ORIENT UNB TAKAFUL P.J.S.C.

UNAUDITED INTERIM
FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2017

EY
Building a better working world

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REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ORIENT UNB TAKAFUL P.J.S.C.

Introduction

We have reviewed the accompanying interim financial statements of Orient UNB Takaful P.J.S.C. (the "Company"), as at 30 September 2017 which comprise the interim statement of financial position as at 30 September 2017 and the related interim statements of comprehensive income for the three month and eleven month periods then ended and the interim statements of cash flows and changes in equity for the period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim financial statements in accordance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the 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, it 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 statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young

T.S. Hari Gopal

Signed by:
Thodla Hari Gopal
Partner
Registration number: 689

13 November 2017

Dubai, United Arab Emirates

INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2017

	Notes	***30 September 2017 AED (Unaudited)***
TAKAFUL OPERATIONS' ASSETS		
Cash and bank balances	3	**1,351,405**
Takaful receivables and other assets		**154,800**
Retakaful contract assets	5	**6,209,490**
Premium receivable	6	**4,079,882**
TOTAL TAKAFUL OPERATIONS' ASSETS		**11,795,577**
SHAREHOLDERS' ASSETS		
Cash and bank balances	3	**18,864,349**
Other receivables and prepayments	7	**3,776,830**
Wakala Deposit	8	**180,000,000**
Statutory deposit	9	**6,000,000**
Property and equipment	10	**1,675,233**
Wakala Fee receivable	4	**1,951,212**
Receivable from policyholders		**1,297,275**
TOTAL SHAREHOLDERS' ASSETS		**213,564,899**
TOTAL ASSETS		**225,360,476**
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT		
Takaful operations liabilities		
Takaful contract liabilities	5	**7,614,559**
Payable to takaful, insurance, reinsurance & retakaful companies	11	**2,632,959**
Other takaful payables		**644,620**
Wakala fee payable	4	**1,951,212**
Payable to shareholders		**1,297,275**
TOTAL TAKAFUL OPERATIONS' LIABILITIES		**14,140,625**
DEFICIT IN POLICYHOLDERS' FUND		
Deficit in policyholders' fund		**(2,345,048)**
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT		**11,795,577**

The attached notes 1 to 17 form part of these interim financial statements.

INTERIM STATEMENT OF FINANCIAL POSITION (continued)
As at 30 September 2017

	Notes	*30 September 2017 AED (Unaudited)*
SHAREHOLDERS' LIABILITIES AND EQUITY		
SHAREHOLDERS' LIABILITIES		
Shareholders' liabilities		
Due to related parties	13	**10,809,607**
Accruals, provisions & other payables		**1,175,910**
Employees' end of service benefits		**77,681**
TOTAL SHAREHOLDERS' LIABILITIES		**12,063,198**
SHAREHOLDERS' EQUITY		
Share capital	12	**200,000,000**
Share premium	12	**1,198,390**
Retained Earnings		**303,311**
TOTAL SHAREHOLDERS' EQUITY		**201,501,701**
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		**213,564,899**
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT AND SHAREHOLDERS' LIABILITIES AND EQUITY		**225,360,476**

The interim financial statements were approved by the Board of Directors on 13 NOV 2017 and signed on its behalf by:

Chairman

Chief Executive Officer

Head-Finance

The attached notes 1 to 17 form part of these financial statements.

INTERIM STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 September 2017

	Note	*Three months period ended 30 September 2017 AED (Unaudited)*	*Period from 8 November 2016 to 30 September 2017 AED (Unaudited)*
Gross contribution written		**7,804,846**	7,804,846
Changes in unearned contributions		**(6,925,540)**	(6,925,540)
Takaful contributions earned		**879,306**	879,306
Retakaful contributions		**6,741,890**	6,741,890
Changes in unearned retakaful contribution		**(5,553,827)**	(5,553,827)
Retakaful share of earned contributions		**1,188,063**	1,188,063
Net earned contributions		**(308,757)**	(308,757)
Commission earned		**911,402**	911,402
Gross takaful income		**602,645**	602,645
Gross claims incurred		**(689,019)**	(689,019)
Retakaful share of claims incurred		**655,663**	655,663
Net claims incurred		**(33,356)**	(33,356)
Commission expenses		**(927,871)**	(927,871)
Other takaful expenses		**(35,254)**	(35,254)
Total takaful expenses		**(996,481)**	(996,481)
Takaful Results before wakala fees		**(393,836)**	(393,836)
Wakala fees		**(1,951,212)**	(1,951,212)
Net deficit from takaful operations		**(2,345,048)**	(2,345,048)
Attributable to Shareholders			
Wakala fees Income from policyholders		**1,951,212**	1,951,212
Income from Wakala deposit		**2,227,261**	2,315,475
General and administrative expenses		**(2,678,042)**	(3,963,376)
Profit for the period attributable to Shareholders		**1,500,431**	303,311
Other comprehensive income		**-**	-
Total consolidated results for the period		**(844,617)**	(2,041,737)
Basic and diluted earnings per share (AED) attributable to equity holders of the Company	14	**(0.42)**	(1.02)

The attached notes 1 to 17 form part of these interim financial statements.

INTERIM STATEMENT OF CHANGES IN EQUITY
For the period ended 30 September 2017

	Share capital AED	*Share premium AED*	*Retained earnings AED*	*Total AED*
Issue of share capital (Note 12)	200,000,000	-	-	200,000,000
Share premium collected	-	2,000,000	-	2,000,000
Issuance cost of share capital	-	(801,610)	-	(801,610)
Total comprehensive loss for the period	-	-	303,311	303,311
At 30 September 2017 (Unaudited)	**200,000,000**	**1,198,390**	**303,311**	**201,501,701**

The attached notes 1 to 17 form part of these interim financial statements.

INTERIM STATEMENT OF CASH FLOWS
For the period ended 30 September 2017

	Period from 8 November 2016 to 30 September 2017 (Unaudited) AED
OPERATING ACTIVITIES	
Loss for the period	**(2,041,737)**
Adjustments for:	
Depreciation of property and equipment	**70,238**
Provision for employees' end of service benefits	**77,681**
Operating loss before working capital changes	**(1,893,818)**
Working capital changes:	
Changes in retakaful contract assets	**(6,209,490)**
Changes in takaful receivables and other receivables	**(3,931,630)**
Changes on insurance balance receivables	**(4,079,882)**
Changes in takaful contract liabilities	**7,614,559**
Changes in takaful and other payables	**15,263,096**
Net cash flows from operating activities	**6,762,835**
INVESTING ACTIVITIES	
Wakala and statutory deposits	**(186,000,000)**
Purchase of property and equipment	**(1,745,471)**
Net cash flows used in investing activities	**(187,745,471)**
FINANCING ACTIVITIES	
Proceeds from issuance of share capital	**200,000,000**
Net proceeds against share premium	**1,198,390**
Net cash flows from financing activities	**201,198,390**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**20,215,754**
Cash and cash equivalents at the beginning of the period	**-**
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**20,215,754**

The attached notes 1 to 17 form part of these interim financial statements.

1 ACTIVITIES

Orient UNB Takaful P.J.S.C. (the "Company") is a public joint stock company registered under UAE Federal Law No (2) of 2015 relating to the incorporation of commercial companies in the UAE, and UAE Federal Law No. (6) of 2007 (as amended) relating to the establishment of insurance companies. The registered address of the Company is P.O. Box 183368, Dubai, United Arab Emirates.

The Company was incorporated on 8 November 2016, while the formalities of issuance and allotment of shares to the public were finalised on 28 December 2016. The Company obtained a commercial license on 23 January 2017.

The principal activity of the Company is issuance of short term insurance contracts in connection with accidents and liabilities insurance, fire insurance, transportation risk insurance, other type of insurance and health insurance. The Company also invests its funds in deposits.

2 BASIS OF PREPARATION

Accounting convention
The interim financial statements are prepared under the historical cost convention. The interim financial statements have been presented in UAE Dirhams.

The Company presents its interim statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

Basis of preparation
The interim financial statements for the period ended 30 September 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting.

2.1 STANDARDS ISSUED BUT NOT EFFECTIVE

Certain new standards, amendments to standards and interpretations are not yet effective for the period ended 30 September 2017, with the Company not opting for early adoption. These have, therefore, not been applied in preparing these interim financial statements.

IFRS 9 Financial Instruments
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date. Overall, the Company expects no significant impact on its interim statement of financial position and changes in equity except for the effect of applying the impairment requirements of IFRS 9.

Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the upcoming new insurance contracts standard (IFRS 17). The Company plans to defer the application of IFRS 9 until the earlier of the effective date of the new insurance contracts standard (IFRS 17) of 1 January 2021, applying the temporary exemption from applying IFRS 9 as introduced by the amendments.

2.1 STANDARDS ISSUED BUT NOT EFFECTIVE (continued)

Amendments to IFRS 4 - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (continued)
The amendments introduce two alternative options for entities issuing contracts within the scope of IFRS 4, notably a temporary exemption and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9 before and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for the designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

An entity can apply the temporary exemption from IFRS 9 for annual periods beginning on or after 1 January 2018. An entity may start applying the overlay approach when it applies IFRS 9 for the first time.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

IFRS 16 Leases
IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. In 2017, the Company plans to assess the potential effect of IFRS 16 on its financial statements.

IFRS 2 Classification and Measurement of Share-based Payment Transactions — Amendments to IFRS 2
The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The Company is assessing the potential effect of the amendments on its financial statements.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's interim financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the interim financial statements:

Judgements

Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading, fair value though profit or loss or available-for-sale.

For those investments deemed to be held to maturity, management ensures that the requirements of IAS 39 are met and, in particular, that the Company has the intention and ability to hold these to maturity.

The Company classifies investments as held for trading if they are acquired primarily for the purpose of making a short term profit.

Classification of investments as fair value through profit or loss depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit or loss.

All other investments are classified as available-for-sale.

Operating lease commitments – Company as lessee

The Company has entered into lease on its office premises. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the office premises and the fair value of the asset, that it retains all the significant risks and rewards of ownership of the office premises and accounts for the contract as operating lease.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the interim financial statements continue to be prepared on the going concern basis.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

The ultimate liability arising from claims made under takaful contracts

The estimation of ultimate liability arising from the claims made under takaful contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the end of each reporting period and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting period.

Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty (continued)
Impairment of takaful receivables
The Company reviews its receivables to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from receivables. A provision for impairment of contribution, retakaful and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their terms.

Claims incurred but not reported
A provision for claims Incurred But Not Reported ("IBNR") is determined by management's best estimate and after considering results of reserve review done by an independent actuary.

The reserves represent management's best estimates on the basis of:

(a) claims reported during the year
(b) delay in reporting these claims

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

Takaful contracts
Recognition and measurement
Takaful contracts are classified into two main categories, short term and long term takaful contracts.

Short term takaful contracts
Takaful contributions comprise the total contributions receivable for the whole period of cover provided by takaful contracts entered into during the accounting period and are recognised on the date on which the takaful policy incepts. Unearned contributions are those proportions of contributions written in a year that relate to period of risk after the reporting date. The proportion attributable to subsequent year is deferred as a provision for unearned contributions.

The Company currently does not issue long term takaful contracts.

Retakaful contributions
Retakaful contribution ceded are amounts paid to insurance and reinsurance companies in accordance with the retakaful contracts of the Company. In respect of proportional retakaful contracts and non-proportional retakaful contracts, the amounts are recognised in the statement of comprehensive income in accordance with the terms of these contracts.

Wakalah fees
The Company manages the takaful operations on behalf of the policyholders for a wakalah fee which is recognised on an accrual basis. A similar amount is shown as expense in statement of income attributable to policyholders.

Profit on deposits
Profit on deposits is recognised on a time basis, by reference to the principal outstanding and at the effective rate of return applicable.

Investment income
Profit from investment deposits is recognised on a time proportion basis. Dividend income is accounted for when the right to receive payment is established. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the weighted average cost and are recorded on occurrence of the sale transaction.

Claims
Claims, comprising amounts payable to participants and related loss adjustment expenses, net of recoveries and are charged to statement of comprehensive income as incurred. Such expenses include direct and indirect claims settlement costs which arise from events that have occurred up to the balance sheet date even if they have not been reported. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments of individual cases reported and statistical analysis for the claims Incurred But Not Reported ("IBNR") as determined by management's best estimate and after considering results of reserve review done by an independent actuary.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retakaful share of claims incurred
Retakaful share of claims are recognised when the related gross claim is recognised according to the terms of the retakaful contracts of the Company.

Policy acquisition costs
Commissions that are related to securing new contracts and renewing existing contracts are amortised over the terms of the policies as takaful contribution is earned. All other costs are recognised as expenses when incurred.

Leases
Company as a lessee
The Company has no finance leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

Foreign currency translation
Items included in the financial statements of the Company are measured in United Arab Emirates Dirham ("AED") being the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are prepared in AED, which is the Company's functional and presentation currency.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the interim statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Company's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the interim statement of comprehensive income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or interim statement of comprehensive income are also recognised in other comprehensive income or interim statement of comprehensive income, respectively).

Property and equipment
Property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straightline method to write down the cost of assets to their estimated residual values over their expected useful economic lives as follows:

Office equipment	4 years
Furniture and fixtures	7 years
Motor vehicles	5 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount being the higher of the net selling price and value in use. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are recorded in the statement of comprehensive income.

Intangible assets
Intangible assets represents software acquired by the Company which is stated at cost less accumulated amortisation and impairment losses, if any. Cost of the software represents the costs incurred to acquire and bring the software to use.

Amortisation is recognised on a straight line basis over the useful life of the software, from the date it is available for use. The useful life of the software is estimated to be 7 years.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets

Initial recognition and measurement

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes a party to contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets or liabilities designated at fair value through profit or loss or available-for-sale assets are recognised. Receivables are recognised on the day they are transferred to or acquired by the Company.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

The Company's financial assets include bank balances and short term deposits, takaful receivables and premium receivable.

Subsequent measurement

A financial asset or a financial liability is recognised initially at its fair value plus, in the case of a financial asset or a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent to initial recognition, all financial assets at fair value through profit or loss and all available-for-sale assets are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be measured reliably is stated at cost, including transaction costs, less impairment allowances.

All other financial assets and non-trading financial liabilities are measured at amortised cost less impairment allowances.

Derecognition

The Company derecognises financial assets when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of the ownership of the financial assets are transferred.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Cash and cash equivalents

Cash and cash equivalents in the interim statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Impairment of financial assets

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of comprehensive income. Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through income statement, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include payable to takaful, insurance, reinsurance and retakaful companies, other takaful payables and due to related parties.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through income statement

Financial liabilities at fair value through income statement includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through income statement.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the income statement.

The Company has not designated any financial liabilities upon initial recognition as at fair value through income statement.

Takaful contract liabilities

Unearned contributions

Unearned contributions are those proportions of contributions written in a year that relate to period of risk after the reporting date. Unearned contributions is calculated on a daily prorate basis or "1/365" method for all classes except Marine Cargo – Single shipments (which is calculated at 25%) and for Engineering (which is calculated on a risk-increasing basis), in accordance with the guidelines issued by the Insurance Authority UAE and after considering results of reserve review done by an independent actuary. The proportion attributable to subsequent year is deferred as a provision for unearned contributions.

Outstanding claims

Outstanding claims reported are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, after reduction for the recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

Other payables and accruals

Liabilities are recognised for amounts to be paid in the future for goods and services rendered, whether billed by the supplier or not.

Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

Employees' end of service benefits

The Company provides end of service benefits to its employees employed in the UAE in accordance with the UAE Labour Law and for employees employed in the foreign branches of the Company and subsidiary companies in accordance with the respective region's labour Law. The entitlement of these benefits is based upon employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' end of service benefits (continued)
With respect to its national employees, the Company makes contributions to a pension or social security fund established by the respective countries, calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Surplus / deficit in policyholders' fund
Surplus in participants' funds represents accumulated gains on takaful activities and are distributed among the participants. The timing, quantum and the basis of distribution are determined by the Company and are approved by its Fatwa and Shari'a Supervisory Board.

Deficits in participants' funds are financed through Qard Hasan by the Company and thereafter fully provided for by the Company, **subject to approvals from the Shareholders and regulatory authorities.** Accordingly, assets, liabilities, revenue and expenses relating to the participants' funds are recognized in the financial statements of the Company.

Liability adequacy test
At the end of each reporting date the Company assesses whether its recognised takaful liabilities are adequate using current estimates of future cash flows under its takaful contracts. If that assessment shows that the carrying amount of its takaful liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised as charge against income and an additional reserve created. The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

Retakaful contract assets
The Company cedes takaful risk in the normal course of business for all of its businesses. Retakaful assets represent balances due from retakaful companies. Recoverable amounts are estimated in a manner consistent with the claims reported and unsettled, claim incurred but not reported, unearned contributions and mathematical reserves and are in accordance with the retakaful contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the retakaful can be measured reliably. The impairment loss is recorded in the statement of comprehensive income. Ceded retakaful arrangements do not relieve the Company from its obligations to policyholders.

Contributions and claims are presented on a gross basis for both ceded and assumed retakaful risk.

Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Offsetting
Financial assets and liabilities are offset and the net amount reported in the interim statement of financial position only when there is legally enforceable right to offset the recognised amounts, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the interim statement of comprehensive income unless required or permitted by an accounting standard or interpretation.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the interim statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

For financial instruments traded in active markets, fair value at each reporting date is determined by reference to Stock Exchange quoted market bid prices, without any deduction for transaction costs.

For financial instruments not traded in active market, fair value is determined by reference to the current market value of a similar instrument, recent arm's length market transactions or is based on the expected discounted cash flows or any other valuation model.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting
The Company's segmental reporting is based on the following operating segments: General insurance and Investment segment.

a) The general insurance segment comprises general insurance to individuals and businesses. General insurance products offered include motor, marine, fire, engineering, general accident and liability. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident, e.g., employee liability claims and asbestos. Revenue in this segment is derived primarily from insurance contributions and commission income.
b) The investment segment includes investment in equity, fixed income securities such as bonds and fixed deposits and other income.

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	30 September 2017 (Unaudited) AED	
	Takaful Operations AED	***Shareholders' Operations AED***
Cash and bank balances	**1,351,405**	**18,864,349**

4 WAKALA FEES

Wakala fees for the period ended 30 September 2017 amounted to AED 1,951,212.

For all takaful policies, wakala fees were charged at 25% of gross takaful contributions. Wakala fees are approved by the Sharia'a Supervisory Board and are charged to the statement of comprehensive income when incurred.

5 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	30 September 2017 (Unaudited) AED
Gross takaful contract liabilities	
Claims reported not paid	**69,774**
Claims incurred but not reported	**619,245**
Unearned contribution	**6,925,540**
	7,614,559
Retakaful contract assets	
Retakaful share of claims reported	**46,579**
Retakaful share of claims incurred but not reported	**609,084**
Retakaful share of unearned contribution	**5,553,827**
	6,209,490

6 PREMIUM RECEIVABLE

	30 September 2017 (Unaudited) AED
Premium receivable from third parties	**2,044,126**
Premium receivable from related parties (note 13)	**2,035,756**
	4,079,882

7 OTHER RECEIVABLES AND PREPAYMENTS

	30 September 2017 (Unaudited) AED
Accrued profit on Wakala Deposits	**2,220,664**
Prepayments	**1,302,721**
Other receivables	**253,445**
	3,776,830

8 WAKALA DEPOSITS

These consist of short term deposits with an Islamic financial institution in UAE, at profit rates ranging from 2% to 2.5% amounting to AED 180,000,000.

9 STATUTORY DEPOSIT

This consists of a fixed deposit on lien with an Islamic bank in UAE, at profit rate of 1.65% per annum, for the purpose of license renewal from the Insurance Authority.

10 PROPERTY, PLANT AND EQUIPMENT

30 September 2017

	Motor vehicles AED	*Office furniture and Fixtures AED*	*Office Equipment AED*	*Computer software AED*	*Total AED*
Cost:					
Purchases during the period	61,160	792,023	45,888	846,400	1,745,471
At 30 September 2017	**61,160**	**792,023**	**45,888**	**846,400**	**1,745,471**
Accumulated depreciation:					
Charge for the period	862	26,072	12,827	30,477	70,238
At 30 September 2017	**862**	**26,072**	**12,827**	**30,477**	**70,238**
Net carrying amount:					
At 30 September 2017	**60,298**	**765,951**	**33,061**	**815,923**	**1,675,233**

11 PAYABLE TO TAKAFUL, INSURANCE, REINSURANCE AND RETAKAFUL COMPANIES

	30 September 2017 (Unaudited) AED
Payable to insurance and takaful companies	**1,863,220**
Other payables	**769,739**
	2,632,959

12 SHARE CAPITAL AND SHARE PREMIUM

	30 September 2017 (Unaudited) AED
Issued and paid up Capital	
Issued and fully paid 2,000,000 shares of AED 100 each	**200,000,000**
Share premium reserve	**1,198,390**
	201,198,390

Share premium upon initial public subscription amounted to AED 1 for each share. Transaction costs incurred on issuance of shares are recognised in equity and charged to share premium.

13 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties comprise of shareholders, associate companies, and directors and key management personnel of the Company, together with entities controlled, jointly controlled or significantly influenced by those parties. Pricing policies and terms of these transactions are approved by the Company's shareholders.

Significant transactions with related parties included in the statement of comprehensive income are as follows:

	30 September 2017 (Unaudited) AED
Compensation of key management personnel:	
Short term benefits	**752,742**
End of service	**76,216**
	828,958
Gross written contribution	**5,719,834**

13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	30 September 2017 (Unaudited) AED
Due from related parties	
Premium receivable from related parties (note 6)	**2,035,756**
Due to related parties	
Orient Insurance PJSC (Shareholder)	**9,961,487**
Al Futtaim Real Estate Pvt Ltd	**645,335**
Other related parties	**202,785**
	10,809,607

14 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	Three months period ended 30 September 2017 AED (Unaudited)	*Period from 8 November 2016 to 30 September 2017 AED (Unaudited)*
Loss for the period	**(844,617)**	(2,041 737)
Weighted average number of shares outstanding during the year	**2,000,000**	2,000,000
Earnings per share (AED)	**(0.42)**	(1.02)

No figures for diluted earnings per share are presented as the Company has not issued any instruments which would have an impact on earnings per share when exercised.

15 SEGMENT INFORMATION

For management purposes, the Company is organised into two business segments; takaful and investment operations. The takaful operations comprise the takaful business undertaken by the Company on behalf of policyholders. Investment operations comprise investments and cash management for the Company's own account. No operating segments have been aggregated to form the above reportable operating segments.

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

15 SEGMENT INFORMATION (continued)

Except for Wakala fees and allocation charge, no other inter-segment transactions occurred during the period. Segment income, expenses and results include transactions between business segments which will then be eliminated on consolidation shown below.

	30 September 2017				
	Underwriting		*Shareholders*		
	Takaful AED	*Total AED*	*Investments AED*	*Others AED*	*Total AED*
Segment revenue	**1,062,956**	**1,062,956**	**2,315,475**	**1,951,212**	**4,266,687**
Segment result	**(393,836)**	**(393,836)**	**2,315,475**	**1,951,212**	**4,266,687**
Wakala fees	**(1,951,212)**	**(1,951,212)**	-	-	-
General and administrative expenses	-	-	-	**(3,963,376)**	**(3,963,376)**
Profit / (loss) attributable to policyholders / shareholders	**(2,345,048)**	**(2,345,048)**	**2,315,475**	**(2,012,164)**	**303,311**

		30 September 2017				
	Takaful AED	*Total AED*	*Underwriting investments AED*	*Shareholders' Others AED*	*Unallocated Total AED*	*Total AED*
Segment assets	**11,795,577**	**11,795,577**	**186,000,000**	**24,316,412**	**210,316,412**	**222,111,989**
Segment liabilities	**10,892,138**	**10,892,138**	**12,063,198**	-	**12,063,198**	**22,955,336**

16 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of bank balances and short term deposits, takaful receivables, retakaful contract assets and premium receivable.

Financial liabilities consist of takaful contract liabilities, payable to takaful, insurance, reinsurance and retakaful companies, other takaful payables and due to related parties.

The fair values of financial instruments are not materially different from their carrying values. The fair value of the financial assets and liabilities are considered at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Bank balances, deposits and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

17 RISK MANAGEMENT

The risks faced by the Company and the manner these risks are managed by the management are summarised below:

(a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The board of directors, with its associated committees, carries out the Company's risk management function. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Company President and Senior Vice Presidents.

The senior management meets regularly to approve any commercial, regulatory and organisational decisions. The Company President under the authority delegated from the board of directors defines the Company's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

(b) Capital management framework

The primary objective of the Company's capital management is to comply with the regulatory requirements in the UAE to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Company fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the period ended 30 September 2017.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and the public shareholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

(d) Financial risk

Financial instrument consists of financial assets and financial liabilities. The Company has no derivative financial instruments.

Financial assets of the Company include cash and cash equivalents, deposits with banks, other receivables, statutory deposits and Wakala deposits.

Financial liabilities of the Company include other payables and accruals.

The main risks arising from the Company's financial instruments are profit rate risk, credit risk, and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised as follows:

Profit rate risk
Profit rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in profit rates. Floating rate instruments expose the Company to cash flow profit risk, whereas fixed interest rate instruments expose the Company to fair value profit rate risk.

17 RISK MANAGEMENT (continued)

(d) Financial risk (continued)

Profit rate risk (continued)
The Company's only exposure to profit risk is on account of its investment in Wakala deposits and statutory deposits. The Company limits profit rate risk by monitoring changes in profit rates of the investment made. The Wakala deposit is at a fixed rate of profit.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	30 September 2017 AED
Wakala deposits	**180,000,000**
Statutory deposits	**6,000,000**
Bank balances	**20,215,754**
Retakaful contract assets	**6,209,490**
Premium receivable	**4,079,882**
Takaful receivables and other assets	**154,800**
Wakala Fee receivables	**1,951,212**
Receivable from policyholders	**1,297,275**
Other receivables	**2,474,109**
TOTAL CREDIT RISK EXPOSURE	**222,382,522**

The Company seeks to limit credit risk by investing in financial assets with only reputed and creditworthy banks in the UAE.

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Reinsurance risk
In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess of loss reinsurance contracts.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders and as a result the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures.

The five largest reinsurers account for 91% of the maximum credit exposure at 30 September 2017. The maximum theoretical credit risk exposure in this connection is mainly from receivables in the UAE business.

Liquidity risk
Liquidity risk is the risk that the Company will not be able to meet its commitments associated with financial liabilities as they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise. The Company has adequate funds from the shareholders to meet its financial liabilities.