benefits	1,042,717	1,062,661
Dividend income	(6,955,870)	(2,930,457)
Impairment allowance provision	655,909	-
Loss on write-off of furniture and equipment	787,662	-
	5,478,881	5,185,136
Changes in operating assets and liabilities:		
Decrease in Retakaful contract assets	105,603,817	34,990,700
(Increase)/ decrease in Takaful receivables	(4,415,070)	10,565,670
Decrease/(increase) in prepayments and other receivables	507,490	(994,998)
Decrease in Takaful contract liabilities	(117,982,082)	(42,981,773)
(Decrease)/increase in amounts held under retakaful treaties	(722,717)	1,675,639
Increase/(decrease) in Takaful and retakaful payables	13,849,542	(548,538)
Decrease in trade and other payables	(7,786,540)	(12,423,939)
Increase in due from related parties	(2,262,265)	(2,640,279)
Decrease in due to related parties	(2,510,795)	(2,664,396)
Increase in deferred discount	3,124,752	415,189
Decrease in deferred policy acquisition costs	264,560	1,493,580
	(6,850,427)	(7,928,008)
Cash generated from operations	(947,480)	(1,055,764)
Employees' end of service benefits paid		
Net cash from operating activities	(7,797,907)	(8,983,773)
Cash flows from investing activities		
Purchase of furniture and equipment	(132,164)	(104,388)
Proceeds from sale of other financial assets	2,323,504	649,082
Increase in wakala deposits	(25,000,000)	-
Dividend income received	6,955,870	2,930,457
	(15,852,790)	3,475,151
Net cash (used in)/ generated from investing activities	(15,852,790)	3,475,151
Cash flows from financing activities		
Increase in murabaha financing	15,387,006	-
(Decrease)/increase in due to a bank	(1,033,627)	1,802,513
Directors' remuneration paid	(500,000)	-
	13,853,379	1,802,513
Net cash from financing activities	13,853,379	1,802,513
Net decrease in cash and cash equivalents	(9,797,318)	(3,706,109)
Cash and cash equivalents at the beginning of the period	39,232,695	33,121,643
Cash and cash equivalents at the end of the period (Note 5)	29,435,377	29,415,534

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 2018 to 30 September 2018**

1. General information

Dubai Islamic Insurance & Reinsurance Company (Aman) (PJSC) (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 nine 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 2018, 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
TechnikAuto 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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements, except for IFRS 9 adoption.

- Annual Improvements to IFRS Standards 2014 - 2016 Cycle amending IFRS 1 and IAS 28

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

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

2.1 New and revised IFRS applied (continued)

• *IFRIC 22 Foreign Currency Transactions and Advance Consideration*

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
 - the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income;
 - and the prepayment asset or deferred income liability is non-monetary.
- *Amendments to IAS 40 Investment Property:* Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.
 - *Amendments to IFRS 2 Share Based Payment* regarding classification and measurement of share based payment transactions.
 - *Amendments to IFRS 4 Insurance Contracts:* Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.
 - *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.
 - *Amendments to IFRS 7 Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.
 - *IFRS 15 Revenue from Contracts with Customers*

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Impact assessment of IFRS 15 Revenue from Contracts with Customers

The application of IFRS 15 from the annual period beginning 1 January 2018 did not have an impact on the Group condensed consolidated financial statements.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

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

2.1. New and revised IFRS applied (continued)

- Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify nine aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.
- IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

Final 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’ measurement category for certain simple debt instruments.

The Group has earlier adopted first phase of the IFRS 9 with regards to classification and measurement of financial instruments and adopted the final phase of IFRS 9 (impairment and hedge accounting) on the required effective date from 1 January 2018, which resulted in changes in accounting policies and adjustments to amounts previously recognized in the condensed consolidated financial statements.

As permitted by transitional provisions of IFRS 9, the Group elected not to restate the comparative figures. Any adjustments to carrying amount of financial assets and liabilities at the date of transitions were recognized in opening retained earnings and other reserves of the current period.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 ‘Financial Instruments: Disclosures’.

There were no changes to the classification and measurement of financial liabilities. Comparatives for condensed statement of cash flows are not affected on account of this adoption of IFRS 9.

Significant accounting policies introduced on adoption of IFRS 9

Impairment

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an expected credit loss model (ECLs). The Group recognises loss allowances for expected credit losses on bank balances including statutory and fixed deposits and insurance and other receivables that are not measured at FVTPL.

No impairment loss is recognised on equity investments

With the exception of purchased or originated credit impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

2 Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.1 New and revised IFRS applied (continued)

Significant accounting policies introduced on adoption of IFRS 9 (continued)

Impairment (continued)

The Group has elected to measure loss allowances for cash and bank balances, trade and other receivables, and due from a related party at an amount equal to life time ECLs.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets. For debt securities at FVTOCI, the loss allowance is recognized in the OCI, instead of reducing the carrying amount of the asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on Group's historical experience and informed credit assessment and including forward-looking information.

For certain categories of financial asset, 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 as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to cash and bank balances, trade and other receivables and due from a related party, are presented separately in the interim condensed statement of income and other comprehensive income.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of the grade of the investment.

Measurement of ECL

The Company employs statistical models for ECL calculations for bank balances, statutory and fixed deposits. ECLs are a probability-weighted estimate of credit losses.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate. These parameters will be derived from our Company's internally developed statistical models and other historical data. They will be adjusted to reflect forward-looking information.

The Company reassessed its impairment loss on its insurance and other receivables portfolio using an expected loss measurement basis using the simplified approach and observed material changes in the impairment loss on such assets.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

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

2.1 New and revised IFRS applied (continued)

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Company assesses whether financial assets carried at amortised costs and debt securities at FVOCI are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact in the estimated future cash flows of the financial asset have occurred.

Impact on condensed consolidated financial statements

The following table reconciles the carrying amounts in accordance with IAS 39 and with those under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2018:

	Original carrying amount under IAS 39 Amount (AED)	Adjustments (unaudited) Amount (AED)	New carrying amount under IFRS 9 Amount (AED)
Cash and bank balances and statutory deposit	74,232,695	(102,902)	74,129,793
Takaful retakaful receivables	74,193,165	(1,563,044)	72,630,121
Due from related parties	5,957,097	(2,037,584)	3,919,513

An increase of AED 3,703,530 in the allowance for impairment the above balances was recognized at 1 January 2018 on adoption of IFRS 9, for which see note under impairment below.

The impact from the adoption of IFRS 9 as at 1 January 2018 has been to increase accumulated losses by AED 3,703,530.

	Accumulated losses Amount AED (unaudited)
Closing balance under IAS 39 (31 December 2017)	76,547,190

Impact on recognition of Expected Credit Losses

Cash and bank balances (Note 5)	89,040
Statutory deposits (Note 6)	13,862
Takaful receivables (Note 9)	1,563,044
Due from related parties (Note 21)	2,037,584
Opening balance under IFRS 9 on date of initial application of 1 January 2018	80,250,720

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

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

2.1 New and revised IFRS applied (continued)

Significant accounting policies introduced on adoption of IFRS 9 (continued)

Impact on condensed consolidated financial statements (continued)

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 as at 31 December 2017 to the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

	Amount (unaudited) AED
Loss allowance as at 31 December 2017 under IAS 39	17,500,000
Additional impairment recognized at 1 January 2018 on	
Cash and bank balances and statutory deposit	102,902
Takaful receivables	1,563,044
Due from related parties	2,037,584
Loss allowance as at 1 January 2018 as per IFRS 9	21,203,530

Critical judgments in applying IFRS 9

- Models and assumptions used:

The Company uses certain models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

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

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:	
• Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

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

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

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 9 <i>Financial Instruments</i> : Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019
IFRS 16 <i>Leases</i>	1 January 2019
IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard 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. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	
IFRS 17 <i>Insurance Contracts</i>	1 January 2021
The standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.	
Amendments to IAS 28 <i>Investment in Associates and Joint Ventures</i> : Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely.
Management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s condensed consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 17, mentioned below, may have no material impact on the condensed consolidated financial statements of the Group in the period of initial application.	
Management anticipates that IFRS 17 will be adopted in the Group’s condensed consolidated financial statements for the annual period beginning 1 January 2021. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Group’s condensed consolidated financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review.	

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

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 as well as compliance with the solvency ratio requirements. The Group is still not in compliance with the solvency ratio requirements as of 30 September 2018.

The accounting policies, presentation and methods in these condensed consolidated financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2017, except for the adoption of IFRS 9 (relating to impairment of financial assets) which is disclosed in note 2.1 to this condensed consolidated financial statements.

These condensed consolidated financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the Company's audited annual financial statements as at and for the year ended 31 December 2017, in addition to the matters pertaining to adoption of IFRS 9 which is disclosed in note 2.1 to this condensed consolidated financial statements. In addition, results for the nine months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018

The accounting policies disclosed in the annual audited financial statements for the year ended 31 December 2017 are stated below as required by Securities and Commodities Authority notification dated 12 October 2008.

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 2017.

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.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

3. Summary of significant accounting policies (continued)

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'.

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 condensed 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 nine 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.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

3. Summary of significant accounting policies (continued)

Financial instruments

Financial assets (continued)

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.

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 22 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 2018 to 30 September 2018 (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.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

3. Summary of significant accounting policies (continued)

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.

4. Judgements and estimates

The preparation of condensed consolidated financial statements requires management to make judgements, estimates and assumptions that effect 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 judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the audited financial statements as at and for the year ended 31 December 2017, except for to the critical judgements disclosed in note 2.1 pertaining to the adoption of IFRS 9.

5. Cash and bank balances

	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)
Cash on hand	54,314	40,265
Bank balances:		
- Wakala deposits	50,000,000	25,000,000
- Current accounts	29,381,064	39,192,430
	<u>79,435,378</u>	<u>64,232,695</u>
Less: Provision for impairment	(59,062)	-
	<u><u>79,376,316</u></u>	<u><u>64,232,695</u></u>
Attributable to:		
- Policyholders	32,929,782	14,755,343
- Shareholders	46,446,534	49,477,352
	<u><u>79,376,316</u></u>	<u><u>64,232,695</u></u>

Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)

5. Cash and bank balances (continued)

Details of provision for impairment as per IFRS 9 are as follows:

	Amount (unaudited) AED
Balance as at 31 December 2017	-
Add: Provision on initial application of IFRS 9 (Note 2.1)	89,040
Balance as at 1 January 2018	89,040
Released during the period	(29,978)
Balance as at 30 September 2018	59,062

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

	30 September 2018 AED (Un-audited)	30 September 2017 AED (Un-audited)
Cash and bank balances	79,435,377	54,415,534
Deposits with original maturities of greater than three months	(50,000,000)	(25,000,000)
Cash and cash equivalents	29,435,377	29,415,534

The profit rates on Wakala deposits with Banks ranges from 1.5% to 2.0% (2017: 1.5% to 2.0%).

Wakala deposit's amounting to AED 50 million (2017: AED 25 million) have maturity more than three months from the date of placement.

6. Statutory deposit

Wakala 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.

Details of provision for impairment as per IFRS 9 are as follows:

	Amount (unaudited) AED
Balance as at 31 December 2017	-
Add: Provision on initial application of IFRS 9 (Note 2.1)	13,862
Balance as at 1 January 2018	13,862
Released during the period	(13,862)
Balance as at 30 September 2018	-

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

7. Retakaful contract assets and Takaful contract liabilities

	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)
<i>Gross</i>		
<i>Takaful contract liabilities:</i>		
- Unearned contribution reserve	112,556,816	169,456,552
- Claims reported unsettled	114,065,122	155,660,576
- Mathematical Reserve	1,637,872	13,868,172
- Claims incurred but not reported	44,878,225	51,850,187
- Unallocated loss adjustment expenses	2,206,700	2,491,330
- Unit linked liabilities	671,816,170	639,150,280
Total takaful contract liabilities, gross	947,160,905	1,032,477,097
<i>Recoverable from retakaful</i>		
<i>Retakaful contract assets:</i>		
- Unearned contribution reserve	73,936,478	121,497,776
- Claims reported unsettled	89,432,999	129,915,475
- Mathematical reserve	1,118,126	11,525,312
- Claims incurred but not reported	22,987,866	30,140,723
Total retakaful share of takaful liabilities	187,475,469	293,079,286
<i>Net</i>		
- Unearned contribution reserve	38,620,338	47,958,776
- Claims reported unsettled	24,632,123	25,745,101
- Mathematical reserve	519,746	2,342,860
- Claims incurred but not reported	21,890,359	21,709,464
- Unallocated loss adjustment expenses	2,206,700	2,491,330
- Unit linked liabilities	671,816,170	639,150,280
	759,685,436	739,397,811

Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)

8. Other financial assets measured at fair value

	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)
<i>Financial assets measured at fair value through other comprehensive income (FVTOCI) (A)</i>		
- Listed	51,343,027	63,334,738
- Unlisted	28,906,903	28,906,903
	<u>80,249,930</u>	<u>92,241,641</u>
<i>Financial assets measured at fair value through profit and loss (FVTPL) (B)</i>		
- Listed	7,365,195	8,752,430
- Unit linked investments	671,816,170	639,150,280
	<u>679,181,365</u>	<u>647,902,710</u>
Total other financial assets measured at fair value (A+B)	<u>759,431,295</u>	<u>740,144,351</u>
Attributable to:		
- Policyholder	16,221,798	18,776,154
- Shareholders	743,209,497	721,368,197
	<u>759,431,295</u>	<u>740,144,351</u>

Investments by geographical concentration are as follows:

	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)
- Within U.A.E.	52,099,653	65,002,307
- Outside U.A.E.	707,331,642	675,142,044
	<u>759,431,295</u>	<u>740,144,351</u>

- i. FVTOCI listed and unlisted securities are carried at a value of AED 80,249,930 (2017: AED 92,241,641), with a decline in their fair value from original acquisition cost amounting to AED 93,200,034 (2017: AED 83,291,765). Of this amount, AED 75,622,222 (2017: AED 67,567,235) is deducted from shareholders' equity and AED 17,577,812 (2017: AED 15,724,530) 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 28,906,903 (2017: AED 28,906,903) mainly represent the Group's investments in shares of companies registered in Dubai, Algeria, and certain other international markets.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

8. Other financial assets measured at fair value (continued)

- iii. The Group owns shares of Al Salam Bank - Bahrain and Al Salam Bank - Algeria which are held by the former CEO (who resigned during 2013 - see Note 26) on behalf and for the benefit of the Group [Note 21 (a)].
- iv. As at 30 September 2018, the Group has no exposure to Abraaj Holding or any of its subsidiaries, or any of its funds.

9. Takaful receivables

	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)
Due from policyholders	29,350,210	20,821,899
Due from takaful /retakaful companies	47,417,606	52,339,116
Due from brokers/ agents	19,340,419	18,532,150
Less: Allowance for doubtful debts	(19,718,953)	(17,500,000)
	<u>76,389,282</u>	<u>74,193,165</u>

Movements in provision for impairment are as follows:

	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)
Balance at the beginning of the period/year	17,500,000	19,200,000
Initial application of IFRS 9 (Note 2.1)	1,563,044	-
Balance at 1 January	19,063,044	19,200,000
Impairment allowance for the period/year	655,909	1,134,000
Written-off during the period/year	-	(2,834,000)
Balance at the end of the period/year	<u>19,718,953</u>	<u>17,500,000</u>

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

10. Investment property

	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)
Balance at beginning of the period /year	65,090,000	66,500,000
Loss on revaluation of investment property	-	(1,410,000)
Balance at end of the period /year	<u>65,090,000</u>	<u>65,090,000</u>
<i>Attributable to:</i>		
- Policyholders	12,174,832	12,174,832
- Shareholders	52,915,168	52,915,168
	<u>65,090,000</u>	<u>65,090,000</u>

The Group's management reassessed the valuation internally during the nine months period ended 30 September 2018 and no material differences were noted.

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

11. 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 2018 is identical to that used for the year ended 31 December 2017 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.

12. Murabaha payables

During the period, the Group has obtained a Murabaha finance from an Islamic bank in U.A.E which carries a profit rate of 12 months EIBOR + 2.5% per annum.

13. Share capital

	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)
Issued and fully paid:		
225,750,000 ordinary shares of AED 1 each (2017: 225,750,000 ordinary shares)	<u>225,750,000</u>	<u>225,750,000</u>

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

14. 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.

During the Annual General Assembly held on 30 April 2017, the shareholders approved to transfer legal reserve amounting to AED 18,729,615 to partially offset the accumulated losses.

15. 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.

During the Annual General Assembly held on 30 April 2017, the shareholders approved to transfer general reserve amounting to AED 18,729,615 to partially offset the accumulated losses.

16. Net Takaful contributions

	2018 AED (Un-audited)	2017 AED (Un-audited)
<i>Gross takaful contribution</i>		
Motor	47,682,373	73,980,318
Engineering	2,122,277	2,177,380
Marine and aviation	4,498,956	20,167,835
Fire	28,410,405	32,061,677
General and insurance liabilities	48,287,452	35,853,910
Medical	29,849,665	31,825,245
Life	35,172,045	50,666,955
	196,023,173	246,733,320
<i>Retakaful share of accepted business</i>		
Motor	1,660,994	14,047,722
Engineering	861,940	503,915
Marine and aviation	2,147,192	17,417,153
Fire	20,483,092	22,039,523
General and insurance liabilities	38,492,092	29,150,584
Medical	900,154	403,205
Life	25,677,385	33,320,507
	90,222,849	116,882,609

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

16. Net Takaful contributions (continued)

	Nine months period ended 30	
	September	
	2018	2017
	AED	AED
	(Un-audited)	(Un-audited)
<i>Retakaful share of ceded business</i>		
Motor	10,777,682	711,474
Engineering	1,075,195	1,373,158
Marine and Aviation	1,469,015	1,686,176
Fire	6,862,294	8,270,912
General and Insurance Liabilities	353,423	361,521
Medical	19,590,676	18,405,206
Life	4,469,352	8,193,655
	<u>44,597,637</u>	<u>39,002,102</u>
<i>Net takaful contribution</i>		
Motor	35,243,697	59,221,122
Engineering	185,142	300,307
Marine and Aviation	882,749	1,064,506
Fire	1,065,019	1,751,242
General and Insurance Liabilities	9,441,937	6,341,805
Medical	9,358,835	13,016,834
Life	5,025,308	9,152,793
	<u>61,202,687</u>	<u>90,848,609</u>

17. Net takaful claims

	Nine months period ended 30	
	September	
	2018	2017
	AED	AED
<i>Gross claims paid</i>		
Motor	28,304,259	57,773,578
Engineering	779,186	1,498,715
Marine and aviation	767,677	1,181,715
Fire	18,652,167	2,654,963
General insurance and liabilities	10,223,201	4,217,684
Medical	24,302,537	23,342,009
Life	9,348,668	12,577,649
	<u>92,377,695</u>	<u>103,246,313</u>

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

17. Net takaful claims (continued)

	Nine months period ended 30	
	September	
	2018	2017
	AED	AED
<i>Retakaful share of accepted business claim</i>		
Motor		
Engineering	4,330,414	10,317,225
Marine and aviation	402,479	27,419
Fire	308,158	675,799
General insurance and liabilities	8,409,356	459,084
Medical	9,048,430	2,881,020
Life	-	-
	5,267,030	9,992,284
	<u>27,765,867</u>	<u>24,352,831</u>
<i>Retakaful share of ceded business claims</i>		
Motor		
Engineering	2,477,559	3,573,518
Marine and aviation	347,581	1,402,120
Fire	383,389	410,166
General insurance and liabilities	8,697,945	1,918,360
Medical	212,567	198,803
Life	16,263,735	8,346,424
	2,209,234	187,922
	<u>30,592,010</u>	<u>16,037,313</u>
<i>Net claims settled</i>		
Motor		
Engineering	21,496,286	43,882,835
Marine and aviation	29,126	69,176
Fire	76,130	95,750
General insurance and liabilities	1,544,866	277,519
Medical	962,204	1,137,861
Life	8,038,802	14,995,585
	1,872,404	2,397,443
	<u>34,019,818</u>	<u>62,856,169</u>

18. Wakala fees and Mudarib's share

The Group manages the Takaful operations for the policyholders and charges 30% of the gross Takaful contributions net of fronting contribution as Wakala fees (30 September 2017: 30%). In addition, the Group charges (2%-100%) on fronting contribution as Wakala fees. These Wakala fees rates were approved by the Group's Fatwa and Sharia'a Supervisory Board.

The Group also manages the Policyholders' investment funds and is entitled to 25% (30 September 2017: 25%) of net investment income earned by the Policyholders' investment funds as the Mudarib's share. The Mudarib's share was AED 292,840 (30 September 2017: AED 49,881).

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

19. Investment income

	Nine months period ended 30 September	
	2018	2017
	AED	AED
	(Un-audited)	(Un-audited)
Loss on investments measured at FVTPL, net	(1,147,173)	(2,344,886)
<i>Other investment income:</i>		
Income from investment deposits	348,490	200,151
Dividend income	6,955,870	2,930,457
Rental income	543,903	550,055
	6,701,090	1,335,777
<i>Allocated to:</i>		
Policyholders	1,171,360	199,525
Shareholders	5,529,730	1,136,252
	6,701,090	1,335,777

Investment income and losses are allocated amongst the shareholders and the policyholders on a pro rata basis. This allocation to policyholders is approved by the Group's Fatwa and Sharia'a Supervisory Board on an annual basis.

20. 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	
	2018	2017
	(Un-audited)	(Un-audited)
Profit for the period attributable to shareholders of the parent (in AED)	8,307,167	4,043,704
Weighted average number of shares outstanding during the period	225,750,000	225,750,000
Earnings per share (AED)	0.037	0.018

21. 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. 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.

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

21. Related party transactions (continued)

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

	30 September 2018 (Un-audited)			31 December 2017 (Audited)		
	Major shareholders AED	Other related parties AED	Total AED	Major shareholders AED	Other related parties AED	Total AED
Wakala deposits	-	-	-	-	5,000,000	-
Carrying value of investments in ordinary shares [Note 21(a)]	-	34,387,577	34,387,577	-	34,827,955	34,827,955
Cash and cash equivalents	-	-	-	-	221,924	221,924
Due from related parties [Note 21(b)]	5,329,913	3,028,854	8,358,766	4,031,431	1,925,666	5,957,097
Due to related parties [Note 21(c)]	849,878	18,410	868,288	3,318,573	60,510	3,379,083

(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 to AED 34.8 million (31 December 2017: AED 34.8 million).

Out of the total shareholding at the reporting date, 106,530 shares amounting AED 9.7 million of Al Salam Bank - Algeria were held by the former CEO (who resigned during 2013 and no longer qualifies as a related party) on trust and for the benefit of the Group and the total shares of Al Salam Bank - Bahrain (5,476,149 shares amounting AED 6.4 million) are held by a company controlled by the former CEO (who resigned during 2013 and no longer qualifies as a related party), in trust and for the benefit of the Group. Refer to note 26 for further details.

(b) Due from related parties represents the following:

	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)
<i>Entities owned by the Chairman of the Board of Directors</i>		
Nation Hospital - UAE	4,360,376	2,522,670
Bin Omeir Education Foundation - UAE	1,382,574	616,803
Bin Omeir Holding Group - UAE	1,142,218	1,511,950
Bin Omeir Auto Motive Group - UAE	879,320	879,231
Bin Omeir Medical Group - UAE	221,985	17,366
Bin Omeir Travel & Tourism Group - UAE	126,538	126,526
Chocolatier - UAE	105,752	91,672
International Market Group For General Services - UAE	52,488	65,241
Yas Mineral Water Bottling - UAE	50,752	49,980
National Consultants - UAE	35,125	32,528
Al Massa Art Products - UAE	1,279	-
Emirates Taxi - UAE	360	-
Fast Rent A Car L.L.C. - UAE	-	43,130
	8,358,767	5,957,097
Less: Provision for impairment	(2,176,989)	-
Total	6,181,778	5,957,097

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

21. Related party transactions (continued)

(b) Due from related parties represents the following (continued)

Details of provision for impairment as per IFRS 9 are as follows:

	Amount (Un-audited) AED
Balance as at 31 December 2017	-
Add: Provision on initial application of IFRS 9 (Note 2.1)	2,037,584
Balance as at 1 January 2018	2,037,584
Impairment allowance for the period	139,405
Balance as at 30 September 2018	2,176,989

(c) Due to related parties represents the following:

	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)
<i>Entities owned by the Chairman of the Board of Directors</i>		
Fast Line Auto Services - UAE	468,484	2,075,510
First Motors - UAE	381,394	381,405
Fast Rent A Car L.L.C.-UAE	18,410	-
Fast Service Centre - UAE	-	861,658
Emirates Taxi - UAE	-	60,510
Total	868,288	3,379,083

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

	30 September 2018 (Un-audited)			30 September 2017 (Un-audited)		
	Major shareholders AED	Other related parties AED	Total AED	Major shareholders AED	Other related parties AED	Total AED
Gross contributions	2,028,088	1,188,899	3,216,987	1,695,142	1,339,432	3,034,574
Gross claims (paid)	53,425	1,275,762	1,329,187	13,493	1,222,794	1,236,286

Compensation of key management personnel was as follows:

	Nine months period ended 30 September	
	2018 AED (Un-audited)	2017 AED (Un-audited)
Short term employee benefits	1,402,008	934,667
End of service benefits	42,408	28,117
Total compensation paid to key management personnel	1,444,416	962,784

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

Notes to the condensed consolidated financial statements for the period from 1 January 2018 to 30 September 2018 (continued)

22. Segmental information

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

- **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 of the subsidiaries for conducting non-takaful related activities and financial report.

The following table presents segment information for the nine months' period ended 30 September 2018 and the 1 September 2017.

	Takaful AED	Investments AED	Other AED	Total AED	Takaful AED	Investments AED
Takaful						
Takaful income	95,734,086	-	-	95,734,086	119,837,451	-
Takaful expenses	(35,205,288)	-	-	(35,205,288)	(67,357,687)	-
Net Takaful income	60,528,798	-	-	60,528,798	52,479,764	-
Wakala fees	(49,785,386)	49,785,386	-	-	(60,828,006)	60,828,006
Mudarib fees	(292,840)	292,840	-	-	(49,881)	49,881
Policy acquisition cost	-	(23,279,872)	-	(23,279,872)	-	(21,160,425)
	10,450,572	26,798,354	-	37,248,926	(8,398,123)	39,717,462
Investment income	1,171,360	5,529,730	-	6,701,090	199,525	1,136,252
Unallocated expenses	-	(29,682,693)	-	(29,682,693)	-	(25,606,770)
Other expense	-	3,401	(6,346,168)	(6,342,767)	-	-
Net profit for the period	11,621,932	2,648,792	(6,346,168)	7,924,556	(8,198,598)	15,246,943

Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)

22. Segmental information (continued)

Other information

	Takaful		Investment		Total	
	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)
Segment assets	397,181,117	505,080,229	878,742,524	862,011,642	1,275,923,641	1,367,091,872
Segment liabilities	414,758,929	520,804,759	799,500,391	778,435,549	1,214,259,320	1,299,240,308

Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)

22. Segmental information (continued)

Life and non-life segments

	Non-life		Life		Total	
	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)	30 September 2018 AED (Un-audited)	31 December 2017 AED (Audited)
Segment assets	360,232,807	458,378,333	36,948,310	46,701,896	397,181,117	505,080,229
Segment liabilities	377,810,619	474,102,863	36,948,310	46,701,896	414,758,929	520,804,759

	Non-life		Life		Total	
	30 September 2018 AED (Un-audited)	30 September 2017 AED (Un-audited)	30 September 2018 AED (Un-audited)	30 September 2017 AED (Un-audited)	30 September 2018 AED (Un-audited)	30 September 2017 AED (Un-audited)
Segment takaful income	81,087,420	101,455,625	14,646,666	18,381,826	95,734,086	119,837,451
Segment takaful expenses	(33,776,706)	(65,257,003)	(1,428,582)	(2,100,684)	(35,205,288)	(67,357,687)
Segment other expenses	(40,990,149)	(48,377,357)	(7,916,717)	(12,301,005)	(48,906,866)	(60,678,362)
Segment net income from takaful operation:	6,320,565	(12,178,735)	5,301,367	3,980,137	11,621,932	(8,198,598)

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

23. Seasonality of results

No income of seasonal nature was recorded in the condensed consolidated income statement for the nine months period ended 30 September 2018 and for the nine months period ended 30 September 2017.

24. 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 0.74 million (31 December 2017: AED 0.86 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 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.

25. 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 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 are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Fair value of the financial assets that are measured at fair value on a recurring basis

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 2018 to 30 September 2018 (continued)**

25. Fair value of financial instruments (continued)

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

Fair value of the financial assets that are measured at fair value on a recurring basis

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	30 September 2018 AED'000 (Un-audited)	31 December 2017 AED'000 (Audited)				
Financial assets at FVTOCI						
Quoted equity securities	51,343	63,335	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	28,907	28,907	Level 3	Net assets valuation method and comparable, multiples approach	Net assets value	Higher the net assets value of the investees, higher the fair value.
Financial assets at FVTPL						
Quoted equity securities	7,365	8,752	Level 1	Quoted bid prices in an active market.	None	N/A
Unit linked investments	671,816	639,150	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 2018 AED'000 (Un-audited)	31 December 2017 AED'000 (Audited)
At 1 January	28,907	35,758
Disposals during the period/year	-	(12,129)
Transferred out of Level 3	-	(1,368)
Changes in fair value	-	6,646
At end of the period/year	28,907	28,907

**Notes to the condensed consolidated financial statements
for the period from 1 January 2018 to 30 September 2018 (continued)**

25. Fair value of financial instruments (continued)

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

	30 September 2018 AED'000 (Un-audited)	31 December 2017 AED'000 (Audited)
At 1 January	639,150	595,587
Net change during the period/year (change in fair value and net investment/withdrawal)	<u>32,666</u>	<u>43,563</u>
At end of the period/year	<u>671,816</u>	<u>639,150</u>

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.

26. Significant matters

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. As of 31 December 2017, assets with a total carrying value of AED 16.1 million which are still in his name or owing from him, have not been yet transferred or paid to the Group. The Group is undergoing several legal litigations in regards to the transfer of these assets which involves a degree of uncertainty as to the full and timely recoverability of these assets. 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.

27. 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 2018.