

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

**Review report and interim
financial information for the
six month period ended
30 June 2019**

Methaq Takaful Insurance Company P.S.C.

**Review report and interim financial information
for the six month period ended 30 June 2019**

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

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

Introduction

We have reviewed the accompanying interim financial information of Methaq Takaful Insurance Company P.S.C. (the "Company"), comprising the condensed statement of financial position as at 30 June 2019 and the related condensed statements of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim financial information 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 financial information is not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

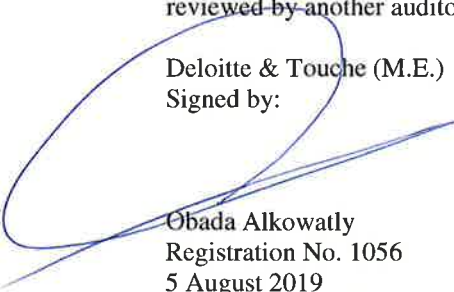
We draw attention to Note 2.1 to these financial information, which describes that the interim financial information have been prepared on a going concern basis as the Directors consider the accumulated losses to be temporary and expect that the Company will generate profits from future takaful operations. 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 six month period ended 30 June 2018, were reviewed by another auditor who issued a unmodified conclusion with an emphasis of matter dated 7 August 2018.

Deloitte & Touche (M.E.)

Signed by:



Obada Alkowitz
Registration No. 1056
5 August 2019
Abu Dhabi
United Arab Emirates

Condensed statement of financial position
As at 30 June 2019

	Notes	30 June 2019 (Unaudited) AED	31 December 2018 (Audited) AED
ASSETS			
Takaful operations assets			
Retakaful share of unearned contributions		83,363,543	69,723,884
Prepaid expenses and other assets		5,119,040	5,204,343
Retakaful share of outstanding claims	9	63,048,977	60,753,690
Contributions and retakaful balances receivables		233,275,205	212,749,250
Term deposits		40,000,000	40,000,000
Cash and bank balances		17,307,333	24,024,707
Total takaful operations assets		442,114,098	412,455,874
Shareholders' assets			
Property and equipment		1,526,373	1,211,974
Statutory deposit	5	6,000,000	6,000,000
Financial assets designated at fair value through profit or loss	6	997,882	1,243,148
Financial assets designated at fair value through other comprehensive income	6	7,100,000	3,544,000
Deferred policy acquisition costs		16,549,530	14,746,045
Investments properties	8	162,360,000	162,360,000
Prepaid expenses and other assets		8,028,983	10,228,450
Term deposits		2,989,426	2,989,426
Cash and bank balances		3,046,230	8,883,267
Total shareholders' assets		208,598,424	211,206,310
TOTAL ASSETS		650,712,522	623,662,184
LIABILITIES, PARTICIPANTS' AND SHAREHOLDERS' EQUITY			
Takaful operations liabilities			
Takaful payables		42,885,838	42,845,885
Outstanding claims	9	214,079,662	234,435,049
Retakaful payables		102,364,539	79,760,893
Unearned retakaful commission income		26,324,317	23,237,023
Unearned contributions		160,103,308	144,322,166
Total takaful operations liabilities		545,757,664	524,601,016



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The accompanying notes form an integral part of these interim financial information.

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Condensed statement of financial position
As at 30 June 2019 (continued)

	Notes	30 June 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Shareholders' liabilities			
Trade payables		1,692,221	811,816
Accrued expenses and other liabilities		6,685,291	9,711,164
Provision for end of service benefits		3,706,449	3,088,178
Islamic financing arrangement		857,143	1,714,286
Total shareholders' liabilities		12,941,104	15,325,444
Total liabilities		558,698,768	539,926,460
Participants' fund			
Deficit of general participants takaful fund		(201,139,816)	(206,532,287)
Loan from shareholders	10	201,139,816	206,532,287
Total Policyholders' 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
Investment revaluation reserve		(17,720,000)	(14,176,000)
Accumulated losses		(46,547,607)	(58,369,637)
Total shareholders' equity		92,013,754	83,735,724
TOTAL LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY		650,712,522	623,662,184

Chairman of the Board of Directors



Managing Director

The accompanying notes form an integral part of these interim financial information.

**Condensed statement of profit or loss
for the six month period ended 30 June 2019 (unaudited)**

	Notes	3 month ended 30 June		6 month ended 30 June	
		2019 AED	2018 AED	2019 AED	2018 AED
Attributable to policyholders					
Gross contributions written		71,587,461	80,385,903	168,143,238	198,618,832
Retakaful contributions ceded		(44,496,260)	(47,434,817)	(85,427,384)	(87,664,413)
Net written contributions		27,091,201	32,951,086	82,715,854	110,954,419
Change in net unearned contribution provision		10,646,944	48,492,846	(2,141,482)	58,964,457
Net earned contributions		37,738,145	81,443,932	80,574,372	169,918,876
Commissions earned		11,917,138	6,568,515	22,870,592	10,806,389
Gross takaful income		49,655,283	88,012,447	103,444,964	180,725,265
Gross claims paid		(45,584,668)	(58,560,471)	(95,690,356)	(126,401,221)
Retakaful share of accepted claims paid		15,263,838	8,437,830	32,252,936	23,718,036
Net paid claims		(30,320,830)	(50,122,641)	(63,437,420)	(102,683,185)
Change in outstanding claim		(5,856,499)	(3,827,416)	(5,297,271)	(11,661,213)
Change in retakaful share of outstanding claims		5,035,726	(508,744)	13,431,149	936,678
Change in incurred but not reported claims reserve		19,242,680	(3,212,855)	12,128,156	(20,511,989)
Change in retakaful share of incurred but not reported claims reserve		(13,532,122)	1,577,177	(11,135,861)	11,367,895
Change in unallocated loss adjustment expense		(320,873)	(1,372,763)	(1,311,931)	(966,363)
Net claims incurred		(25,751,918)	(57,467,242)	(55,623,178)	(123,518,177)
Takaful income		23,903,365	30,545,205	47,821,786	57,207,088
Investment Income		339,069	-	674,411	-
Takaful operating profit		24,242,434	30,545,205	48,496,197	57,207,088
Wakalah fees		(19,922,175)	(24,123,659)	(43,103,726)	(55,304,120)
Surplus of takaful result for the period		4,320,259	6,421,546	5,392,471	1,902,968
Attributable to shareholders					
Shareholders' investment and other income, net		347,654	1,142	403,164	54,628
Wakalah fees from policyholders		19,922,175	24,123,659	43,103,726	55,304,120
Income from real estate		193,780	159,988	315,808	422,561
Takaful expense		(7,301,381)	(14,347,787)	(14,818,887)	(28,777,744)
Change in fair value of investments at fair value through profit and loss		(273,040)	(76,813)	(245,266)	(14,493)
Decrease in provision of loan from shareholders		4,320,259	6,421,546	5,392,471	1,902,968
Profit expense on Islamic financing		(25,297)	(62,131)	(61,726)	(134,988)
General and administrative expenses		(11,243,420)	(8,203,672)	(22,267,260)	(16,443,316)
Profit for the period		5,940,730	8,015,932	11,822,030	12,313,736
Basic and diluted earnings per share		0.04	0.05	0.08	0.08

The accompanying notes form an integral part of these interim financial information.

**Condensed statement of comprehensive income
for the six month period ended 30 June 2019 (unaudited)**

	<u>3 month ended 30 June</u>		<u>6 month ended 30 June</u>	
	<u>2019</u> <u>AED</u>	<u>2018</u> <u>AED</u>	<u>2019</u> <u>AED</u>	<u>2018</u> <u>AED</u>
Profit for the period	5,940,730	8,015,932	11,822,030	12,313,736
Other comprehensive income:				
<i><u>Items that will not be reclassified subsequently to profit or loss:</u></i>				
Change in fair value of equity investments at fair value through other comprehensive income (note 6)	(1,772,000)	(1,772,000)	(3,544,000)	(3,544,000)
Total other comprehensive loss for the period	(1,772,000)	(1,772,000)	(3,544,000)	(3,544,000)
Total comprehensive income for the period	4,168,730	6,243,932	8,278,030	8,769,736

The accompanying notes form an integral part of these interim financial information.

**Condensed statement of changes in shareholders' equity
for the six month period ended 30 June 2019**

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Accumulated losses AED	Total AED
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	-	-	-	-	12,313,736	12,313,736
Other comprehensive loss for the period	-	-	-	(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 (unaudited)	150,000,000	3,039,935	1,700,807	(10,632,000)	(59,921,469)	84,187,273
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	-	-	-	-	11,822,030	11,822,030
Other comprehensive income for the period	-	-	-	(3,544,000)	-	(3,544,000)
Total comprehensive income for the period	-	-	-	(3,544,000)	11,822,030	8,278,030
Balance at 30 June 2019 (unaudited)	150,000,000	4,580,554	1,700,807	(17,720,000)	(46,547,607)	92,013,754

The accompanying notes form an integral part of these interim financial information.

**Condensed statement of cash flows
for the six month period ended 30 June 2019 (Unaudited)**

	Note	6 month ended 30 June	
		2019 AED	2018 AED
OPERATING ACTIVITIES			
Profit for the period		11,822,030	12,313,736
Surplus of Takaful Result for the period		5,392,471	1,902,968
Adjustments for:			
Depreciation of property and equipment		340,623	409,047
Movement of unearned contributions, net		2,141,482	(58,964,457)
Change in fair value of investments at fair value through profit or loss		245,265	14,493
Investment and other income		(1,077,575)	(54,628)
Profit expense on Islamic Financing		61,726	134,988
Net movement in provision for end of service benefits		745,892	305,298
Decrease in provision of loan from shareholders		(5,392,471)	(1,902,968)
Operating profit before movements in working capital:		14,279,443	(45,841,523)
Decrease / (increase) in prepaid and other assets		2,284,772	(5,288,390)
(Increase) / decrease in contributions and retakaful balances receivables		(20,525,956)	3,505,337
(Increase) / decrease in deferred policy acquisition costs		(1,803,485)	2,510,280
(Decrease) / increase in outstanding claims, net		(22,650,675)	26,577,657
Increase / (decrease) in takaful payables		39,952	(10,567,942)
Increase in retakaful payables		22,603,647	42,870,263
Increase in trade payables		880,404	772,184
Decrease in accrued expenses and other liabilities		(3,025,869)	(869,833)
Increase in unearned retakaful commission income		3,087,294	15,239,357
End of Service benefits paid		(127,620)	(17,517)
Net cash (used in) / generated from operating activities		(4,958,093)	28,889,873
INVESTING ACTIVITIES			
Purchase of property and equipment		(655,022)	(270,365)
Investment and other income received		1,077,575	54,628
Purchase in equity securities		(7,100,000)	-
Net cash used in investing activities		(6,677,447)	(215,737)
FINANCING ACTIVITYIES			
Profit expense on Islamic Financing		(61,726)	(134,988)
Islamic Financing arrangements repayments		(857,143)	(857,142)
Net cash used in financing activity		(918,869)	(992,130)
(Decrease) / increase in cash and cash equivalents		(12,554,409)	27,682,006
Cash and cash equivalents at the beginning of the period		32,907,972	60,664,243
Cash and cash equivalents at the end of the period	4	20,353,563	88,346,249

The accompanying notes form an integral part of these interim financial information.

**Notes to the interim financial information
for the six month period ended 30 June 2019****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 30 June 2019 have been authorised for issue in accordance with a resolution of the Board of Directors on 5 August 2019.

2 Basis of preparation and accounting policies**2.1 Basis of preparation**

The Company accumulated losses amounted to AED 46,547,607 as of 30 June 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.

The interim financial information for the six month period ended 30 June 2019 has been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

The interim financial information does not contain all information and disclosures required in the annual financial statements prepared in accordance with the International Financial Reporting Standards, and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2018. In addition, results for the six month period ended 30 June 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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

The interim financial information has 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.

Certain amounts in interim financial information have been reclassified and rearranged from the prior period to conform to the current period's presentation.

2.2 New and revised IFRSs applied with no material effect on the interim financial information

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

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 interim financial information.

**Notes to the interim financial information
for the six month period ended 30 June 2019 (continued)****2 Basis of preparation and accounting policies (continued)****2.2 New and revised IFRSs applied with no material effect on the condensed financial statements (continued)**

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.

2.3 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 interim financial information of the Company in the period of initial application.

3 Critical accounting judgments and key sources of estimation uncertainty

The preparation of these interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial information, the significant judgments made by management in applying the Company’s accounting policies, and the key sources of estimates uncertainty were same as those applied to the financial statements as at and for the year ended 31 December 2018, except for the adoption of new standards and interpretations effective 1 January 2019.

**Notes to the interim financial information
for the six month period ended 30 June 2019 (continued)**

4 Cash and cash equivalents

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Cash and bank balances	20,353,563	32,907,974
Term deposits	42,989,426	42,989,426
	<hr/>	<hr/>
Cash and bank balances	63,342,989	75,897,400
Less: term deposits with original maturity of more than three months	(42,989,426)	(42,989,426)
	<hr/>	<hr/>
Cash and cash equivalents	20,353,563	32,907,974
	<hr/> <hr/>	<hr/> <hr/>
Takaful operation Fund	17,307,333	24,024,707
Shareholder's assets	3,046,230	8,883,267
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	20,353,563	32,907,974
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Term deposits represent deposits held with islamic financial institutions in the UAE, are denominated in UAE dirhams and carry profit at the expected prevailing market rates ranging from 2.5% to 3.4% per annum (31 December 2018: 2% to 2.40 %).

5 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.

Methaq Takaful Insurance Company P.S.C.
Notes to the interim financial information
for the six month period ended 30 June 2019 (continued)

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6 Investments

6 (a) Financial assets measured at fair value through other comprehensive income

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
<u>Shareholders assets</u>		
Unquoted securities		
- <i>Unlisted equity securities</i>	7,100,000	3,544,000

The geographical concentration of investments is as follows:

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Within UAE	7,100,000	3,544,000

Unquoted equity securities are valued primarily based on net assets of the investees unless recent transactions provide evidence of the current fair value.

Unquoted UAE equity securities represents investment in Ward Holding Limited for 11,913 shares at a fair value of AED 7,100,000.

The movement in investments during the period/year is as follows:

	30 June 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Financial assets measured at fair value through other comprehensive income		
Fair value at the beginning of the period / year	3,544,000	10,632,000
Addition during the period / year	7,100,000	-
Change in fair value	(3,544,000)	(7,088,000)
Fair value at the end of the period/year	7,100,000	3,544,000

Notes to the interim financial information
for the six month period ended 30 June 2019 (continued)

6 Investments (continued)

6 (b) Financial assets measured at fair value through profit or loss

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
<u>Shareholders assets</u>		
Quoted securities		
- <i>Listed equity securities</i>	997,882	1,243,148
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The geographical concentration of investments is as follows:

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Within UAE	997,882	1,243,148
	<hr/> <hr/>	<hr/> <hr/>

Investments held by the Company are sharia'a compliant as at 30 June 2019.

The movement in investments during the period/year is as follows:

	30 June 2019 (unaudited) AED'000	31 December 2018 (audited) AED'000
Financial assets measured at fair value through profit or loss		
Fair value at the beginning of the period / year	1,243,148	1,430,659
Change in fair value	(245,266)	(187,511)
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Balance at the end of the period / year	997,882	1,243,148
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**Notes to the interim financial information
for the six month period ended 30 June 2019 (continued)**

7 Related parties

Related parties comprise the shareholders, Directors and key management personnel of the Company and those entities in which they have a significant interest and the ability to control or exercise significant influence in financial and operational decisions. Details of significant transactions with related parties in the normal course of business are as follows:

	3 month ended 30 June		6 month ended 30 June	
	2019 (unaudited) AED	2018 (unaudited) AED	2019 (unaudited) AED	2018 (unaudited) AED
Gross contributions written	(2,209)	44,841	35,186	1,481,114
Claims paid	(57,352)	396,884	391,556	823,643
Directors remuneration	1,227,557	219,000	1,446,557	369,000
			30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Takaful receivables due from related parties			5,556,482	5,505,899
Less: allowance for doubtful balances due from related parties			(5,196,806)	(5,196,806)
			359,676	309,093
Other receivables due from related parties			2,744,090	2,744,090
Less: allowance for doubtful balances due from related parties			(1,894,090)	(1,894,090)
			850,000	850,000

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

	3 month ended 30 June		6 month ended 30 June	
	2019 (unaudited) AED	2018 (unaudited) AED	2019 (unaudited) AED	2018 (unaudited) AED
Short term benefits	1,412,088	1,359,600	2,792,436	2,577,600
Long-term benefits	82,053	34,983	161,443	69,385

**Notes to the interim financial information
for the six month period ended 30 June 2019 (continued)**

7 Related parties (continued)

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

8 Investment properties

	30 June 2019 (unaudited) AED	31 December 2018 (audited) AED
Investment properties	162,360,000	162,360,000

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 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 398,145 (30 June 2018: AED 544,332) and building expenses amounted to AED 82,338 (30 June 2018: AED 121,771).

**Notes to the interim financial information
for the six month period ended 30 June 2019 (continued)**

9 Takaful contract liabilities and re-takaful contract assets

	30 June 2019	31 December 2018
	(unaudited)	(audited)
	AED	AED
Gross outstanding claims		
- Outstanding claims	71,400,780	80,939,943
- Incurred but not reported reserve	137,935,064	150,063,220
- Unallocated Loss adjustment expense reserve	4,743,818	3,431,886
	214,079,662	234,435,049
Retakaful share of outstanding claims		
- Outstanding claims	22,095,806	8,664,656
- Incurred but not reported reserve	40,953,171	52,089,034
	63,048,977	60,753,690

10 Loan from shareholders

	30 June 2019	31 December 2018
	(unaudited)	(audited)
	AED	AED
At the beginning of the period / year	206,532,287	217,382,631
Surplus for the period / year	(5,392,471)	(10,850,344)
At end of the period / year	201,139,816	206,532,287

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 201,139,820 as of 30 June 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 5,392,471 (30 June 2018: AED 1,902,968) was recovered and the recovery of the same amount was recognised 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.

**Notes to the interim financial information
for the six month period ended 30 June 2019 (continued)**

11 Mudareb share and wakalah fees

The shareholders manage the takaful operations for the policyholders and charge the following range of percentages of gross takaful contributions as Wakala fees:

	30 June 2019 (%)	31 December 2018 (%)
Motor	30	30
Medical	15	15
All other takaful classes	30	30

The shareholders manage the policyholders' investment fund and charge 10% (2018: 10%) of investment income earned by policyholders' investment fund as Mudarib share. Investment income earned by policyholders' investment fund as well as Mudarib share amounted to AED nil (2018: AED nil).

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 12.3

**Notes to the interim financial information
for the six month period ended 30 June 2019 (continued)**

12 Segment information (continued)
12.1 Segment revenue and results

	30 June 2019 (unaudited)			30 June 2018 (unaudited)		
	Policy holders AED	Shareholders AED	Total AED	Policy holders AED	Shareholders AED	Total AED
Net underwriting income	48,496,197	-	48,496,197	57,207,088	-	57,207,087
Wakala fees	(43,103,726)	43,103,726	-	(55,304,120)	55,304,120	-
Segment results	5,392,471	43,103,726	48,496,197	1,902,968	55,304,120	57,207,087
Investment and other income	-	403,164	403,164	-	54,628	54,628
Rental income from investment property	-	315,808	315,808	-	422,561	422,561
Change in fair value of investments at FVTPL	-	(245,266)	(245,266)	-	(14,493)	(14,493)
decrease in provision for loan to Policyholders' Fund	-	5,392,471	5,392,471	-	1,902,968	1,902,968
Profit expense on Islamic financing	-	(61,726)	(61,726)	-	(134,988)	(134,988)
Takaful expenses	-	(14,818,887)	(14,818,887)	-	(28,777,744)	(28,777,744)
General and administrative expenses	-	(22,267,260)	(22,267,260)	-	(16,443,316)	(16,443,316)
Profit for the period	5,392,471	11,822,030	17,214,501	1,902,968	12,313,736	14,216,704
Elimination			(5,392,471)			(1,902,968)
			11,822,030			12,313,736

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the period (30 June 2018: AED Nil).

The accounting policies of the reportable segments are the same as the Company's accounting policies used in the annual audited financial statements for the year ended 31 December 2018, except for adoption of new and amended standards as set out in note 2.

Notes to the interim financial information
for the six month period ended 30 June 2019 (continued)

12 Segment information (continued)	As at 30 June 2019 (unaudited)			As at 31 December 2018 (audited)		
	Policy holders AED	Shareholders AED	Total AED	Policy holders AED	Shareholders AED	Total AED
12.2 Segment assets and liabilities						
Total assets	442,114,098	208,598,424	650,712,522	412,455,874	211,206,310	623,662,184
Total liabilities	545,757,664	12,941,104	558,698,768	524,601,016	15,325,444	539,926,460
Capital expenditure	-	655,022	655,022	-	360,979	360,979

**Notes to the interim financial information
for the six month period ended 30 June 2019 (continued)**

12 Segment information (continued)

12.3 Product lines

	6 month ended 30 June 2019 (unaudited)				6 month ended 30 June 2018 (unaudited)			
	Motor AED	Medical AED	Others AED	Total AED	Motor AED	Medical AED	Others AED	Total AED
Gross takaful contributions revenue	131,130,659	19,568,812	1,662,627	152,362,098	194,274,216	15,861,113	1,532,933	211,668,261
Retakaful contributions ceded	(67,336,092)	(3,275,783)	(1,175,851)	(71,787,726)	(39,994,402)	(703,149)	(1,051,835)	(41,749,386)
Net earned contributions	63,794,567	16,293,029	486,776	80,574,372	154,279,814	15,157,964	481,098	169,918,876
Retakaful commission income	22,413,176	358,313	99,103	22,870,592	10,587,226	-	219,163	10,806,389
Total takaful income	86,207,743	16,651,342	585,879	103,444,964	164,867,040	15,157,964	700,261	180,725,265
Gross claims incurred	(68,921,092)	(20,534,780)	(715,530)	(90,171,402)	(143,291,543)	(16,686,175)	436,933	(159,540,785)
Retakaful share of claims incurred	27,342,993	6,578,694	626,537	34,548,224	32,271,559	2,920,086	830,963	36,022,608
Net claims incurred	(41,578,099)	(13,956,086)	(88,993)	(55,623,178)	(111,019,984)	(13,766,089)	1,267,896	(123,518,177)
Policyholders' investment income	674,411	-	-	674,411	-	-	-	-
Net takaful expenses	(40,903,688)	(13,956,086)	(88,993)	(54,948,767)	(111,019,984)	(13,766,089)	1,267,896	(123,518,177)
Net takaful income for the period	45,304,055	2,695,256	496,886	48,496,197	53,847,056	1,391,875	1,968,157	57,207,088

**Notes to the interim financial information
for the six month period ended 30 June 2019 (continued)**

12 Segment information (continued)

Gross takaful contributions revenue from underwriting departments

The following is an analysis of the Company's revenues classified by major underwriting departments.

	<u>6 month ended 30 June</u>	
	2019	2018
	AED	AED
	(unaudited)	(unaudited)
Motor	122,899,460	167,565,179
Medical	43,664,746	29,502,785
Miscellaneous accidents	741,734	777,048
Fire	260,320	341,402
Engineering	302,392	303,951
Marine and aviation	274,586	128,467
	<u>168,143,238</u>	<u>198,618,832</u>

13 Seasonality of results

No income of seasonal nature was recorded in the condensed statement of profit or loss for the six month period ended 30 June 2019 and 2018.

14 Contingent liabilities and commitments

	30 June	31 December
	2019	2018
	(unaudited)	(audited)
	AED	AED
Bank guarantees	<u>6,300,000</u>	<u>6,536,430</u>

Bank guarantees were issued in the normal course of business.

**Notes to the interim financial information
for the six month period ended 30 June 2019 (continued)**

15 Fair value of financial instruments

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<u>30 June 2019 (unaudited)</u>				
Financial assets measured at fair value through profit and loss	-	-	7,100,000	7,100,000
Financial assets measured at fair value through other comprehensive income	997,882	-	-	997,882
	<u>997,882</u>	<u>-</u>	<u>7,100,000</u>	<u>8,097,882</u>
<u>31 December 2018 (audited)</u>				
Financial assets measured at fair value through profit and loss	-	-	3,544,000	3,544,000
Financial assets measured at fair value through other comprehensive income	1,243,148	-	-	1,243,148
	<u>1,243,148</u>	<u>-</u>	<u>3,544,000</u>	<u>4,787,148</u>

During the year / period, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.