

**Methaq Takaful Insurance
Company PSC**

REVIEW REPORT AND INTERIM CONDENSED
FINANCIAL STATEMENTS

31 MARCH 2018 (UNAUDITED)

REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF METHAQ TAKAFUL INSURANCE COMPANY PSC

Introduction

We have reviewed the accompanying interim condensed financial statements of Methaq Takaful Insurance Company PSC (the "Company") as at 31 March 2018, comprising of the interim statement of financial position as at 31 March 2018 and the related interim statement of income and interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements 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 condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

We draw attention to Note 2.1 to the interim condensed financial statements, which states that the Company accumulated losses amounted to AED 67,937,401 as of 31 March 2018. These interim condensed financial statements have been prepared under the going concern concept as the Directors and management consider these losses to be temporary and expect the Company to generate profits from future takaful operations. Our conclusion is not qualified in respect of this matter.



Signed by
Raed Ahmad
Partner
Ernst & Young
Registration No 811

12 May 2018
Abu Dhabi

Methaq Takaful Insurance Company PSC

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)


As at 31 March 2018

	Notes	31 March 2018 (Unaudited) AED	31 December 2017 (Audited) AED
ASSETS			
Takaful Operating Assets			
Reinsurers' share of unearned contributions		48,435,326	22,528,252
Prepaid expenses and other assets		6,614,468	3,418,442
Reinsurers' share of outstanding claims		53,244,380	42,008,241
Contributions and re- takaful balances receivables		221,928,968	226,076,519
Cash and bank accounts	3	<u>90,553,490</u>	<u>53,977,329</u>
Total Takaful Operating Assets		<u>420,776,632</u>	<u>348,008,783</u>
Shareholders' assets			
Property and equipment		1,486,570	1,622,074
Statutory deposits	4	6,000,000	6,000,000
Financial assets designated at fair value through profit or loss	5	1,492,979	1,430,659
Financial assets designated at fair value through other comprehensive income	5	8,860,000	10,632,000
Deferred policy acquisition costs		23,359,044	23,680,465
Investment properties	6	162,360,000	162,360,000
Prepaid expenses and other assets		13,111,967	10,369,086
Bank deposits	3	2,971,526	2,971,526
Cash and bank accounts	3	<u>7,741,049</u>	<u>6,686,914</u>
Total Shareholders' Assets		<u>227,383,135</u>	<u>225,752,724</u>
TOTAL ASSETS		<u>648,159,767</u>	<u>573,761,507</u>
Takaful Operation Liabilities			
Takaful payables		43,109,556	50,726,719
Outstanding claims		202,748,296	176,101,206
Retakaful payables		45,639,585	19,648,483
Unearned re - takaful commission income		14,963,330	6,745,057
Unearned contributions		<u>244,557,186</u>	<u>229,121,724</u>
Total Takaful Operations Liabilities		<u>551,017,953</u>	<u>482,343,189</u>
Shareholders' Liabilities			
Trade payables		982,075	634,432
Accrued expenses and other liabilities		12,072,731	9,353,761
Provision for end of service benefits		2,715,096	2,584,017
Islamic financing arrangement		<u>3,428,571</u>	<u>3,428,571</u>
Total shareholders' Liabilities		<u>19,198,473</u>	<u>16,000,781</u>
TOTAL LIABILITIES		<u>570,216,426</u>	<u>498,343,970</u>

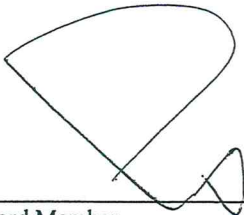
Methaq Takaful Insurance Company PSC

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED) continued As at 31 March 2018

		<i>31 March 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
	<i>Notes</i>		
Participants' fund			
Deficit of general participants takaful fund	8	(221,901,209)	(217,382,631)
Loan from shareholders' fund	8	<u>221,901,209</u>	<u>217,382,631</u>
Total participants' fund		<u>-</u>	<u>-</u>
Shareholders' equity			
Share capital		150,000,000	150,000,000
Legal reserve		3,039,935	3,039,935
General reserve		1,700,807	1,700,807
Investment revaluation reserve		(8,860,000)	(7,088,000)
Accumulated losses		<u>(67,937,401)</u>	<u>(72,235,205)</u>
Total shareholders' equity		<u>77,943,341</u>	<u>75,417,537</u>
TOTAL LIABILITIES PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY		<u>648,159,767</u>	<u>573,761,507</u>


Chairman




Board Member

The attached notes 1 to 12 form part of these interim condensed financial statements.





Methaq Takaful Insurance Company PSC

INTERIM STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2018

	<i>Three months ended 31 March 2018 (Unaudited) AED</i>	<i>Three months ended 31 March 2017 (Unaudited) AED</i>
	<i>Note</i>	
Attributable to policyholders		
Gross contribution written	118,232,929	76,604,785
Retakaful contributions	<u>(40,229,596)</u>	<u>(7,558,518)</u>
Net Takaful Contributions	78,003,333	69,046,267
Change in net unearned contribution provision	<u>10,471,612</u>	<u>(13,485,867)</u>
Net Takaful Contributions Earned	88,474,945	55,560,400
Commissions earned	<u>4,237,874</u>	1,444,998
Gross Takaful Contributions	<u>92,712,819</u>	<u>57,005,398</u>
Gross claims paid	(67,840,750)	(43,480,789)
Retakaful share of claims paid	<u>15,280,206</u>	<u>10,299,809</u>
Net Paid Claims	<u>(52,560,544)</u>	<u>(33,180,980)</u>
Change in outstanding claims	(7,833,797)	(1,534,487)
Change in retakaful share of outstanding claims	1,445,422	1,630,485
Change in incurred but not reported claims reserve	<u>(17,299,134)</u>	<u>(2,441,748)</u>
Change in retakaful share of incurred but not reported claims reserve	9,790,718	195,591
Change in unallocated loss adjustment expense	<u>406,400</u>	<u>(118,972)</u>
Net claims incurred	<u>(66,050,935)</u>	<u>(35,450,111)</u>
Takaful income	26,661,884	21,555,287
Takaful expenses	<u>-</u>	<u>(5,958,685)</u>
Takaful Operating Profit	26,661,884	15,596,602
Wakalah fees	<u>(31,180,461)</u>	<u>(14,250,553)</u>
(Deficit) Surplus of takaful result for the period	<u>(4,518,577)</u>	<u>1,346,049</u>
Attributable to Shareholders		
Shareholders' investment and other income, net	53,486	90,896
Wakalah fees from policyholders	31,180,461	14,250,553
Income from real estate	262,573	244,440
Takaful expenses	<u>(14,429,958)</u>	<u>-</u>
Change in fair value of investments at fair value through profit and loss	62,320	(662,957)
(Increase) decrease in provision of loan to policyholders' fund	<u>(4,518,577)</u>	<u>1,346,049</u>
Profit expense on islamic financing	(72,857)	(109,286)
General and administrative expenses	<u>(8,239,644)</u>	<u>(9,584,435)</u>
Net profit for the period	<u>4,297,804</u>	<u>5,575,260</u>
Basic and diluted earnings per share	9	9
	<u>0.03</u>	<u>0.04</u>

The attached notes 1 to 12 form part of these interim condensed financial statements.

Methaq Takaful Insurance Company PSC

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2018

	<i>Three months ended 31 March 2018 (Unaudited) AED</i>	<i>Three months ended 31 March 2017 (Unaudited) AED</i>
Profit for the period	4,297,804	5,575,260
Other comprehensive loss:		
Items that will not be reclassified subsequently to statement of income:		
Decrease in fair value of investments at fair value through Other comprehensive income	<u>(1,772,000)</u>	<u>(1,772,000)</u>
Other comprehensive loss for the period	(1,772,000)	(1,772,000)
Total comprehensive income for the period	<u>2,525,804</u>	<u>3,803,260</u>

The attached notes 1 to 12 form part of these interim condensed financial statements.

Methaq Takaful Insurance Company PSC

INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2018

	<i>Share capital AED</i>	<i>Legal reserve AED</i>	<i>General reserve AED</i>	<i>Investment fair value reserve AED</i>	<i>Accumulated losses AED</i>	<i>Total AED</i>
Balance at 1 January 2017	150,000,000	2,959,565	1,700,807	(1,772,000)	(72,958,535)	79,929,837
Profit for the period	-	-	-	-	5,575,260	5,575,260
Other comprehensive loss	-	-	-	(1,772,000)	-	(1,772,000)
Total comprehensive income for the period	-	-	-	(1,772,000)	5,575,260	3,803,260
Balance at 31 March 2017	<u>150,000,000</u>	<u>2,959,565</u>	<u>1,700,807</u>	<u>(3,544,000)</u>	<u>(67,383,275)</u>	<u>83,733,097</u>
Balance at 1 January 2018	150,000,000	3,039,935	1,700,807	(7,088,000)	(72,235,205)	75,417,537
Profit for the period	-	-	-	-	4,297,804	4,297,804
Other comprehensive loss	-	-	-	(1,772,000)	-	(1,772,000)
Total comprehensive income for the period	-	-	-	(1,772,000)	4,297,804	2,525,804
Balance at 31 March 2018	<u>150,000,000</u>	<u>3,039,935</u>	<u>1,700,807</u>	<u>(8,860,000)</u>	<u>(67,937,401)</u>	<u>77,943,341</u>

The attached notes 1 to 12 form part of these interim condensed financial statements.

Methaq Takaful Insurance Company PSC

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 31 March 2018

	<i>Three months ended 31 March 2018 (Unaudited) AED</i>	<i>Three months ended 31 March 2017 (Unaudited) AED</i>
	<i>Note</i>	
OPERATING ACTIVITIES		
Profit for the period	4,297,804	5,575,260
(Deficit) surplus of takaful result for the period	(4,518,578)	1,346,049
Adjustments for:		
Depreciation of furniture and equipment	199,088	242,926
Movement of unearned premiums, net	(10,471,612)	13,485,908
Change in fair value of investments at fair value through profit or loss	(62,320)	662,957
Investment and other income	(53,486)	(90,896)
Profit expense on islamic financing	72,857	109,286
Employees' end of service benefit, net	142,678	2,107,911
Movement in provision for loan to policyholders	<u>4,518,578</u>	<u>(1,346,049)</u>
Operating (loss) profit before movements in working capital	(5,874,991)	22,093,352
Movements in working capital:		
Prepaid expenses and other assets	(5,938,907)	(8,852,143)
Contribution and re-takaful balances receivables	4,147,551	(13,394,843)
Deferred policy acquisition costs	321,421	1,329,501
Movement of outstanding claims, net	15,410,951	1,256,030
Takaful payables	(7,617,163)	(867,172)
Retakaful payables	25,991,102	(2,206,095)
Trade payables	347,643	451,866
Accrued expenses and other liabilities	2,718,970	(319,278)
Unearned re - takaful commission income	<u>8,218,273</u>	<u>550,721</u>
Cash from operations	37,724,850	41,939
End of service benefits paid	<u>(11,599)</u>	<u>(1,976,479)</u>
Net cash from (used in) operating activities	<u>37,713,251</u>	<u>(1,934,540)</u>
INVESTING ACTIVITIES		
Purchase of furniture and equipment	(63,584)	(21,345)
Movement in term deposits	-	(2,637,503)
Fixed deposits, sukuk and dividend income	<u>53,486</u>	<u>90,896</u>
Net cash used in investing activities	<u>(10,098)</u>	<u>(2,567,952)</u>
FINANCING ACTIVITY		
Profit expense on islamic financing	<u>(72,857)</u>	<u>(109,286)</u>
Net cash used in financing activity	<u>(72,857)</u>	<u>(109,286)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	37,630,296	(4,611,778)
Cash and cash equivalents at 1 January	<u>60,664,243</u>	<u>15,985,329</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3 <u>98,294,539</u>	<u>11,373,551</u>

The attached notes 1 to 12 form part of these interim condensed financial statements.

Methaq Takaful Insurance Company PSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2018 (Unaudited)

1 CORPORATE INFORMATION

Methaq Takaful Insurance Company PSC (the "Company") is a public shareholding company registered with the Department of Planning and Economy, Abu Dhabi, United Arab Emirates ("UAE") on 24 March 2008 with a trade license number 1142419. The Company is registered in accordance with the UAE Federal Law No. (8) of 1984 (as amended). The Federal Law No. (2) of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. (8) of 1984.

The Company carries out takaful and retakaful activities in accordance with the provisions of the UAE Federal Law No. (6) of 2007 regarding the Establishment of the Insurance Authority and Insurance Operations. The Company is domiciled and operates in the UAE and its registered address is P.O. Box 32774, Abu Dhabi, UAE. The Company is listed on the Abu Dhabi Securities Exchange.

The accompanying interim condensed financial statements of Methaq Takaful Insurance Company PSC for the period ended 31 March 2018 have been authorised for issue in accordance with a resolution of the Board of Directors on 12 May 2018.

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

The Company accumulated losses amounted to AED 67,937,401 as of 31 March 2018. This factor indicates the existence of a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern. These interim condensed financial statements have been prepared under the going concern concept as the Directors and management consider these losses to be temporary and expect the Company to generate profits from future takaful operations.

2.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed financial statements of the Company have been prepared in accordance with IAS 34, Interim Financial Reporting.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company's annual financial statements as at 31 December 2017. In addition, results for the period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

The interim condensed financial statements are presented in UAE Dirhams (AED) being the functional and presentation currency of the Company.

These interim condensed financial statements have been prepared on the historical cost convention as modified for re-measurement of investment securities and investment properties at fair value.

Effective 2017, the company revised the presentation of its financial statements in accordance with Appendix 1 of the Financial Regulations for Takaful Insurance Companies issued by Insurance Authority. The 31 March 2017 comparative figures were reclassified to conform to the current presentation.

Methaq Takaful Insurance Company PSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2018 (Unaudited)

2.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES continued

Significant accounting policies

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2017, except for the adoption of the following new interpretation and amendments to standards effective as of 1 January 2018:

- IFRS 9 Financial Instruments;
- IFRS 15 Revenue from Contracts with Customers;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration;
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions; and
- Amendments to IAS 40: Transfers of Investment Property.

Annual Improvements 2014-2016 Cycle

- IFRS 1 First-time adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first time adopters; and
- IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice.

The new standards and amendments to standards listed above had no significant impact on the Company's financial position or performance or disclosures.

3 CASH AND CASH EQUIVALENTS

	<i>31 March 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
Cash on hand	58,865	47,445
Current bank accounts	98,235,674	60,616,798
Term deposits	<u>2,971,526</u>	<u>2,971,526</u>
Cash and bank balances	101,266,065	63,635,769
Less: term deposits with original maturity of more than three months	<u>(2,971,526)</u>	<u>(2,971,526)</u>
Cash and cash equivalents	<u>98,294,539</u>	<u>60,664,243</u>

Term deposits represent deposits held with financial institutions in the UAE, are denominated in UAE dirhams and carry profit at the prevailing market rates of 2.4 % per annum (2017: 2.4 %).

4 STATUTORY DEPOSIT

In accordance with the requirements of the Federal Law No. (6) of 2007 regarding the Establishment of the Insurance Authority and Insurance Operations, the Company maintains a bank deposit of AED 6,000,000 which cannot be utilised without the consent of the UAE Insurance Authority. The statutory deposit is held with a commercial bank in the UAE and bears interest at commercial rates.

Methaq Takaful Insurance Company PSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2018 (Unaudited)

5 INVESTMENTS

	<i>31 March 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
Investments at fair value through other comprehensive income		
Unquoted UAE equity securities	<u>8,860,000</u>	<u>10,632,000</u>
Investments at fair value through profit or loss		
Quoted UAE equity securities	<u>1,492,979</u>	<u>1,430,659</u>

Unquoted UAE equity securities represent the following:

The Company has a participation in the private placement of Emirates Aqua Technologies Caviar Factory LLC (caviar farm) for 15,500,000 shares for a fair value of AED 8,860,000 (AED 0.57 per share) (2017: 15,500,000 shares for a fair value of AED 10,632,000 (AED 0.68 per share)).

	<i>31 March 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
Investments at fair value through other comprehensive income		
At the beginning of the period/ year	10,632,000	15,948,000
Decrease in fair value	<u>(1,772,000)</u>	<u>(5,316,000)</u>
At the end of the period/ year	<u>8,860,000</u>	<u>10,632,000</u>
Investments at fair value through profit or loss		
At the beginning of the period/ year	1,430,659	2,529,012
Increase /(decrease) in fair value	<u>62,320</u>	<u>(1,098,353)</u>
At the end of the period/ year	<u>1,492,979</u>	<u>1,430,659</u>

6 INVESTMENT PROPERTIES

	<i>31 March 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
At the beginning of the period/ year	162,360,000	162,360,000
Increase in fair value	<u>-</u>	<u>-</u>
At the end of the period/ year	<u>162,360,000</u>	<u>162,360,000</u>

Investment properties is comprised of:

- A building, located in Abu Dhabi, purchased in 2010 and held for long term rental yields. As at year end, the investment property was registered and held in trust in the name of another party, for and on behalf of the Company and was not yet transferred to the Company. Management is still in the process of formalising the necessary registration procedures to transfer the title to the Company's name.
- A plot of land in Abu Dhabi that is held in the name of a related party, for and on behalf of the Company.

Methaq Takaful Insurance Company PSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2018 (Unaudited)

6 INVESTMENT PROPERTIES continued

Investment properties are stated at fair value which represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The fair value of the investment properties at 31 December 2017 are determined by independent valuers using the income and comparable methods. Management believes that fair value has not changed significantly during the period.

The rental income for the period amounted to AED 301,873 (31 March 2017: AED 296,946) and building expenses amounted to AED 39,300 (31 March 2017: AED 52,506).

7 RELATED PARTIES

Related parties comprise shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. The Company maintains significant balances with these related parties as follows:

	<i>31 March 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
Takaful receivables due from related parties	5,443,543	5,419,647
Less: allowance for doubtful balances due from related parties	<u>(4,965,275)</u>	<u>(4,965,275)</u>
	<u>478,268</u>	<u>454,372</u>
Other receivables due from related parties	2,744,090	2,744,090
Less: allowance for doubtful balances due from related parties	<u>(1,894,090)</u>	<u>(1,894,090)</u>
	<u>850,000</u>	<u>850,000</u>

The Company entered into the following significant transactions with related parties in the ordinary course of business at terms and conditions agreed upon between the parties.

	<i>Three months ended 31 March 2018 (Unaudited) AED</i>	<i>Three months ended 31 March 2017 (Unaudited) AED</i>
Related party transactions		
Gross takaful contributions	<u>1,436,273</u>	<u>1,478,352</u>
Claims paid	<u>426,759</u>	<u>382,424</u>
Directors fees	<u>150,000</u>	<u>150,000</u>

Methaq Takaful Insurance Company PSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2018 (Unaudited)

7 RELATED PARTIES continued

The remuneration of key management personnel during the period was as follows:

	<i>Three months ended 31 March 2018 (Unaudited) AED</i>	<i>Three months ended 31 March 2017 (Unaudited) AED</i>
Short-term benefits	<u>1,288,800</u>	<u>1,218,000</u>
Long-term benefits	<u>34,402</u>	<u>30,057</u>

The remuneration of key management personnel is based on the remuneration agreed in their employment contracts as approved by the Board of Directors.

8 POLICYHOLDERS' FUND

	<i>31 March 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
Policyholders' fund		
Opening balance	(217,382,631)	(165,552,785)
Deficit for the period/ year	<u>(4,518,578)</u>	<u>(51,829,846)</u>
Closing balance	<u>(221,901,209)</u>	<u>(217,382,631)</u>
Loan from shareholders to policyholders		
At 1 January	217,382,631	165,552,785
Net movement during the period/ year	<u>4,518,578</u>	<u>51,829,846</u>
Loan from shareholders	221,901,209	217,382,631
Less: allowance for loan to policyholders	<u>(221,901,209)</u>	<u>(217,382,631)</u>
Loan to policyholders, net	<u>=</u>	<u>-</u>

The deficit in the policyholders' fund is financed by the shareholders through a Qard Hasan loan.

The Shareholders have funded the deficit in the policyholders' fund in accordance with the Company's policy through a Qard Hassan (free of finance charge) of AED 221,901,209 as of 31 March 2018 (year ended 31 December 2017: AED 217,382,631) with no repayment terms. During the period, Qard Hassan with a nominal value of AED 4,518,578 (31 March 2017: AED 1,346,049) was impaired /recovered and the allowance/ recovery of the same amount was charged /recognized to the statement of income attributable to shareholders.

Although recoverability of the remaining loan balance is uncertain, management expects to recover it from future profits from takaful operations.

Takaful expenses are charged in the income statement attributable to shareholders effective 1 January 2017.

Methaq Takaful Insurance Company PSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2018 (Unaudited)

9 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE

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

	<i>Three months ended 31 March 2018 (Unaudited)</i>	<i>Three months ended 31 March 2017 (Unaudited)</i>
Profit for the period (AED)	<u>4,297,804</u>	<u>5,575,260</u>
Ordinary shares in issue throughout the period	<u>150,000,000</u>	<u>150,000,000</u>
Basic and diluted earnings per share (AED)	<u>0.03</u>	<u>0.04</u>

The Company has not issued any instruments which would have a dilutive impact on earnings per share when converted or exercised.

10 SEASONALITY OF RESULTS

No income of a seasonal nature was recorded in the interim statement of income for the three-month periods ended 31 March 2018 and 2017.

11 CONTINGENT LIABILITIES

	<i>31 March 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
Bank guarantees	<u>6,300,000</u>	<u>6,300,000</u>

Bank guarantees were issued in the normal course of business.

12 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. All operating segments used by management meet the definition of a reportable segment under IFRS 8.

The Company is organised into two business segments, shareholders and policyholders. Shareholders' segment comprises investment and cash management for the Company's own account in addition to management of the policyholders' fund. The policyholders' segment comprises the takaful business undertaken by the Company. These segments are the basis on which the Company reports its primary segment information.

The Company's underwriting business is based entirely within the United Arab Emirates. Retakaful treaties are arranged with companies based primarily in the GCC or in Europe and USA. The investments of the Company are held in the United Arab Emirates.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2018 (Unaudited)

12 SEGMENT INFORMATION continued

The policyholders' segment is further organised into three main product lines consistent with the reports used by the Board. These include:

- Motor: Covers damage to motor cars and related property and injuries or deaths of persons
- Medical: Covers groups of individuals for medical treatment
- Others: Covers insurance of engineering, property, marine and personal, general and third party accidents

Details of the three takaful product lines of the policyholders' segment are shown in Note 12.2.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2018 (Unaudited)

12 SEGMENT INFORMATION continued

12.1 Business segments

	31 March 2018 (Unaudited)			31 March 2017 (Unaudited)		
	Policy holders AED	Shareholders AED	Total AED	Policy holders AED	Shareholders AED	Total AED
Net underwriting income	26,661,884	-	26,661,884	15,596,602	-	15,596,602
Wakala fees	(31,180,461)	31,180,461	-	(14,250,553)	14,250,553	-
	(4,518,577)	31,180,461	26,661,884	1,346,049	14,250,553	15,596,602
Investment and other income	-	53,486	53,486	-	90,896	90,896
Rental income from investment property	-	262,573	262,573	-	244,440	244,440
Change in fair value of investments at FVTPL	-	62,320	62,320	-	(662,957)	(662,957)
Increase (decrease) in provision for loan to Policyholders' Fund	-	(4,518,578)	(4,518,578)	-	1,346,049	1,346,049
Profit expense on Islamic financing	-	(72,857)	(72,857)	-	(109,286)	(109,286)
Takaful expenses	-	(14,429,958)	(14,429,958)	-	-	-
General and administrative expenses	-	(8,239,644)	(8,239,644)	-	(9,584,435)	(9,584,435)
Net profit (loss) for the period	(4,518,577)	4,297,804	(220,773)	1,346,049	5,575,260	6,921,309
	31 March 2018 (Unaudited)			31 December 2017 (Audited)		
Total assets	420,776,632	227,383,135	648,159,767	348,008,783	225,752,724	573,761,507

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the three month period ended 31 March 2018 (31 March 2017: AED nil). The accounting policies of the reportable segments are the same as the Company's accounting policies as described in the annual financial statements for the year ended 31 December 2017.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 March 2018 (Unaudited)

12 SEGMENT INFORMATION continued

12.2 Product lines

	Three month period ended 31 March 2018 (Unaudited)				Three month period ended 31 March 2017 (Unaudited)			
	Motor AED	Medical AED	Others AED	Total AED	Motor AED	Medical AED	Others AED	Total AED
Gross takaful contributions revenue	94,071,722	7,965,450	760,295	102,797,467	55,291,525	9,043,927	791,775	65,127,227
Retakaful contributions ceded	(13,463,241)	(3,488,563)	(510,619)	(14,322,523)	(8,751,334)	(326,167)	(489,326)	(9,566,827)
Net earned contributions	80,608,381	7,616,887	249,676	88,474,944	46,540,191	8,717,760	302,449	55,560,400
Retakaful commission income	4,110,707	-	127,167	4,237,874	1,326,937	-	118,061	1,444,998
Total takaful income	84,719,088	7,616,887	376,843	92,712,818	47,867,128	8,717,760	420,510	57,005,398
Gross claims incurred	(85,588,450)	(8,225,857)	1,247,026	(92,567,281)	(37,737,159)	(9,811,809)	(27,028)	(47,575,996)
Retakaful share of claims incurred	24,463,205	1,721,339	331,802	26,516,346	10,344,298	1,862,379	(61,792)	12,125,885
Net claims incurred	(61,125,245)	(6,504,518)	1,578,828	(66,050,935)	(27,392,861)	(7,948,430)	(108,820)	(35,450,111)
Expenses for acquisition of takaful contracts	-	-	-	-	(5,929,704)	59,900	(88,881)	(5,958,685)
Total takaful expenses	(61,125,245)	(6,504,518)	1,578,828	(66,050,935)	(33,322,565)	(7,888,530)	(197,701)	(41,408,796)
Net takaful income for the period	23,593,843	1,112,369	1,955,671	26,661,883	14,544,563	829,230	222,809	15,596,602

Methaq Takaful Insurance Company PSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2018 (Unaudited)

12 SEGMENT INFORMATION continued

12.3 Primary segment information

For operating purposes, the Company is organised into two main business segments:

- Underwriting of takaful business incorporating all classes of takaful including fire, marine, motor, general accident, engineering, energy and family takaful. This business is conducted fully within the UAE.
- Investments incorporating investments in UAE marketable equity securities, short-term investments with banks and other securities.

Gross Takaful contributions revenue from underwriting departments

The following is an analysis of the Company's gross contributions written by major underwriting departments.

	<i>Three months ended 31 March 2018 (Unaudited) AED</i>	<i>Three months ended 31 March 2017 (Unaudited) AED</i>
Motor	88,088,401	46,011,104
Medical	29,210,260	29,128,474
Miscellaneous accidents	500,421	519,250
Fire	173,790	546,863
Engineering	75,678	129,132
Marine and aviation	60,111	14,260
Liability	<u>124,268</u>	<u>255,702</u>
	<u>118,232,929</u>	<u>76,604,785</u>