

**Methaq Takaful Insurance
Company P.S.C.**

REVIEW REPORT AND CONDENSED
FINANCIAL STATEMENTS

31 MARCH 2019 (UNAUDITED)

REPORT ON REVIEW OF CONDENSED FINANCIAL STATEMENTS

To the Board of Directors of
Methaq Takaful Insurance Company P.S.C.
Abu Dhabi
United Arab Emirates

Introduction

We have reviewed the accompanying condensed financial statements of Methaq Takaful Insurance Company P.S.C. (the "Company"), comprising the condensed statement of financial position as at 31 March 2019 and the related condensed statement of income, condensed statement of comprehensive income, condensed statement of changes in shareholders' equity and condensed statement of cash flows for the three month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these 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 condensed financial statements 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 condensed financial statements is not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

We draw attention to Note 2.1 to these condensed financial statements, which states that the condensed financial statements have been prepared on a going concern basis as the Directors consider these losses to be temporary and expect that the Company will generate profits from future takaful operations. Our conclusion is not modified in respect of this matter.

Other matters

The Company's financial statements as at 31 December 2018 were audited by another auditor whose report dated 14 March 2019 expressed an unmodified opinion with a material uncertainty related to going concern. The prior period comparative amounts in the condensed statements of income, comprehensive income, changes in shareholders' equity and cash flows and related explanatory information for the three month period ended 31 March 2018, were reviewed by another auditor who issued a unmodified conclusion with an emphasis of matter dated 12 May 2018.

Deloitte & Touche (M.E.)

Signed by:
Obada Alkowitzly
Registration No. 1056
13 May 2019
Abu Dhabi
United Arab Emirates

Methaq Takaful Insurance Company P.S.C.

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2019

	Notes	31 March 2019 (Unaudited) AED	31 December 2018 (Audited) AED
ASSETS			
Takaful Operating Assets			
Reinsurers' share of unearned contributions		75,956,694	69,723,884
Prepaid expenses and other assets		8,243,262	5,204,343
Reinsurers' share of outstanding claims		71,545,374	60,753,690
Contributions and re- takaful balances receivables		235,121,105	212,749,250
Bank deposits	3	40,000,000	40,000,000
Cash and bank accounts	3	<u>31,696,730</u>	<u>24,024,707</u>
Total Takaful Operating Assets		<u>462,563,165</u>	<u>412,455,874</u>
Shareholders' assets			
Property and equipment		1,660,797	1,211,974
Statutory deposit	4	6,000,000	6,000,000
Financial assets designated at fair value through profit or loss	5	1,270,922	1,243,148
Financial assets designated at fair value through other comprehensive income	5	1,772,000	3,544,000
Deferred policy acquisition costs		15,020,558	14,746,045
Investment properties	6	162,360,000	162,360,000
Prepaid expenses and other assets		10,391,165	10,228,450
Bank deposits	3	2,989,426	2,989,426
Cash and bank accounts	3	<u>6,357,943</u>	<u>8,883,267</u>
Total Shareholders' Assets		<u>207,822,811</u>	<u>211,206,310</u>
TOTAL ASSETS		<u>670,385,976</u>	<u>623,662,184</u>
Takaful Operation Liabilities			
Takaful payables		43,197,373	42,845,885
Outstanding claims		242,118,134	234,435,049
Retakaful payables		93,088,582	79,760,893
Unearned re - takaful commission income		24,729,114	23,237,023
Unearned contributions		<u>163,343,402</u>	<u>144,322,166</u>
Total Takaful Operations Liabilities		<u>566,476,605</u>	<u>524,601,016</u>
Shareholders' Liabilities			
Trade payables		1,039,628	811,816
Accrued expenses and other liabilities		9,946,809	9,711,164
Provision for end of service benefits		3,363,624	3,088,178
Islamic financing arrangement		<u>1,714,286</u>	<u>1,714,286</u>
Total shareholders' Liabilities		<u>16,064,347</u>	<u>15,325,444</u>
TOTAL LIABILITIES		<u>582,540,952</u>	<u>539,926,460</u>

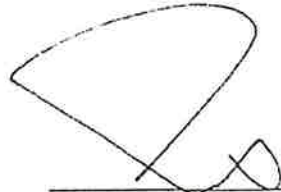
Methaq Takaful Insurance Company P.S.C.

CONDENSED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 March 2019

	Notes	31 March 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Participants' fund			
Deficit of general participants takaful fund	8	(205,460,075)	(206,532,287)
Loan from shareholders' fund	8	<u>205,460,075</u>	<u>206,532,287</u>
Total participants' fund		-	-
Shareholders' equity			
Share capital		150,000,000	150,000,000
Legal reserve		4,580,554	4,580,554
General reserve		1,700,807	1,700,807
Fair value reserve		(15,948,000)	(14,176,000)
Accumulated losses		<u>(52,488,337)</u>	<u>(58,269,637)</u>
Total shareholders' equity		<u>87,845,024</u>	<u>83,735,724</u>
TOTAL LIABILITIES PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY		<u>670,385,976</u>	<u>623,662,184</u>



Chairman



Managing Director

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




Methaq Takaful Insurance Company P.S.C.

CONDENSED STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2019

	<i>Three months ended 31 March 2019 AED</i>	<i>Three months ended 31 March 2018 AED</i>
	<i>Note</i>	
Attributable to policyholders		
Gross contribution written	96,555,777	118,232,929
Retakaful contributions	<u>(40,931,124)</u>	<u>(40,229,596)</u>
Net Takaful Contributions	55,624,653	78,003,333
Change in net unearned contribution	<u>(12,788,426)</u>	<u>10,471,612</u>
Net Takaful Contributions Earned	42,836,227	88,474,945
Commissions earned	<u>10,953,454</u>	<u>4,237,874</u>
Gross Takaful Contributions	53,789,681	92,712,819
Gross claims paid	(50,105,688)	(67,840,750)
Retakaful share of claims paid	<u>16,989,098</u>	<u>15,280,206</u>
Net Paid Claims	(33,116,590)	(52,560,544)
Change in outstanding claims	559,228	(7,833,797)
Change in retakaful share of outstanding claims	8,395,423	1,445,422
Change in incurred but not reported claims reserve	(7,114,524)	(17,299,134)
Change in retakaful share of incurred but not reported claims reserve	2,396,261	9,790,718
Change in unallocated loss adjustment expense reserve	<u>(991,058)</u>	<u>406,400</u>
Net claims incurred	(29,871,260)	(66,050,935)
Takaful income	23,918,421	26,661,884
Other Income	<u>335,342</u>	<u>-</u>
Takaful Operating Profit	24,253,763	26,661,884
Wakalah fees	<u>(23,181,551)</u>	<u>(31,180,461)</u>
Surplus/(deficit) of takaful result for the period	<u>1,072,212</u>	<u>(4,518,577)</u>
Attributable to Shareholders		
Shareholders' investment and other income, net	55,510	53,486
Wakalah fees from policyholders	23,181,551	31,180,461
Income from real estate	122,028	262,573
Takaful expenses	(7,517,506)	(14,429,958)
Change in fair value of investments at fair value through profit and loss	27,774	62,320
Change in provision of loan to policyholders' fund	1,072,212	(4,518,577)
Profit expense on Islamic financing	(36,429)	(72,857)
General and administrative expenses	<u>(11,023,840)</u>	<u>(8,239,644)</u>
Net profit for the period	<u>5,881,300</u>	<u>4,297,804</u>
Basic and diluted earnings per share	9	<u>0.04</u>
		<u>0.03</u>

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

Methaq Takaful Insurance Company P.S.C.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2019

	<i>Three months ended 31 March 2019 (Unaudited) AED</i>	<i>Three months ended 31 March 2018 (Unaudited) AED</i>
Profit for the period	5,881,300	4,297,804
Other comprehensive income:		
<i>Items that will/will not be subsequently reclassified to profit or loss:</i>		
Decrease in fair value of financial assets designated at fair value through other comprehensive income	<u>(1,772,000)</u>	<u>(1,772,000)</u>
Other comprehensive loss for the period	<u>(1,772,000)</u>	<u>(1,772,000)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>4,109,300</u>	<u>2,525,804</u>

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

Methaq Takaful Insurance Company P.S.C.

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period ended 31 March 2019

	<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 2018 (audited)	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	-	-	-	<u>(1,772,000)</u>	-	-
Total comprehensive income for the period	-	-	-	<u>(1,772,000)</u>	<u>4,297,804</u>	<u>2,525,804</u>
Balance at 31 March 2018 (unaudited)	<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>
Balance at 1 January 2019 (audited)	150,000,000	4,580,554	1,700,807	(14,176,000)	(58,369,637)	83,735,724
Profit for the period	-	-	-	-	5,881,300	5,881,300
Other comprehensive loss	-	-	-	<u>(1,772,000)</u>	-	<u>(1,772,000)</u>
Total comprehensive income for the period	-	-	-	<u>(1,772,000)</u>	<u>5,881,300</u>	<u>4,109,300</u>
Balance at 31 March 2019 (unaudited)	<u>150,000,000</u>	<u>4,580,554</u>	<u>1,700,807</u>	<u>(15,948,000)</u>	<u>(52,488,337)</u>	<u>87,845,024</u>

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

Methaq Takaful Insurance Company P.S.C.

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 31 March 2019

	<i>Notes</i>	<i>Three months ended 31 March 2019 AED</i>	<i>Three months ended 31 March 2018 AED</i>
OPERATING ACTIVITIES			
Profit for the period		5,881,300	4,297,804
Adjustments for:			
Depreciation of furniture and equipment		180,097	199,088
Movement of unearned premiums, net		12,788,426	(10,471,612)
Change in fair value of investments at fair value through profit or loss	6	(27,774)	(62,320)
Investment and other income		(390,852)	(53,486)
Profit expense on islamic financing		36,429	72,857
Employees' end of service benefit, net		<u>403,066</u>	<u>142,678</u>
Operating profit/(loss) before movements in working capital		18,870,692	(5,874,991)
Movements in working capital:			
Prepaid expenses and other assets		(3,201,634)	(5,938,907)
Contribution and re-takaful balances receivables		(22,371,855)	4,147,551
Deferred policy acquisition costs		(274,513)	321,421
Movement of outstanding claims, net		(3,108,599)	15,410,951
Takaful payables		351,488	(7,617,163)
Retakaful payables		13,327,689	25,991,102
Trade payables		227,812	347,643
Accrued expenses and other liabilities		235,645	2,718,970
Unearned re - takaful commission income		<u>1,492,091</u>	<u>8,218,273</u>
Cash from operations		5,548,816	37,724,850
End of service benefits paid		<u>(127,620)</u>	<u>(11,599)</u>
Net cash from operating activities		<u>5,421,196</u>	<u>37,713,251</u>
INVESTING ACTIVITIES			
Purchase of furniture and equipment		(628,920)	(63,584)
Fixed deposits, sukuk and dividend income		<u>390,852</u>	<u>53,486</u>
Net cash used in investing activities		<u>(238,068)</u>	<u>(10,098)</u>
FINANCING ACTIVITY			
Profit expense on islamic financing		<u>(36,429)</u>	<u>(72,857)</u>
Net cash used in financing activity		<u>(36,429)</u>	<u>(72,857)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		5,146,699	37,630,296
Cash and cash equivalents at 1 January		<u>32,907,974</u>	<u>60,664,243</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	<u>38,054,673</u>	<u>98,294,539</u>

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

31 March 2019 (Unaudited)

1 CORPORATE INFORMATION

Methaq Takaful Insurance Company P.S.C. (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 Federal Law No. (2) of 2015.

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 condensed financial statements of Methaq Takaful Insurance Company P.S.C. for the period ended 31 March 2019 have been authorised for issue in accordance with a resolution of the Board of Directors on 13 May 2018.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Fundamental accounting concept

The Company accumulated losses amounted to AED 52,488,337 as of 31 March 2019. These condensed financial statements have been prepared under the going concern basis as the Directors 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 condensed financial statements for the three months period ended 31 March 2019 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The 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 2018. In addition, results for the period ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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

These 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.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2019 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.3 New and revised IFRSs applied with no material effect on the condensed financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2019, have been adopted in these condensed consolidated financial statements.

The Company applies, for the first time, IFRS 16 *Leases*. As required by IAS 34, the nature and effect of these changes does not have a material impact on the condensed financial statements.

In the current period, the Company has also applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may effect the accounting for the Company’s future transactions or arrangements.

- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 28 Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures
- Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
- IFRIC 23 Uncertainty over Income Tax Treatments

Other than the above, there are no other significant IFRSs and amendments that were effective for the first time for the financial year beginning on or after 1 January 2019.

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

The Company has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments regarding the definition of material
- Amendments to clarify the definition of a business
- IFRS 17: Insurance Contracts
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures (2011)* relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company’s financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the condensed financial statements of the Company in the period of initial application.

Methaq Takaful Insurance Company P.S.C.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2019 (Unaudited)

3 CASH AND CASH EQUIVALENTS

	<i>31 March 2019 (Unaudited) AED</i>	<i>31 December 2018 (Audited) AED</i>
Cash on hand	59,759	56,885
Current bank accounts	37,994,914	32,851,089
Term deposits	<u>42,989,426</u>	<u>42,989,426</u>
Cash and bank balances	81,044,099	75,897,400
Less: term deposits with original maturity of more than three months	<u>(42,989,426)</u>	<u>(42,989,426)</u>
Cash and cash equivalents	<u>38,054,673</u>	<u>32,907,974</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 3.4 % per annum (2018: 2 - 2.40%).

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.

5 INVESTMENTS

	<i>31 March 2019 (Unaudited) AED</i>	<i>31 December 2018 (Audited) AED</i>
Financial assets at fair value through other comprehensive income		
Unquoted UAE equity securities	<u>1,772,000</u>	<u>3,544,000</u>
Financial assets at fair value through profit or loss		
Quoted UAE equity securities	<u>1,270,922</u>	<u>1,243,148</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 1,772,000 (AED 0.11 per share) (2018: 15,500,000 shares for a fair value of AED 3,544,000 (AED 0.23 per share).

Methaq Takaful Insurance Company P.S.C.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2019 (Unaudited)

5 INVESTMENTS (continued)

	<i>31 March 2019 (Unaudited) AED</i>	<i>31 December 2018 (Audited) AED</i>
Investments at fair value through other comprehensive income		
At the beginning of the period/ year	3,544,000	10,632,000
Decrease in fair value	<u>(1,772,000)</u>	<u>(7,088,000)</u>
At the end of the period/ year	<u>1,772,000</u>	<u>3,544,000</u>
Investments at fair value through profit or loss		
At the beginning of the period/ year	1,243,148	1,430,659
Change in fair value	<u>27,774</u>	<u>(187,511)</u>
At the end of the period/ year	<u>1,270,922</u>	<u>1,243,148</u>

6 INVESTMENT PROPERTIES

	<i>31 March 2019 (Unaudited) AED</i>	<i>31 December 2018 (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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2019 (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 2018 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 185,004 (31 March 2018: AED 301,873) and building expenses amounted to AED 62,976 (31 March 2018: AED 39,300).

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 2019 (Unaudited) AED</i>	<i>31 December 2018 (Audited) AED</i>
Takaful receivables due from related parties	5,537,434	5,505,899
Less: allowance for doubtful balances due from related parties	<u>(5,196,806)</u>	<u>(5,196,806)</u>
	<u>340,628</u>	<u>309,093</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 2019 (Unaudited) AED</i>	<i>Three months ended 31 March 2018 (Unaudited) AED</i>
Related party transactions		
Gross takaful contributions	<u>37,395</u>	<u>1,436,273</u>
Claims paid	<u>448,908</u>	<u>426,759</u>
Directors fees	<u>-</u>	<u>150,000</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)
31 March 2019 (Unaudited)

7 RELATED PARTIES (continued)

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

	<i>Three months ended 31 March 2019 (Unaudited) AED</i>	<i>Three months ended 31 March 2018 (Unaudited) AED</i>
Short-term benefits	<u>1,380,348</u>	<u>1,218,000</u>
Long-term benefits	<u>79,390</u>	<u>34,402</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 2019 (Unaudited) AED</i>	<i>31 December 2018 (Audited) AED</i>
Policyholders' fund		
Opening balance	(206,532,287)	(217,382,631)
Excess/(deficit) for the period/ year	<u>1,072,212</u>	<u>10,850,344</u>
Closing balance	<u>(205,460,075)</u>	<u>(206,532,287)</u>
Loan from shareholders to policyholders		
At 1 January	206,532,287	217,382,631
Net movement during the period/ year	<u>(1,072,212)</u>	<u>(10,850,344)</u>
Loan from shareholders	205,460,075	206,532,287
Less: allowance for loan to policyholders	<u>(205,460,075)</u>	<u>(206,532,287)</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 205,460,075 as of 31 March 2019 (year ended 31 December 2018: AED 206,532,287) with no repayment terms. During the period, Qard Hassan with a nominal value of AED 1,072,212 (31 March 2018: AED 4,518,578) was recovered/ impaired and the recovery/ allowance of the same amount was recognized/ charged 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.

Methaq Takaful Insurance Company P.S.C.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2019 (Unaudited)

9 BASIC AND DILUTED EARNINGS 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 2019 (Unaudited)</i>	<i>Three months ended 31 March 2018 (Unaudited)</i>
Profit for the period (AED)	<u>5,881,300</u>	<u>4,297,804</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>0.04</u>	<u>0.03</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 condensed statement of income for the three-month periods ended 31 March 2019 and 2018.

11 CONTINGENT LIABILITIES

	<i>31 March 2019 (Unaudited) AED</i>	<i>31 December 2018 (Audited) AED</i>
Bank guarantees	<u>6,300,000</u>	<u>6,536,430</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 CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2019 (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.

Methaq Takaful Insurance Company P.S.C.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2019 (Unaudited)

12 SEGMENT INFORMATION continued

12.2 Product lines

	Three month period ended 31 March 2019 (Unaudited)			Three month period ended 31 March 2018 (Unaudited)				
	Motor AED	Medical AED	Others AED	Total AED	Motor AED	Medical AED	Others AED	Total AED
Gross takaful contributions revenue	68,141,623	8,558,397	834,521	77,534,541	94,071,722	7,965,450	760,295	102,797,467
Retakaful contributions ceded	(33,325,751)	(791,018)	(581,545)	(34,698,314)	(13,463,341)	(348,563)	(510,619)	(14,322,523)
Net earned contributions	34,815,872	7,767,379	252,976	42,836,227	80,608,381	7,616,887	249,676	88,474,944
Retakaful commission income	10,819,623	126,027	7,804	10,953,454	4,110,707	-	127,167	4,237,874
Total takaful income	45,635,495	7,893,406	260,780	53,789,681	84,719,088	7,616,887	376,843	92,712,818
Gross claims incurred	(49,099,903)	(8,009,412)	(542,727)	(57,652,042)	(85,588,450)	(8,225,857)	1,247,026	(92,567,281)
Retakaful share of claims incurred	25,377,661	1,911,760	491,361	27,780,782	24,463,205	1,721,339	331,802	26,516,346
Net claims incurred	(23,722,242)	(6,097,652)	(51,366)	(29,871,260)	(61,125,245)	(6,504,518)	1,578,828	(66,050,935)
Policyholders' investment income	335,342	-	-	335,342	-	-	-	-
Total takaful expenses	(23,386,900)	(6,097,652)	(51,366)	(29,535,918)	(61,125,245)	(6,504,518)	1,578,828	(66,050,935)
Net takaful income for the period	22,248,595	1,795,754	209,414	24,253,763	23,593,843	1,112,369	1,955,671	26,661,883

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (continued)

31 March 2019 (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 2019 (Unaudited) AED</i>	<i>Three months ended 31 March 2018 (Unaudited) AED</i>
Motor	58,857,383	88,088,401
Medical	36,756,500	29,210,260
Miscellaneous accidents	610,619	500,421
Fire	115,521	173,790
Engineering	67,874	75,678
Marine and aviation	147,880	60,111
Liability	<u>-</u>	<u>124,268</u>
	<u>96,555,777</u>	<u>118,232,929</u>