

**Methaq Takaful Insurance
Company PSC**

REVIEW REPORT AND INTERIM CONDENSED
FINANCIAL STATEMENTS

30 JUNE 2017 (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 30 June 2017, comprising of the interim statement of financial position as at 30 June 2017 and the related interim income statement and interim statement of comprehensive income for the three month and six month periods then ended and the related interim statement of changes in equity and interim statement of cash flows for the six-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

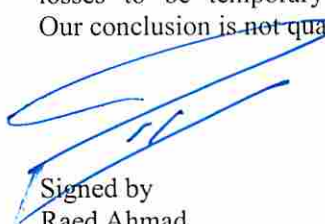
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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.

Material uncertainty related to going concern

We draw attention to Note 2.1 to the interim condensed financial statements, which states that the Company accumulated losses amounted to AED 69,452,168 as of 30 June 2017. 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

13 August 2017
Abu Dhabi

Methaq Takaful Insurance Company PSC

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2017

	<i>Notes</i>	<i>30 June 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
ASSETS			
Takaful Operations Assets			
Reinsurers' share of unearned contributions		20,396,304	20,885,266
Prepaid expenses and other assets		3,217,787	1,385,076
Reinsurers' share of outstanding claims		13,117,760	6,576,634
Contributions and Re-Takaful balances receivables		216,571,516	156,403,103
Cash and bank accounts	3	<u>19,408,541</u>	<u>11,677,487</u>
Total Takaful Operations Assets		<u>272,711,908</u>	<u>196,927,566</u>
Shareholders' assets			
Property and equipment		1,632,459	2,009,122
Statutory deposits	4	6,000,000	6,000,000
Financial assets designated at fair value through profit or loss	5	1,725,918	2,529,012
Financial assets carried at fair value through other comprehensive income	5	12,404,000	15,948,000
Investments properties	6	162,360,000	162,360,000
Deferred policy acquisition costs		18,561,933	14,853,276
Prepaid expenses and other assets		8,217,980	5,843,748
Bank Deposits	3	2,971,526	334,023
Cash and bank accounts	3	<u>5,477,255</u>	<u>4,307,842</u>
Total shareholders' assets		<u>219,351,071</u>	<u>214,185,023</u>
TOTAL ASSETS		<u>492,062,979</u>	<u>411,112,589</u>
Liabilities			
Takaful Operations Liabilities			
Takaful payables		64,296,261	44,925,410
Outstanding claims		112,336,571	101,952,649
Retakaful payables		18,497,456	20,941,843
Accrued expenses and other liabilities		486,294	486,294
Unearned Re-Takaful commission income		6,174,717	5,119,849
Unearned contributions		<u>194,884,409</u>	<u>141,667,760</u>
Total Takaful Operations Liabilities		<u>396,675,708</u>	<u>315,093,805</u>
Shareholders' liabilities			
Trade payables		1,381,661	477,432
Accrued expenses and other liabilities		7,616,733	8,623,845
Provision for employees' end of service benefits		2,210,959	1,844,813
Islamic financing arrangement		<u>4,285,714</u>	<u>5,142,857</u>
Total shareholders' liabilities		<u>15,495,067</u>	<u>16,088,947</u>
Total liabilities		<u>412,170,775</u>	<u>331,182,752</u>

Methaq Takaful Insurance Company PSC

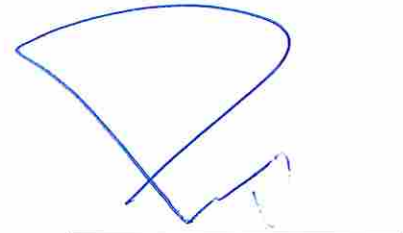
INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2017

		<i>30 June 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
	<i>Notes</i>		
Policyholders' fund			
Deficit of General participants Takaful fund	8	(184,312,820)	(165,552,785)
Loan from shareholders	8	<u>184,312,820</u>	<u>165,552,785</u>
Total policyholders' fund		<u>-</u>	<u>-</u>
Shareholders' equity			
Share capital		150,000,000	150,000,000
Legal reserve		2,959,565	2,959,565
General reserve		1,700,807	1,700,807
Investment revaluation reserve		(5,316,000)	(1,772,000)
Retained earnings		<u>(69,452,168)</u>	<u>(72,958,535)</u>
Total shareholders' equity		<u>79,892,204</u>	<u>79,929,837</u>
TOTAL LIABILITIES, POLICYHOLDERS' FUND AND SHAREHOLDERS' EQUITY		<u>492,062,979</u>	<u>411,112,589</u>


Board Member




Managing Director

The attached notes 1 to 13 form part of these interim condensed financial statements.



Methaq Takaful Insurance Company PSC

INTERIM STATEMENT OF INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2017

	<i>Three months ended 30 June 2017 (Unaudited) AED</i>	<i>Three months ended 30 June 2016 (Unaudited) (Restated) AED</i>	<i>Six months ended 30 June 2017 (Unaudited) AED</i>	<i>Six months ended 30 June 2016 (Unaudited) (Restated) AED</i>
	<i>Notes</i>			
Attributable to policyholders				
Gross Contributions Written	115,182,496	57,062,207	191,787,281	123,298,628
Retakaful contributions	<u>(11,816,214)</u>	<u>(10,890,338)</u>	<u>(19,374,732)</u>	<u>(19,057,790)</u>
Net Takaful Contributions	103,366,282	46,171,869	172,412,549	104,240,838
Change in net unearned contribution provision	<u>(40,219,703)</u>	<u>5,668,380</u>	<u>(53,705,570)</u>	<u>(9,616,138)</u>
Net earned contributions	63,146,579	51,840,249	118,706,979	94,624,700
Commissions earned	<u>2,790,294</u>	<u>1,834,313</u>	<u>4,235,292</u>	<u>3,067,170</u>
Gross Takaful Income	<u>65,936,873</u>	<u>53,674,562</u>	<u>122,942,271</u>	<u>97,691,870</u>
Gross claims paid	<u>(58,585,365)</u>	<u>(43,738,209)</u>	<u>(102,063,649)</u>	<u>(85,598,470)</u>
Retakaful share of claims paid	<u>9,586,738</u>	<u>5,393,710</u>	<u>19,886,547</u>	<u>11,280,677</u>
Net paid claims	<u>(48,998,627)</u>	<u>(38,344,499)</u>	<u>(82,177,102)</u>	<u>(74,317,793)</u>
Change in outstanding claim	<u>(1,257,493)</u>	38,029	<u>(2,794,486)</u>	284,546
Change in retakaful share of outstanding claims	1,066,076	157,203	2,696,561	185,231
Change in incurred but not reported claims reserve	<u>(5,012,348)</u>	14,337	<u>(7,454,095)</u>	(108,079)
Change in retakaful share of incurred but not reported claims reserve	3,648,975	-	3,844,566	-
Change in unallocated loss adjustment expense	<u>89,816</u>	<u>381,028</u>	<u>(29,156)</u>	<u>(686,766)</u>
Net claims incurred	<u>(50,463,601)</u>	<u>(37,753,902)</u>	<u>(85,913,712)</u>	<u>(74,642,861)</u>
Takaful income	15,473,272	15,920,660	37,028,559	23,049,009
Allowance for doubtful receivables	<u>(3,000,000)</u>	-	<u>(3,000,000)</u>	-
Takaful expenses	<u>5,958,685</u>	<u>(6,683,214)</u>	<u>-</u>	<u>(13,234,251)</u>
Takaful Operating Profit	18,431,957	9,237,446	34,028,559	9,814,758
Wakalah fees	<u>(38,538,041)</u>	<u>(11,567,367)</u>	<u>(52,788,594)</u>	<u>(23,721,027)</u>
Deficit of takaful result for the period	<u>(20,106,084)</u>	<u>(2,329,921)</u>	<u>(18,760,035)</u>	<u>(13,906,269)</u>
Attributable to shareholders				
Shareholders' investment and other income, net	152,155	106,016	243,051	188,909
Income from real estate	303,753	245,803	548,193	515,834
Takaful expense	<u>(12,854,399)</u>	-	<u>(12,854,399)</u>	-
Change in fair value of investments at fair value through profit and loss	<u>(140,137)</u>	<u>(172,203)</u>	<u>(803,094)</u>	204,584
Wakalah fees from policyholders	38,538,041	11,567,367	52,788,594	23,721,027
Profit expense on Islamic financing	<u>(98,964)</u>	<u>(135,797)</u>	<u>(208,250)</u>	<u>(283,131)</u>
General and administrative expenses	<u>(7,863,258)</u>	<u>(6,864,406)</u>	<u>(17,447,693)</u>	<u>(13,475,184)</u>
Increase in provision of loan to policyholders' fund	<u>(20,106,084)</u>	<u>(2,329,921)</u>	<u>(18,760,035)</u>	<u>(13,906,269)</u>
Net (loss) profit for the period	<u>(2,068,893)</u>	<u>2,416,859</u>	<u>3,506,367</u>	<u>(3,034,230)</u>
Basic and diluted (loss) earnings per share	9	0.02	0.02	(0.02)
	<u>(0.01)</u>	<u>0.02</u>	<u>0.02</u>	<u>(0.02)</u>

The attached notes 1 to 13 form part of these interim condensed financial statements

Methaq Takaful Insurance Company PSC

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2017

	<i>Three months ended 30 June 2017 (Unaudited) AED</i>	<i>Three months ended 30 June 2016 (Unaudited) (Restated) AED</i>	<i>Six months ended 30 June 2017 (Unaudited) AED</i>	<i>Six months ended 30 June 2016 (Unaudited) (Restated) AED</i>
(Loss) profit for the period	(2,068,893)	2,416,859	3,506,367	(3,034,230)
Other comprehensive loss for the period	(1,772,000)	-	(3,544,000)	-
Total comprehensive (loss) income for the period	<u>(3,840,893)</u>	<u>2,416,859</u>	<u>(37,633)</u>	<u>(3,034,230)</u>

The attached notes 1 to 13 form part of these interim condensed financial statements

Methaq Takaful Insurance Company PSC

INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six-month period ended 30 June 2017

	<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 2016, as previously reported	150,000,000	1,957,081	1,700,807	-	(73,627,964)	80,029,924
Effect of changes in accounting policies (note 13)	-	<u>69,496</u>	-	-	<u>(7,727,466)</u>	<u>(7,657,970)</u>
Balance at 1 January 2016 - restated	150,000,000	2,026,577	1,700,807	-	(81,355,430)	72,371,954
Total comprehensive loss for the period - restated	-	-	-	-	<u>(3,034,230)</u>	<u>(3,034,230)</u>
Balance at 30 June 2016 - restated	<u>150,000,000</u>	<u>2,026,577</u>	<u>1,700,807</u>	-	<u>(84,389,660)</u>	<u>69,337,724</u>
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	-	-	-	-	3,506,367	3,506,367
Other comprehensive loss	-	-	-	<u>(3,544,000)</u>	-	<u>(3,544,000)</u>
Total comprehensive income for the period	-	-	-	<u>(3,544,000)</u>	<u>3,506,367</u>	<u>(37,633)</u>
Balance at 30 June 2017	<u>150,000,000</u>	<u>2,959,565</u>	<u>1,700,807</u>	<u>(5,316,000)</u>	<u>(69,452,168)</u>	<u>79,892,204</u>

The attached notes 1 to 13 form part of these interim condensed financial statements.

Methaq Takaful Insurance Company PSC

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2017

	<i>Six months ended 30 June 2017</i>	<i>Six months ended 30 June 2016</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Note</i>	<i>AED</i>	<i>(Restated)</i>
		<i>AED</i>
OPERATING ACTIVITIES		
Net profit (loss) for the period	3,506,367	(3,034,230)
Deficit of takaful result for the period	(18,760,035)	(13,906,269)
Adjustments for:		
Depreciation of Property and equipment	465,753	518,774
Movement of unearned contributions, net	53,705,611	9,616,139
Change in fair value of investments at fair value through profit or loss	803,094	(204,584)
Investment and other income	(243,051)	(188,909)
Profit expense on Islamic Financing	208,250	283,131
Allowance for doubtful receivables	3,000,000	-
Employees' End of Service benefit	2,363,241	330,697
Movement in provision for loan to policyholders	18,760,035	13,906,269
Operating profit before movements in working capital	63,809,265	7,321,018
Prepaid expenses and other assets	(4,206,943)	(8,478,222)
Contributions and Re-takaful balances receivables	(63,168,413)	(17,794,421)
Deferred Policy Acquisition costs	(3,708,657)	2,997,352
Movement of outstanding claims, net	3,842,796	6,037,657
Takaful Payables	19,370,851	2,696,706
Retakaful Payables	(2,444,387)	1,067,615
Trade Payables	904,229	630,735
Accrued expenses and other liabilities	(1,007,112)	227,406
Unearned Re- Takaful commission income	1,054,868	1,064,657
Cash from (used in) operations	14,446,497	(4,229,497)
End of service benefits paid	(1,997,095)	(36,142)
Net cash from (used) in operating activities	12,449,402	(4,265,639)
INVESTING ACTIVITIES		
Purchase of furniture and equipment	(89,090)	(83,208)
Investment and other income	243,051	188,909
Movements in term deposits	(2,637,503)	-
Net cash (used in) from investing activities	(2,483,542)	105,701
FINANCING ACTIVITIES		
Profit expense on Islamic financing	(208,250)	(283,131)
Islamic financing arrangement repayments	(857,143)	(857,143)
Net cash used in financing activities	(1,065,393)	(1,140,274)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,900,467	(5,300,212)
Cash and cash equivalents at 1 January	15,985,329	11,489,631
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	24,885,796	6,189,419

The attached notes 1 to 13 form part of these interim condensed financial statements.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2017 (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 30 June 2017 have been authorised for issue in accordance with a resolution of the Board of Directors on 13 August 2017.

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

The Company accumulated losses amounted to AED 69,452,168 as of 30 June 2017. 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 2016. In addition, results for the period ended 30 June 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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 the Insurance Authority. The 2016 comparative figures were reclassified to conform to the current presentation.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2017 (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 2016, except for the revised presentation of financial statements (note 2.2 – basis of preparation) and the adoption of the following new interpretation and amendments to standards effective as of 1 January 2017:

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

Annual Improvements Cycle - 2014-2016:

- Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

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>30 June 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
Cash on hand	45,000	45,000
Current bank accounts	24,840,796	15,940,329
Term deposits	<u>2,971,526</u>	<u>334,023</u>
Cash and bank balances	27,857,322	16,319,352
Less: term deposits with original maturity of more than three months	<u>(2,971,526)</u>	<u>(334,023)</u>
Cash and cash equivalents	<u>24,885,796</u>	<u>15,985,329</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 1.75 % per annum (2016: 1.75%).

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 profit at commercial rates.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2017 (Unaudited)

5 INVESTMENTS

	<i>30 June 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
Investments at fair value through other comprehensive income		
Unquoted UAE equity securities	<u>12,404,000</u>	<u>15,948,000</u>
Investments at fair value through profit or loss		
Quoted UAE equity securities	<u>1,725,918</u>	<u>2,529,012</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 12,404,000 (AED 0.80 per share) (2016: 15,500,000 shares for a fair value of AED 15,948,000 (AED 1.03 per share)).

	<i>30 June 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
Investments at fair value through other comprehensive income		
At the beginning of the period / year	15,948,000	17,720,000
Decrease in fair value	<u>(3,544,000)</u>	<u>(1,772,000)</u>
At the end of the period / year	<u>12,404,000</u>	<u>15,948,000</u>
Investments at fair value through profit or loss		
At the beginning of the period / year	2,529,012	2,218,499
(Decrease) increase in fair value	<u>(803,094)</u>	<u>310,513</u>
At the end of the period / year	<u>1,725,918</u>	<u>2,529,012</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2017 (Unaudited)

6 INVESTMENT PROPERTIES

	<i>30 June 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
At the beginning of the period / year	162,360,000	152,135,625
Increase in fair value	<u>-</u>	<u>10,224,375</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.

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 2016 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 607,149 (30 June 2016: AED 634,161) and building expenses amounted to AED 58,956 (30 June 2016: AED 118,327).

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>30 June 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
Takaful receivables due from related parties	5,196,335	5,106,219
Less: allowance for doubtful balances due from related parties	<u>(4,965,275)</u>	<u>(4,965,275)</u>
	<u>231,060</u>	<u>140,944</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>

Methaq Takaful Insurance Company PSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2017 (Unaudited)

7 RELATED PARTIES continued

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 30 June 2017 (Unaudited) AED</i>	<i>Three months ended 30 June 2016 (Unaudited) AED</i>	<i>Six months ended 30 June 2017 (Unaudited) AED</i>	<i>Six months ended 30 June 2016 (Unaudited) AED</i>
Related party transactions				
Gross takaful contributions	<u>39,837</u>	<u>14,855</u>	<u>1,518,189</u>	<u>1,316,330</u>
Claims paid	<u>302,531</u>	<u>382,071</u>	<u>684,955</u>	<u>748,430</u>
Directors fees	<u>400,000</u>	<u>42,000</u>	<u>550,000</u>	<u>87,000</u>

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

	<i>Three months ended 30 June 2017 (Unaudited) AED</i>	<i>Three months ended 30 June 2016 (Unaudited) AED</i>	<i>Six months ended 30 June 2017 (Unaudited) AED</i>	<i>Six months ended 30 June 2016 (Unaudited) AED</i>
Short-term benefits	<u>1,265,200</u>	<u>1,198,000</u>	<u>2,483,200</u>	<u>2,396,000</u>
Long-term benefits	<u>80,121</u>	<u>23,976</u>	<u>110,178</u>	<u>63,976</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>30 June 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
Policyholders' fund		
Opening balance	(165,552,785)	(148,372,712)
Deficit for the period / year	<u>(18,760,035)</u>	<u>(17,180,073)</u>
Closing balance	<u>(184,312,820)</u>	<u>(165,552,785)</u>
Loan from shareholders to policyholders		
At 1 January	165,552,785	148,372,712
Net movement during the period / year	<u>18,760,035</u>	<u>17,180,073</u>
Loan from shareholders	184,312,820	165,552,785
Less: allowance for loan to policyholders	<u>(184,312,820)</u>	<u>(165,552,785)</u>
Loan to policyholders, net	<u> -</u>	<u> -</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2017 (Unaudited)

8 POLICYHOLDERS' FUND continued

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 184,312,820 as of 30 June 2017 (year ended 31 December 2016: AED 165,552,785) with no repayment terms. During the period, Qard Hassan with a nominal value of AED 18,760,035 (30 June 2016: AED 10,483,788) was impaired and the allowance of the same amount was 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.

Takaful expenses are charged in the income statement attributable to shareholders effective from 1 January 2017. Accordingly, Takaful expenses in the interim income statement attributable to shareholders for the three months ended 30 June 2017 include an amount of AED 5,958,685 and a corresponding credit has been recorded in the income statement attributable to policyholders representing Takaful expenses charged in the three months ended 31 March 2017.

9 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

Basic (loss) / earning per share is calculated by dividing the profit / (loss) for the period by the weighted average number of shares outstanding during the period as follows:

	<i>Three months ended 30 June 2017 (Unaudited)</i>	<i>Three months ended 30 June 2016 (Unaudited) (Restated)</i>	<i>Six months ended 30 June 2017 (Unaudited)</i>	<i>Six months ended 30 June 2016 (Unaudited) (Restated)</i>
(Loss) profit for the period (AED)	<u>(2,068,893)</u>	<u>2,416,859</u>	<u>3,506,367</u>	<u>(3,034,230)</u>
Ordinary shares in issue throughout the period (shares)	<u>150,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>
Basic and diluted (loss) earnings per share (AED)	<u>(0.01)</u>	<u>0.02</u>	<u>0.02</u>	<u>(0.02)</u>

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

10 SEASONALITY OF RESULTS

No income of a seasonal nature was recorded in the interim income statement for the six-month periods ended 30 June 2017 and 2016.

11 CONTINGENT LIABILITIES

	<i>30 June 2017 (Unaudited) AED</i>	<i>31 December 2016 (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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2017 (Unaudited)

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.

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 PSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2017 (Unaudited)

12 SEGMENT INFORMATION continued

12.2 Product lines

	Three months ended 30 June 2017 (Unaudited)			Three months ended 30 June 2016 (Unaudited)(Revised)			Six months ended 30 June 2017 (Unaudited)			Six months ended 30 June 2016 (Unaudited)(Revised)		
	Motor AED	Medical AED	Others AED	Total AED	Motor AED	Medical AED	Others AED	Total AED	Motor AED	Medical AED	Others AED	Total AED
Gross takaful contribution revenue	63,216,738	9,266,850	959,859	73,443,447	49,633,831	7,183,614	637,693	57,455,138	118,508,263	18,310,777	1,751,635	138,570,675
Reakaful contributions ceded	(9,321,652)	(356,000)	(619,216)	(10,296,868)	(4,918,084)	(266,500)	(430,305)	(5,614,889)	(18,072,987)	(682,167)	(1,108,643)	(19,863,696)
Net earned contributions	53,895,086	8,910,850	340,643	63,146,579	44,715,747	6,917,114	207,388	51,840,249	100,435,276	17,628,610	643,093	118,706,979
Reakaful commission income	2,685,657	-	104,637	2,790,294	1,776,045	-	58,268	1,834,313	4,012,594	-	222,698	4,235,292
Total takaful income	56,580,743	8,910,850	445,280	65,936,873	46,491,792	6,917,114	265,656	53,674,562	104,447,870	17,628,610	865,791	122,942,271
Gross claims incurred	(58,585,989)	(6,208,857)	29,455	(64,765,391)	(35,288,434)	(7,829,527)	(186,855)	(43,304,816)	(96,323,147)	(16,030,666)	2,427	(112,341,386)
Reakaful share of claims incurred	13,474,058	745,538	82,194	14,301,790	4,931,814	777,593	(158,493)	5,550,914	23,818,356	2,608,917	401	26,427,674
Net claims incurred	(45,111,931)	(5,463,319)	111,649	(50,463,601)	(30,356,620)	(7,051,934)	(345,348)	(37,753,902)	(72,504,791)	(13,421,749)	2,828	(85,933,712)
Allowance for doubtful receivables	(3,000,000)	-	-	(3,000,000)	-	-	-	-	(3,000,000)	-	-	(3,000,000)
Expenses for acquisition of takaful contracts	5,929,704	(59,900)	88,881	5,958,685	(6,578,582)	(32,137)	(72,495)	(6,683,214)	-	-	-	-
Total takaful expenses	(42,182,227)	(5,523,219)	200,530	(47,504,916)	(36,935,202)	(7,084,071)	(417,843)	(44,437,116)	(75,504,791)	(13,421,749)	2,828	(88,933,712)
Net takaful income (loss) for the period	14,398,516	3,387,631	645,810	18,431,957	9,556,590	(166,957)	(152,187)	9,237,446	28,943,079	4,216,861	868,619	34,028,559
									10,488,474	(589,157)	(84,559)	9,814,758

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2017 (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 30 June 2017 (Unaudited) AED</i>	<i>Three months ended 30 June 2016 (Unaudited) (Restated) AED</i>	<i>Six months ended 30 June 2017 (Unaudited) AED</i>	<i>Six months ended 30 June 2016 (Unaudited) (Restated) AED</i>
Motor	111,967,369	52,590,088	157,978,473	93,155,234
Medical	2,293,724	3,905,640	31,422,198	28,658,205
Workmen's compensation and miscellaneous accidents	62,329	40,237	581,579	117,889
Fire	350,680	133,042	897,543	547,752
Engineering	198,645	126,512	327,778	299,139
Marine and aviation	31,451	-	45,711	29,061
Liability	278,297	266,688	533,999	491,348
	<u>115,182,495</u>	<u>57,062,207</u>	<u>191,787,281</u>	<u>123,298,628</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2017 (Unaudited)

13 EFFECTS OF CHANGES IN ACCOUNTING POLICIES

On 1 January 2016, the Company changed its accounting policies for allocated and unallocated loss adjustment expenses (ALAE/ULAE), for recognising unearned contributions reserve, deferred acquisition costs and unearned retakaful commission. The change in accounting policies have been accounted for retrospectively in accordance with IAS 8 and, accordingly the financial statements for the prior year have been restated. The impact of the adjustments on the interim condensed financial statements for the three months and six months ended 30 June 2016 is as follows:

Impact on statement of income

	<i>Three months ended 30 June 2016 AED</i>	<i>Six months ended 30 June 2016 AED</i>
Attributable to policyholders		
Increase (decrease) in net earned contributions	3,043,947	(4,101,702)
Increase in commission income	708,997	933,451
Decrease (increase) in net claims incurred	381,028	(686,766)
(Increase) decrease in takaful expenses	<u>(325,381)</u>	<u>432,535</u>
Increase (decrease) in takaful results for the period	<u>3,808,591</u>	<u>(3,422,482)</u>
Attributable to shareholders		
(Decrease) increase in allowance for loan to policyholders' fund	<u>(3,808,591)</u>	<u>3,422,482</u>
Increase (decrease) in profit for the period	<u>3,808,591</u>	<u>(3,422,482)</u>