

**Methaq Takaful Insurance
Company PSC**

REVIEW REPORT AND
INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 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 September 2017, comprising of the interim statement of financial position as at 30 September 2017 and the related interim income statement and interim statement of comprehensive income for the three-month and nine-month periods then ended and interim statements of changes in equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

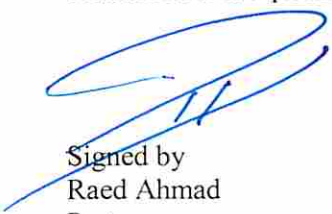
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of matter

We draw attention to Note 2.1 to the interim condensed financial statements, which states that the Company accumulated losses amounted to AED 71,032,941 as of 30 September 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

12 November 2017
Abu Dhabi

Methaq Takaful Insurance Company PSC

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2017

	<i>Notes</i>	<i>30 September 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
ASSETS			
Takaful Operations Assets			
Reinsurers' share of unearned contributions		20,845,150	20,885,266
Prepaid expenses and other assets		4,292,163	1,385,076
Reinsurers' share of outstanding claims		19,094,977	6,576,634
Contributions and Re-Takaful balances receivables		207,571,203	156,403,103
Cash and bank accounts	3	<u>41,070,019</u>	<u>11,677,487</u>
Total Takaful Operations Assets		<u>292,873,512</u>	<u>196,927,566</u>
Shareholders' Assets			
Property and equipment		1,429,743	2,009,122
Statutory deposits	4	6,000,000	6,000,000
Financial assets designated at fair value through profit or loss	5	1,594,113	2,529,012
Financial assets carried at fair value through other comprehensive income	5	10,632,000	15,948,000
Investments properties	6	162,360,000	162,360,000
Deferred policy acquisition costs		21,261,744	14,853,276
Prepaid expenses and other assets		8,274,370	5,843,748
Bank Deposits	3	2,971,526	334,023
Cash and bank accounts	3	<u>8,438,305</u>	<u>4,307,842</u>
Total Shareholders' Assets		<u>222,961,801</u>	<u>214,185,023</u>
TOTAL ASSETS		<u>515,835,313</u>	<u>411,112,589</u>
Liabilities			
Takaful Operations Liabilities			
Takaful payables		56,316,445	44,925,410
Outstanding claims		128,355,807	101,952,649
Retakaful payables		18,797,410	20,941,843
Accrued expenses and other liabilities		-	486,294
Unearned Re-Takaful commission income		6,226,090	5,119,849
Unearned contributions		<u>214,013,158</u>	<u>141,667,760</u>
Total Takaful Operations Liabilities		<u>423,708,910</u>	<u>315,093,805</u>
Shareholders' Liabilities			
Trade payables		697,997	477,432
Accrued expenses and other liabilities		8,182,935	8,623,845
Provision for employees' end of service benefits		2,420,326	1,844,813
Islamic financing arrangement		<u>4,285,714</u>	<u>5,142,857</u>
Total Shareholders' Liabilities		<u>15,586,972</u>	<u>16,088,947</u>
Total Liabilities		<u>439,295,882</u>	<u>331,182,752</u>

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

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2017

		<i>30 September 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
	<i>Notes</i>		
Policyholders' Fund			
Deficit of General participants Takaful fund	8	(203,953,340)	(165,552,785)
Loan from shareholders	8	<u>203,953,340</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		(7,088,000)	(1,772,000)
Retained earnings		<u>(71,032,941)</u>	<u>(72,958,535)</u>
Total Shareholders' Equity		<u>76,539,431</u>	<u>79,929,837</u>
TOTAL LIABILITIES, POLICYHOLDERS' FUND AND SHAREHOLDERS' EQUITY		<u>515,835,313</u>	<u>411,112,589</u>

Chairman



Board Member

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

Methaq Takaful Insurance Company PSC

INTERIM INCOME STATEMENT (UNAUDITED)

For the three month and nine month periods ended 30 September 2017

	<i>Three months ended 30 September 2017 (Unaudited)</i>	<i>Three months ended 30 September 2016 (Unaudited) (Restated)</i>	<i>Nine months ended 30 September 2017 (Unaudited)</i>	<i>Nine months ended 30 September 2016 (Unaudited) (Restated)</i>
<i>Notes</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Attributable to policyholders				
Gross contributions written	106,798,197	61,475,025	298,585,478	184,773,653
Retakaful contributions	<u>(11,033,721)</u>	<u>(10,646,570)</u>	<u>(30,408,453)</u>	<u>(29,704,360)</u>
Net Takaful Contributions	95,764,476	50,828,455	268,177,025	155,069,293
Change in net unearned contribution provision	<u>(18,679,903)</u>	<u>(2,467,902)</u>	<u>(72,385,473)</u>	<u>(12,084,041)</u>
Net earned contributions	77,084,573	48,360,553	195,791,552	142,985,252
Commissions earned	<u>2,829,049</u>	<u>1,353,669</u>	<u>7,064,341</u>	<u>4,420,839</u>
Gross Takaful Income	<u>79,913,622</u>	<u>49,714,222</u>	<u>202,855,893</u>	<u>147,406,091</u>
Gross claims paid	<u>(54,282,159)</u>	<u>(44,021,607)</u>	<u>(156,345,808)</u>	<u>(129,620,076)</u>
Retakaful share of claims paid	<u>9,815,291</u>	<u>11,116,087</u>	<u>29,701,838</u>	<u>22,396,764</u>
Net paid claims	<u>(44,466,868)</u>	<u>(32,905,520)</u>	<u>(126,643,970)</u>	<u>(107,223,312)</u>
Change in outstanding claim	<u>(7,275,797)</u>	<u>752,073</u>	<u>(10,070,283)</u>	<u>1,036,620</u>
Change in retakaful share of outstanding claims	<u>(3,985,388)</u>	<u>663,011</u>	<u>(1,288,827)</u>	<u>848,242</u>
Change in incurred but not reported claims reserve	<u>(16,324,774)</u>	<u>(2,089,225)</u>	<u>(23,778,869)</u>	<u>(2,197,304)</u>
Change in retakaful share of incurred but not reported claims reserve	<u>9,962,604</u>	<u>-</u>	<u>13,807,170</u>	<u>-</u>
Change in unallocated loss adjustment expense	<u>(203,259)</u>	<u>(13,277)</u>	<u>(232,415)</u>	<u>(700,043)</u>
Net claims incurred	<u>(62,293,482)</u>	<u>(33,592,938)</u>	<u>(148,207,194)</u>	<u>(108,235,797)</u>
Takaful income	17,620,140	16,121,283	54,648,699	39,170,294
Allowance for doubtful receivables	<u>(3,000,000)</u>	<u>-</u>	<u>(6,000,000)</u>	<u>-</u>
Takaful expenses	<u>-</u>	<u>(6,154,623)</u>	<u>-</u>	<u>(19,388,874)</u>
Takaful Operating Profit	14,620,140	9,966,660	48,648,699	19,781,420
Wakalah fees	<u>(34,260,660)</u>	<u>(12,001,989)</u>	<u>(87,049,254)</u>	<u>(35,723,016)</u>
Deficit of takaful result for the period	<u>(19,640,520)</u>	<u>(2,035,329)</u>	<u>(38,400,555)</u>	<u>(15,941,596)</u>
Attributable to shareholders				
Shareholders' investment and other income, net	215,361	118,637	458,412	307,546
Income from real estate	270,233	223,338	818,426	739,172
Takaful expense	<u>(8,396,980)</u>	<u>-</u>	<u>(21,251,379)</u>	<u>-</u>
Change in fair value of investments at fair value through profit and loss	<u>(131,804)</u>	<u>102,357</u>	<u>(934,899)</u>	<u>306,941</u>
Wakalah fees from policyholders	<u>34,260,660</u>	<u>12,001,989</u>	<u>87,049,254</u>	<u>35,723,016</u>
Profit expense on Islamic financing	<u>(93,095)</u>	<u>(130,333)</u>	<u>(301,345)</u>	<u>(413,464)</u>
General and administrative expenses	<u>(8,064,628)</u>	<u>(11,986,951)</u>	<u>(25,512,320)</u>	<u>(25,462,137)</u>
Increase in provision of loan to policyholders' fund	<u>(19,640,520)</u>	<u>(2,035,329)</u>	<u>(38,400,555)</u>	<u>(15,941,596)</u>
Net (loss) profit for the period	<u>(1,580,773)</u>	<u>(1,706,292)</u>	<u>1,925,594</u>	<u>(4,740,522)</u>
Basic and diluted (loss) earnings per share	9 <u>(0.01)</u>	<u>(0.01)</u>	<u>0.01</u>	<u>(0.03)</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 nine month periods ended 30 September 2017

	<i>Three months ended 30 September 2017 (Unaudited) AED</i>	<i>Three months ended 30 September 2016 (Unaudited) (Restated) AED</i>	<i>Nine months ended 30 September 2017 (Unaudited) AED</i>	<i>Nine months ended 30 September 2016 (Unaudited) (Restated) AED</i>
(Loss) profit for the period	(1,580,773)	(1,706,292)	1,925,594	(4,740,522)
Other comprehensive loss for the period	<u>(1,772,000)</u>	—	<u>(5,316,000)</u>	—
Total comprehensive loss for the period	<u>(3,352,773)</u>	<u>(1,706,292)</u>	<u>(3,390,406)</u>	<u>(4,740,522)</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 nine-month period ended 30 September 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)	-	69,496	-	-	(7,727,466)	(7,657,970)
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	-	-	-	-	(4,740,522)	(4,740,522)
Balance at 30 September 2016 - restated	<u>150,000,000</u>	<u>2,026,577</u>	<u>1,700,807</u>	<u>-</u>	<u>(86,095,952)</u>	<u>67,631,432</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	-	-	-	-	1,925,594	1,925,594
Other comprehensive loss	-	-	-	(5,316,000)	-	(5,316,000)
Total comprehensive(loss) income for the period	-	-	-	(5,316,000)	1,925,594	(3,390,406)
Balance at 30 September 2017	<u>150,000,000</u>	<u>2,959,565</u>	<u>1,700,807</u>	<u>(7,088,000)</u>	<u>(71,032,941)</u>	<u>76,539,431</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 September 2017

	<i>Nine months ended 30 September 2017 (Unaudited)</i>	<i>Nine months ended 30 September 2016 (Unaudited) (Restated)</i>
<i>Notes</i>	<i>AED</i>	<i>AED</i>
OPERATING ACTIVITIES		
Net profit (loss) for the period	1,925,594	(4,740,522)
Deficit of takaful result for the period	(38,400,555)	(15,941,596)
Adjustments for:		
Depreciation of Property and equipment	668,469	763,479
Movement of unearned contributions, net	72,385,514	12,084,041
Change in fair value of investments at fair value through profit or loss	934,899	(306,941)
Investment and other income	(458,412)	(307,546)
Profit expense on Islamic Financing	301,345	413,464
Employees' End of Service benefit	2,482,879	424,376
Movement in provision for loan to policyholders	<u>38,400,555</u>	<u>15,941,596</u>
Operating profit before movements in working capital	78,240,288	8,330,351
Prepaid expenses and other assets	(5,337,709)	1,781,491
Contributions and Re-takaful balances receivables	(51,168,100)	40,278,368
Deferred Policy Acquisition costs	(6,408,468)	1,883,433
Movement of outstanding claims, net	13,884,815	4,013,257
Takaful Payables	11,391,035	(28,847,816)
Retakaful Payables	(2,144,433)	(28,902,112)
Trade Payables	220,565	(577,396)
Accrued expenses and other liabilities	(927,204)	62,129
Unearned Re- Takaful commission income	<u>1,106,241</u>	<u>2,692,039</u>
Cash from operations	38,857,030	713,744
End of service benefits paid	<u>(1,907,366)</u>	<u>(72,838)</u>
Net cash from in operating activities	<u>36,949,664</u>	<u>640,906</u>
INVESTING ACTIVITIES		
Purchase of furniture and equipment	(89,090)	(93,534)
Investment and other income	458,412	307,546
Movements in term deposits	<u>(2,637,503)</u>	<u>-</u>
Net cash (used in) from investing activities	<u>(2,268,181)</u>	<u>214,012</u>
FINANCING ACTIVITIES		
Profit expense on Islamic financing	(301,345)	(413,464)
Islamic financing arrangement repayments	<u>(857,143)</u>	<u>(857,143)</u>
Net cash used in financing activities	<u>(1,158,488)</u>	<u>(1,270,607)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,522,995	(415,689)
Cash and cash equivalents at 1 January	<u>15,985,329</u>	<u>11,489,631</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3 <u>49,508,324</u>	<u>11,073,942</u>

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

Methaq Takaful Insurance Company PSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 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 September 2017 have been authorised for issue in accordance with a resolution of the Board of Directors on 12 November 2017.

2.1 FUNDAMENTAL ACCOUNTING CONCEPT

The Company accumulated losses amounted to AED 71,032,941 as of 30 September 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 September 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 September 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 Unrecognized 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 September</i> <i>2017</i> <i>(Unaudited)</i> <i>AED</i>	<i>31 December</i> <i>2016</i> <i>(Audited)</i> <i>AED</i>
Cash on hand	57,935	45,000
Current bank accounts	49,450,389	15,940,329
Term deposits	<u>2,971,526</u>	<u>334,023</u>
Cash and bank balances	52,479,850	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>49,508,324</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.

Methaq Takaful Insurance Company PSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2017 (Unaudited)

5 INVESTMENTS

	<i>30 September 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
Investments at fair value through other comprehensive income		
Unquoted UAE equity securities	<u>10,632,000</u>	<u>15,948,000</u>
Investments at fair value through profit or loss		
Quoted UAE equity securities	<u>1,594,113</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 10,632,000 (AED 0.68 per share) (2016: 15,500,000 shares for a fair value of AED 15,948,000 (AED 1.03 per share)).

	<i>30 September 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>(5,316,000)</u>	<u>(1,772,000)</u>
At the end of the period / year	<u>10,632,000</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>(934,899)</u>	<u>310,513</u>
At the end of the period / year	<u>1,594,113</u>	<u>2,529,012</u>

6 INVESTMENT PROPERTIES

	<i>30 September 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>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2017 (Unaudited)

6 INVESTMENT PROPERTIES continued

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 918,138 (30 September 2016: AED 865,247) and building expenses amounted to AED 99,712 (30 September 2016: AED 126,075).

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 September 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
Takaful receivables due from related parties	5,389,577	5,106,219
Less: allowance for doubtful balances due from related parties	<u>(4,965,275)</u>	<u>(4,965,275)</u>
	<u>424,302</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 September 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 September 2017 (Unaudited) AED</i>	<i>Three months ended 30 September 2016 (Unaudited) AED</i>	<i>Nine months ended 30 September 2017 (Unaudited) AED</i>	<i>Nine months ended 30 September 2016 (Unaudited) AED</i>
Related party transactions				
Gross takaful contributions	<u>61,156</u>	<u>68,302</u>	<u>1,579,345</u>	<u>1,384,632</u>
Claims paid	<u>412,713</u>	<u>326,166</u>	<u>1,097,668</u>	<u>1,074,596</u>
Directors fees	<u>-</u>	<u>-</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 September 2017 (Unaudited) AED</i>	<i>Three months ended 30 September 2016 (Unaudited) AED</i>	<i>Nine months ended 30 September 2017 (Unaudited) AED</i>	<i>Nine months ended 30 September 2016 (Unaudited) AED</i>
Short-term benefits	<u>1,265,200</u>	<u>1,218,000</u>	<u>3,748,400</u>	<u>3,614,000</u>
Long-term benefits	<u>34,921</u>	<u>24,238</u>	<u>145,099</u>	<u>88,214</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 September 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>(38,400,555)</u>	<u>(17,180,073)</u>
Closing balance	<u>(203,953,340)</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>38,400,555</u>	<u>17,180,073</u>
Loan from shareholders	203,953,340	165,552,785
Less: allowance for loan to policyholders	<u>(203,953,340)</u>	<u>(165,552,785)</u>
Loan to policyholders, net	<u>-</u>	<u>-</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 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 203,953,340 as of 30 September 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 38,400,555 (30 September 2016: AED 15,941,596) 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 1 January 2017.

9 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

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

	<i>Three months ended 30 September 2017 (Unaudited)</i>	<i>Three months ended 30 September 2016 (Unaudited) (Restated)</i>	<i>Nine months ended 30 September 2017 (Unaudited)</i>	<i>Nine months ended 30 September 2016 (Unaudited) (Restated)</i>
(Loss) profit for the period (AED)	<u>(1,580,773)</u>	<u>(1,706,292)</u>	<u>1,925,594</u>	<u>(4,740,522)</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 (loss) earnings per share (AED)	<u>(0.01)</u>	<u>(0.01)</u>	<u>0.01</u>	<u>(0.03)</u>

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

10 SEASONALITY OF RESULTS

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

11 CONTINGENT LIABILITIES

	<i>30 September 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 September 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 organized 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 organized into three main product lines consistent with the reports used by the Board. These include:

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

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2017 (Unaudited)

12 SEGMENT INFORMATION continued

12.1 Business segments

	Three months ended		Three months ended		Three months ended		Nine months ended		Nine months ended				
	30 September 2017 (Unaudited)		30 September 2016 (Restated)		30 September 2017 (Unaudited)		30 September 2016 (Unaudited)		30 September 2016 (Restated)				
	Policyholders AED	Shareholders AED	Policyholders AED	Shareholders AED	Policyholders AED	Shareholders AED	Policyholders AED	Shareholders AED	Policyholders AED	Shareholders AED	Policyholders AED	Shareholders AED	Total
Net takaful income for the period	14,620,140	-	9,966,660	-	48,648,699	-	19,781,420	-	19,781,420	-	35,723,016	-	19,781,420
Wakala fees	(34,260,660)	34,260,660	(12,001,989)	12,001,989	(87,049,254)	87,049,254	(35,723,016)	35,723,016	(35,723,016)	35,723,016	-	-	-
	(19,640,520)	34,260,660	(2,035,329)	12,001,989	(38,400,555)	87,049,254	(15,941,596)	48,648,699	(15,941,596)	48,648,699	-	-	19,781,420
Investment and other income	-	215,361	-	118,637	-	118,637	-	118,637	-	458,412	-	307,546	307,546
Rental income from investment property	-	270,233	-	223,338	-	223,338	-	223,338	-	818,426	-	739,172	739,172
Change in fair value of investments at FVTPL	-	(131,804)	-	102,357	-	102,357	-	102,357	-	(934,899)	-	306,941	306,941
Increase in allowance for loan to Policyholders' fund	-	(19,640,520)	-	(2,035,329)	-	(2,035,329)	-	(2,035,329)	-	(38,400,555)	-	(15,941,596)	(15,941,596)
Profit expense on Islamic financing	-	(93,095)	-	(130,333)	-	(130,333)	-	(130,333)	-	(301,345)	-	(413,464)	(413,464)
Takaful Expenses	-	(8,396,980)	-	-	-	-	-	-	-	(21,251,379)	-	-	-
General and administrative expenses	-	(8,064,628)	-	(11,986,953)	-	(11,986,953)	-	(11,986,953)	-	(25,512,320)	-	(2,546,213)	(2,546,213)
(Loss) profit for the period	(19,640,520)	1,580,773	(2,035,329)	(1,706,294)	(38,400,555)	1,925,594	(15,941,596)	(4,740,522)	(15,941,596)	(4,740,522)	(20,682,118)	(20,682,118)	
	30 September 2017 (Unaudited)		31 December 2016 (Audited)		30 September 2016 (Unaudited)		31 December 2016 (Audited)		30 September 2016 (Unaudited)		31 December 2016 (Audited)		Total
	Policyholders AED	Shareholders AED	Policyholders AED	Shareholders AED	Policyholders AED	Shareholders AED	Policyholders AED	Shareholders AED	Policyholders AED	Shareholders AED	Policyholders AED	Shareholders AED	Total
Total assets	292,873,512	222,961,801	196,927,566	214,185,023	515,835,313	214,185,023	411,112,589	411,112,589	411,112,589	411,112,589	411,112,589	411,112,589	411,112,589

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the three-month and nine-month periods ended 30 September 2017 (30 September 2016: 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 2016.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
30 September 2017 (Unaudited)

12 SEGMENT INFORMATION continued

12.2 Product lines

	Three months ended 30 September 2017 (Unaudited)				Three months ended 30 September 2016 (Unaudited) (Revised)				Nine months ended 30 September 2017 (Unaudited)				Nine months ended 30 September 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	Motor AED	Medical AED	Others AED	Total AED	
	Gross takaful contributions revenue	77,999,953	8,764,511	904,983	87,669,447	48,109,370	7,807,233	667,499	56,584,102	196,508,216	27,075,288	2,656,618	2,656,618	226,240,522	142,341,150	20,932,469	1,866,214
Retakaful contributions ceded	(19,618,772)	(356,000)	(610,102)	(20,584,874)	(7,469,102)	(266,501)	(487,957)	(8,223,560)	(27,691,752)	(1,038,162)	(1,718,644)	(2,736,806)	(30,448,570)	(19,706,968)	(1,104,451)	(1,343,162)	(22,154,581)
Net earned contributions	68,381,181	8,408,511	294,881	77,084,573	40,640,269	7,540,732	179,542	48,360,553	168,816,464	26,037,126	937,974	937,974	195,791,552	122,634,182	19,828,018	523,052	142,985,252
Retakaful commission income	3,716,685	—	112,364	3,829,049	3,234,286	—	119,383	3,353,669	6,729,279	—	(335,062)	(7,064,341)	—	4,165,886	—	254,953	4,420,839
Total takaful income	71,097,866	8,408,511	407,245	79,913,622	43,874,555	7,540,732	298,925	49,714,222	175,545,743	26,037,126	1,273,036	1,273,036	202,855,893	126,800,068	19,828,018	778,005	147,406,091
Gross claims incurred	(68,811,455)	(9,107,356)	(167,178)	(78,085,989)	(37,571,595)	(7,784,965)	(15,477)	(45,372,037)	(165,134,602)	(25,128,022)	(1,647,751)	(1,647,751)	(190,272,375)	(108,208,814)	(22,969,567)	(362,422)	(131,480,803)
Retakaful share of claims incurred	13,419,227	1,270,855	102,358	14,792,440	10,296,986	898,453	83,659	11,279,098	38,237,653	3,879,272	1,027,756	4,907,028	(2,220,181)	20,014,291	3,230,654	31	23,245,006
Net claims incurred	(55,392,228)	(7,836,501)	(66,820)	(63,295,549)	(27,274,609)	(6,886,512)	(68,182)	(33,592,939)	(126,896,949)	(21,248,750)	(61,995)	(61,995)	(192,492,564)	(88,194,523)	(19,738,913)	(362,391)	(108,235,797)
Allowance for doubtful receivables	(3,000,000)	—	—	(3,000,000)	(5,954,485)	(117,112)	(82,826)	(6,154,623)	(6,000,000)	—	—	—	(6,000,000)	(18,971,608)	(920,384)	—	(19,891,992)
Expenses for acquisition of takaful contracts	(57,392,158)	(7,836,501)	(64,823)	(65,293,482)	(32,729,094)	(7,003,824)	(14,644)	(39,747,562)	(132,896,942)	(21,248,750)	(61,995)	(61,995)	(154,207,194)	(107,166,131)	(19,880,267)	(878,273)	(127,654,671)
Total takaful expenses	13,705,708	572,010	342,422	14,620,140	9,145,461	536,908	284,291	9,966,660	42,648,787	4,788,871	1,211,041	1,211,041	48,648,699	19,633,937	(52,249)	199,732	19,781,420
Net takaful income (loss)																	

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 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 September 2017 (Unaudited) AED</i>	<i>Three months ended 30 September 2016 (Unaudited) (Restated) AED</i>	<i>Nine months ended 30 September 2017 (Unaudited) AED</i>	<i>Nine months ended 30 September 2016 (Unaudited) (Restated) AED</i>
Motor	105,694,136	55,512,950	263,672,609	148,668,184
Medical	151,644	5,344,771	31,573,842	34,002,976
Workmen's compensation and miscellaneous accidents	124,928	13,040	706,507	130,929
Fire	294,406	223,118	1,191,949	770,870
Engineering	361,173	248,819	688,951	547,958
Marine and aviation	45,024	4,957	90,735	34,018
Liability	<u>126,886</u>	<u>127,370</u>	<u>660,885</u>	<u>618,718</u>
	<u>106,798,197</u>	<u>61,475,025</u>	<u>298,585,478</u>	<u>184,773,653</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 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 nine months ended 30 September 2016 is as follows:

Impact on statement of income

	<i>Three months ended 30 September 2016 AED</i>	<i>Nine months ended 30 September 2016 AED</i>
Attributable to policyholders		
Increase (decrease) in net earned contributions	617,020	(3,484,683)
(Decrease) increase in commission income	(190,842)	742,609
Increase in net claims incurred	(13,277)	(700,043)
(Increase) decrease in takaful expenses	(399,704)	<u>32,832</u>
Increase (decrease) in takaful results for the period	<u>13,197</u>	<u>(3,409,285)</u>
Attributable to shareholders		
(Decrease) increase in allowance for loan to policyholders' fund	<u>(13,197)</u>	<u>3,409,285</u>
Decrease (increase) in loss for the period	<u>13,197</u>	<u>(3,409,285)</u>