

**Methaq Takaful Insurance
Company PSC**

REVIEW REPORT AND INTERIM CONDENSED
FINANCIAL STATEMENTS

30 JUNE 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 30 June 2018, comprising of the interim statement of financial position as at 30 June 2018 and the related interim income statement and interim statement of comprehensive income for the three months and six months 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 59,921,469 as of 30 June 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

7 August 2018
Abu Dhabi

Methaq Takaful Insurance Company PSC

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2018

		<i>30 June 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
	<i>Notes</i>		
ASSETS			
Takaful Operating Assets			
Retakaful share of unearned contributions		68,443,279	22,528,252
Prepaid expenses and other assets		6,066,159	3,418,442
Retakaful share of outstanding claims		54,312,813	42,008,241
Contributions and re- takaful balances receivables		222,571,182	226,076,519
Cash and bank accounts	3	<u>79,891,055</u>	<u>53,977,329</u>
Total Takaful Operating Assets		<u>431,284,488</u>	<u>348,008,783</u>
Shareholders' assets			
Property and equipment		1,483,392	1,622,074
Statutory deposits	4	6,000,000	6,000,000
Financial assets designated at fair value through profit or loss	5	1,416,166	1,430,659
Financial assets designated at fair value through other comprehensive income	5	7,088,000	10,632,000
Deferred policy acquisition costs		21,170,185	23,680,465
Investment properties	6	162,360,000	162,360,000
Prepaid expenses and other assets		13,009,759	10,369,086
Bank deposits	3	2,971,526	2,971,526
Cash and bank accounts	3	<u>8,455,194</u>	<u>6,686,914</u>
Total Shareholders' Assets		<u>223,954,222</u>	<u>225,752,724</u>
TOTAL ASSETS		<u>655,238,710</u>	<u>573,761,507</u>
Takaful Operation Liabilities			
Takaful payables		40,158,777	50,726,719
Outstanding claims		214,983,435	176,101,206
Retakaful payables		62,518,746	19,648,483
Unearned re - takaful commission income		21,984,414	6,745,057
Unearned contributions		<u>216,072,294</u>	<u>229,121,724</u>
Total Takaful Operations Liabilities		<u>555,717,666</u>	<u>482,343,189</u>
Shareholders' Liabilities			
Trade payables		1,406,616	634,432
Accrued expenses and other liabilities		8,483,928	9,353,761
Provision for end of service benefits		2,871,798	2,584,017
Islamic financing arrangement		<u>2,571,429</u>	<u>3,428,571</u>
Total shareholders' Liabilities		<u>15,333,771</u>	<u>16,000,781</u>
TOTAL LIABILITIES		<u>571,051,437</u>	<u>498,343,970</u>



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Methaq Takaful Insurance Company PSC

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED) continued

As at 30 June 2018

	Notes	30 June 2018 (Unaudited) AED	31 December 2017 (Audited) AED
Participants' fund			
Deficit of general participants takaful fund	8	(215,479,663)	(217,382,631)
Loan from shareholders' fund	8	<u>215,479,663</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		(10,632,000)	(7,088,000)
Accumulated losses		<u>(59,921,469)</u>	<u>(72,235,205)</u>
Total shareholders' equity		<u>84,187,273</u>	<u>75,417,537</u>
TOTAL LIABILITIES PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY		<u>655,238,710</u>	<u>573,761,507</u>


Board Member


Managing Director



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 three and six months periods ended 30 June 2018

	Three months ended 30 June		Six months ended 30 June	
	2018 (Unaudited) AED	2017 (Unaudited) AED	2018 (Unaudited) AED	2017 (Unaudited) AED
Attributable to policyholders				
Gross contributions written	80,385,903	115,182,496	198,618,832	191,787,281
Retakaful contributions	(47,434,817)	(11,816,214)	(87,664,413)	(19,374,732)
Net takaful contributions	32,951,086	103,366,282	110,954,419	172,412,549
Change in net unearned contribution provision	48,492,846	(40,219,703)	58,964,457	(53,705,570)
Net takaful contributions earned	81,443,932	63,146,579	169,918,876	118,706,979
Commissions earned	6,568,515	2,790,294	10,806,389	4,235,292
Gross takaful contributions	88,012,447	65,936,873	180,725,265	122,942,271
Gross claims paid	(58,560,471)	(58,585,365)	(126,401,221)	(102,063,649)
Retakaful share of claims paid	8,437,830	9,586,738	23,718,036	19,886,547
Net paid claims	(50,122,641)	(48,998,627)	(102,683,185)	(82,177,102)
Change in outstanding claim	(3,827,416)	(1,257,493)	(11,661,213)	(2,794,486)
Change in retakaful share of outstanding claims	(508,744)	1,066,076	936,678	2,696,561
Change in incurred but not reported claims reserve	(3,212,855)	(5,012,348)	(20,511,989)	(7,454,095)
Change in retakaful share of incurred but not reported claims reserve	1,577,177	3,648,975	11,367,895	3,844,566
Change in unallocated loss adjustment expense	(1,372,763)	89,816	(966,363)	(29,156)
Net claims incurred	(57,467,242)	(50,463,601)	(123,518,177)	(85,913,712)
Takaful income	30,545,205	15,473,272	57,207,088	37,028,559
Allowance for doubtful receivables	-	(3,000,000)	-	(3,000,000)
Takaful expenses	-	5,958,685	-	-
Takaful operating profit	30,545,205	18,431,957	57,207,088	34,028,559
Wakalah fees	(24,123,659)	(38,538,041)	(55,304,120)	(52,788,594)
Surplus (deficit) of takaful result for the period	6,421,546	(20,106,084)	1,902,968	(18,760,035)
Attributable to shareholders				
Shareholders' investment and other income, net	1,142	152,155	54,628	243,051
Income from real estate	159,988	303,753	422,561	548,193
Takaful expense	(18,727,631)	(12,854,399)	(28,777,744)	(12,854,399)
Change in fair value of investments at fair value through profit and loss	(76,813)	(140,137)	(14,493)	(803,094)
Wakalah fees from policyholders	24,123,659	38,538,041	55,304,120	52,788,594
Profit expense on Islamic financing	(62,131)	(98,964)	(134,988)	(208,250)
General and administrative expenses	(3,823,828)	(7,863,258)	(16,443,316)	(17,447,693)
(Decrease) increase in provision of loan to policyholders' fund	6,421,546	(20,106,084)	1,902,968	(18,760,035)
Net profit (loss) for the period	8,015,932	(2,068,893)	12,313,736	3,506,367
Basic and diluted earnings (loss) per share	0.05	(0.01)	0.08	0.02

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 three and six months periods ended 30 June 2018

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2018 (Unaudited) AED</i>	<i>2017 (Unaudited) AED</i>	<i>2018 (Unaudited) AED</i>	<i>2017 (Unaudited) AED</i>
Profit (loss) for the period	8,015,932	(2,068,893)	12,313,736	3,506,367
Other comprehensive loss for the period	<u>(1,772,000)</u>	<u>(1,772,000)</u>	<u>(3,544,000)</u>	<u>(3,544,000)</u>
Total comprehensive income (loss) for the period	<u>6,243,932</u>	<u>(3,840,893)</u>	<u>8,769,736</u>	<u>(37,633)</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 30 June 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	-	-	-	-	3,506,367	3,506,367
Other comprehensive loss	-	-	-	(3,544,000)	-	(3,544,000)
Total comprehensive income for the period	-	-	-	(3,544,000)	3,506,367	(37,633)
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>
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	-	-	-	-	12,313,736	12,313,736
Other comprehensive loss	-	-	-	(3,544,000)	-	(3,544,000)
Total comprehensive income for the period	-	-	-	(3,544,000)	12,313,736	8,769,736
Balance at 30 June 2018	<u>150,000,000</u>	<u>3,039,935</u>	<u>1,700,807</u>	<u>(10,632,000)</u>	<u>(59,921,469)</u>	<u>84,187,273</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 30 June 2018

	<i>Six months ended 30 June 2018 (Unaudited) AED</i>	<i>Six months ended 30 June 2017 (Unaudited) AED</i>
	<i>Note</i>	
OPERATING ACTIVITIES		
Net profit (loss) for the period	12,313,736	3,506,367
Surplus (deficit) of takaful result for the period	1,902,968	(18,760,035)
Adjustments for:		
Depreciation of property and equipment	409,047	465,753
Movement of unearned contributions, net	(58,964,457)	53,705,611
Change in fair value of investments at fair value through profit or loss	14,493	803,094
Investment and other income	(54,628)	(243,051)
Profit expense on Islamic financing	134,988	208,250
Allowance for doubtful receivables	-	3,000,000
Employees' end of service benefit	305,298	2,363,241
Movement in provision for loan to policyholders	<u>(1,902,968)</u>	<u>18,760,035</u>
Operating (loss) profit before movements in working capital	(45,841,523)	63,809,265
Prepaid expenses and other assets	(5,288,390)	(4,206,943)
Contributions and re-takaful balances receivables	3,505,337	(63,168,413)
Deferred policy acquisition costs	2,510,280	(3,708,657)
Movement of outstanding claims, net	26,577,657	3,842,796
Takaful payables	(10,567,942)	19,370,851
Retakaful payables	42,870,263	(2,444,387)
Trade payables	772,184	904,229
Accrued expenses and other liabilities	(869,833)	(1,007,112)
Unearned re- takaful commission income	<u>15,239,357</u>	<u>1,054,868</u>
Cash from operations	28,907,390	14,446,497
End of service benefits paid	<u>(17,517)</u>	<u>(1,997,095)</u>
Net cash from operating activities	<u>28,889,873</u>	<u>12,449,402</u>
INVESTING ACTIVITIES		
Purchase of furniture and equipment	(270,365)	(89,090)
Investment and other income	54,628	243,051
Movements in term deposits	<u>-</u>	<u>(2,637,503)</u>
Net cash used in investing activities	<u>(215,737)</u>	<u>(2,483,542)</u>
FINANCING ACTIVITIES		
Profit expense on Islamic financing	(134,988)	(208,250)
Islamic financing arrangement repayments	<u>(857,142)</u>	<u>(857,143)</u>
Net cash used in financing activities	<u>(992,130)</u>	<u>(1,065,393)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	27,682,006	8,900,467
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>88,346,249</u>	<u>24,885,796</u>

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

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 2018 have been authorised for issue in accordance with a resolution of the Board of Directors on 7 August 2018.

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

The Company accumulated losses amounted to AED 59,921,469 as of 30 June 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 30 June 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 the Insurance Authority.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 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 Cycle - 2014-2016:

- 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>30 June 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
Cash on hand	57,547	47,445
Current bank accounts	88,288,702	60,616,798
Term deposits	<u>2,971,526</u>	<u>2,971,526</u>
Cash and bank balances	91,317,775	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>88,346,249</u>	<u>60,664,243</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2018 (Unaudited)

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.

5 INVESTMENTS

	<i>30 June 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
Investments at fair value through other comprehensive income		
Unquoted UAE equity securities	<u>7,088,000</u>	<u>10,632,000</u>
Investments at fair value through profit or loss		
Quoted UAE equity securities	<u>1,416,166</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 7,088,000 (AED 0.46 per share) (2017: 15,500,000 shares for a fair value of AED 10,632,000 (AED 0.68 per share)).

	<i>30 June 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>(3,544,000)</u>	<u>(5,316,000)</u>
At the end of the period / year	<u>7,088,000</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
Decrease in fair value	<u>(14,493)</u>	<u>(1,098,353)</u>
At the end of the period / year	<u>1,416,166</u>	<u>1,430,659</u>

Methaq Takaful Insurance Company PSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2018 (Unaudited)

6 INVESTMENT PROPERTIES

	<i>30 June 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.

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 544,332 (30 June 2017: AED 607,149) and building expenses amounted to AED 121,771 (30 June 2017: AED 58,956).

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 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
Takaful receivables due from related parties	5,457,130	5,419,647
Less: allowance for doubtful balances due from related parties	<u>(4,965,275)</u>	<u>(4,965,275)</u>
	<u>491,855</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>

Methaq Takaful Insurance Company PSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2018 (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 2018 (Unaudited) AED</i>	<i>Three months ended 30 June 2017 (Unaudited) AED</i>	<i>Six months ended 30 June 2018 (Unaudited) AED</i>	<i>Six months ended 30 June 2017 (Unaudited) AED</i>
Related party transactions				
Gross takaful contributions	<u>44,841</u>	<u>39,837</u>	<u>1,481,114</u>	<u>1,518,189</u>
Claims paid	<u>396,884</u>	<u>302,531</u>	<u>823,643</u>	<u>684,955</u>
Directors fees	<u>219,000</u>	<u>400,000</u>	<u>369,000</u>	<u>550,000</u>

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

	<i>Three months ended 30 June 2018 (Unaudited) AED</i>	<i>Three months ended 30 June 2017 (Unaudited) AED</i>	<i>Six months ended 30 June 2018 (Unaudited) AED</i>	<i>Six months ended 30 June 2017 (Unaudited) AED</i>
Short-term benefits	<u>1,288,800</u>	<u>1,265,200</u>	<u>2,577,600</u>	<u>2,483,200</u>
Long-term benefits	<u>34,983</u>	<u>80,121</u>	<u>69,385</u>	<u>110,178</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 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
Policyholders' fund		
Opening balance	<u>(217,382,631)</u>	<u>(165,552,785)</u>
Surplus (deficit) for the period / year	<u>1,902,968</u>	<u>(51,829,846)</u>
Closing balance	<u>(215,479,663)</u>	<u>(217,382,631)</u>
Loan from shareholders to policyholders		
At 1 January	<u>217,382,631</u>	<u>165,552,785</u>
Net movement during the period / year	<u>(1,902,968)</u>	<u>51,829,846</u>
Loan from shareholders	<u>215,479,663</u>	<u>217,382,631</u>
Less: allowance for loan to policyholders	<u>(215,479,663)</u>	<u>(217,382,631)</u>
Loan to policyholders, net	<u>-</u>	<u>-</u>

Methaq Takaful Insurance Company PSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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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 215,479,663 as of 30 June 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 1,902,968 (30 June 2017: AED 18,760,035) was recovered/ impaired and the recovery/ allowance of the same amount was recognised/ 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.

9 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

Basic earning / (loss) 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 2018 (Unaudited)</i>	<i>Three months ended 30 June 2017 (Unaudited)</i>	<i>Six months ended 30 June 2018 (Unaudited)</i>	<i>Six months ended 30 June 2017 (Unaudited)</i>
Profit (loss) for the period (AED)	<u>8,015,932</u>	<u>(2,068,893)</u>	<u>12,313,736</u>	<u>3,506,367</u>
Ordinary shares in issue throughout the period	<u>150,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>
Basic and diluted earnings (loss) per share (AED)	<u>0.05</u>	<u>(0.01)</u>	<u>0.08</u>	<u>0.02</u>

The Company has not issued any instruments which would have a dilutive impact on earnings / (loss) 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 2018 and 2017.

11 CONTINGENT LIABILITIES

	<i>30 June 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2018 (Unaudited)

12 SEGMENT INFORMATION continued

12.1 Business segments

	Three months ended 30 June 2018 (Unaudited)			Three months ended 30 June 2017 (Unaudited)			Six months ended 30 June 2018 (Unaudited)			Six months ended 30 June 2017 (Unaudited)		
	Policyholders AED	Shareholders AED	Total AED	Policyholders AED	Shareholders AED	Total AED	Policyholders AED	Shareholders AED	Total AED	Policyholders AED	Shareholders AED	Total AED
Net takaful income for the period	30,545,205	-	30,545,205	18,431,957	-	18,431,957	57,207,088	-	57,207,088	34,028,559	-	34,028,559
Wakala fees	(24,123,659)	24,123,659	-	(38,538,041)	38,538,041	-	(55,304,120)	55,304,120	-	(52,788,594)	52,788,594	-
Investment and other income	-	1,142	1,142	-	152,155	152,155	-	54,628	54,628	-	243,051	243,051
Income from real estate	-	159,988	159,988	-	303,753	303,753	-	422,561	422,561	-	548,193	548,193
Change in fair value of investments at FVTPL	-	(76,813)	(76,813)	-	(140,137)	(140,137)	-	(14,493)	(14,493)	-	(803,094)	(803,094)
Profit expense on Islamic financing	-	(62,131)	(62,131)	-	(98,964)	(98,964)	-	(134,986)	(134,986)	-	(208,250)	(208,250)
Decrease (Increase) in allowance for loan to policyholders' fund	-	6,421,546	6,421,546	(20,106,084)	(20,106,084)	(20,106,084)	1,902,968	1,902,968	1,902,968	-	(18,760,035)	(18,760,035)
Takaful expenses	-	(18,727,631)	(18,727,631)	-	(12,854,399)	(12,854,399)	-	(28,777,744)	(28,777,744)	-	(12,854,399)	(12,854,399)
General and administrative expenses	-	(3,823,828)	(3,823,828)	-	(7,863,258)	(7,863,258)	-	(16,443,316)	(16,443,316)	-	(17,447,693)	(17,447,693)
Profit (loss) for the period	6,421,546	8,015,932	14,437,478	(20,106,084)	(2,068,893)	(22,174,977)	1,902,968	12,313,736	14,216,704	(18,760,035)	3,506,367	(15,253,668)
Total assets	431,284,488	223,954,222	655,238,710	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 and six-month periods ended 30 June 2018 (30 June 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.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2018 (Unaudited)

12 SEGMENT INFORMATION continued

12.2 Product lines

	Three months ended 30 June 2018 (Unaudited)					Three months ended 30 June 2017 (Unaudited)					Six months ended 30 June 2018 (Unaudited)					Six months ended 30 June 2017 (Unaudited)				
	Motor AED	Medical AED	Others AED	Total AED		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	100,202,493	7,895,663	772,639	108,870,795	63,216,738	9,266,850	959,859	73,443,447	194,274,215	15,861,113	1,532,934	1,532,934	211,668,262	118,508,263	18,310,777	1,751,635	138,570,675			
Retakaful contributions ceded	(26,531,061)	(354,586)	(541,216)	(27,426,863)	(9,321,652)	(356,000)	(619,216)	(10,296,868)	(39,994,402)	(703,149)	(1,051,835)	(1,411,749,386)	(18,072,987)	(682,167)	(1,108,542)	(19,863,696)				
Net earned contributions	73,671,432	7,541,077	231,423	81,443,932	53,895,086	8,910,850	340,643	63,146,579	154,279,813	15,157,964	481,099	169,918,876	100,435,276	17,628,610	643,093	118,706,979				
Retakaful commission income	6,876,519	—	91,996	6,968,515	2,685,657	—	104,637	2,790,294	10,587,226	—	219,163	10,806,389	8,412,594	—	222,698	4,235,292				
Total takaful income	80,147,951	7,541,077	323,419	88,012,447	56,580,743	8,910,850	445,280	65,936,873	164,867,039	15,157,964	(700,262)	180,725,265	104,447,870	17,628,610	865,791	122,942,271				
Gross claims incurred	(57,703,094)	(8,460,318)	(810,093)	(66,973,505)	(58,585,989)	(6,208,857)	29,455	(64,765,391)	(143,291,544)	(16,686,175)	436,933	(159,540,786)	(96,323,147)	(16,020,666)	2,427	(112,341,386)				
Retakaful share of claims incurred	7,808,354	1,198,747	499,162	9,506,263	13,474,058	745,538	82,194	14,301,790	32,271,559	2,920,086	830,964	36,022,609	23,818,356	2,608,917	401	26,427,674				
Net claims incurred	(49,894,740)	(7,261,571)	(310,931)	(57,467,242)	(45,111,931)	(5,463,319)	111,649	(50,463,601)	(111,019,985)	(13,766,089)	1,267,897	(123,518,177)	(72,504,791)	(13,411,749)	2,828	(85,913,712)				
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	(5,938,685)	—	—	—	—	—	—	—	—	—			
Total takaful expenses	(49,894,740)	(7,261,571)	(310,931)	(57,467,242)	(48,182,227)	(5,523,219)	200,530	(47,504,916)	(111,019,985)	(13,766,089)	1,267,897	(123,518,177)	(75,504,791)	(13,411,749)	2,828	(88,913,712)				
Net takaful income for the period	30,253,211	279,506	12,488	30,545,205	14,398,516	3,387,631	645,810	18,431,957	53,847,054	1,391,875	1,968,159	57,207,088	28,943,079	4,216,861	868,619	34,028,559				

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 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 30 June 2018 (Unaudited) AED</i>	<i>Three months ended 30 June 2017 (Unaudited) AED</i>	<i>Six months ended 30 June 2018 (Unaudited) AED</i>	<i>Six months ended 30 June 2017 (Unaudited) AED</i>
Motor	79,476,778	111,967,369	167,565,179	157,978,473
Medical	292,525	2,293,724	29,502,785	31,422,198
Workmen's compensation and miscellaneous accidents	2,356	62,329	502,777	581,579
Fire	167,612	350,680	341,402	897,543
Engineering	228,273	198,645	303,951	327,778
Marine and aviation	68,356	31,451	128,467	45,711
Liability	<u>150,003</u>	<u>278,297</u>	<u>274,271</u>	<u>533,999</u>
	<u>80,385,903</u>	<u>115,182,496</u>	<u>198,618,832</u>	<u>191,787,281</u>