

# **Methaq Takaful Insurance Company PSC**

REVIEW REPORT AND  
INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 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 September 2018, comprising of the interim statement of financial position as at 30 September 2018 and the related interim income statement and interim statement of comprehensive income for the three months and nine months periods then ended and the related interim statements of changes in equity and interim statement of cash flows for the nine months 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 58,313,617 as of 30 September 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

13 November 2018  
Abu Dhabi

# Methaq Takaful Insurance Company PSC

## INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2018

		<i>30 September 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
	<i>Notes</i>		
<b>ASSETS</b>			
<b>Takaful Operating Assets</b>			
Retakaful share of unearned contributions		76,037,958	22,528,252
Prepaid expenses and other assets		5,707,967	3,418,442
Retakaful share of outstanding claims		47,744,766	42,008,241
Contributions and re- takaful balances receivables		195,478,456	226,076,519
Bank deposits	3	40,000,000	-
Cash and bank accounts	3	<u>40,891,450</u>	<u>53,977,329</u>
<b>Total Takaful Operating Assets</b>		<b><u>405,860,597</u></b>	<b><u>348,008,783</u></b>
<b>Shareholders' Assets</b>			
Property and equipment		1,374,133	1,622,074
Statutory deposits	4	6,000,000	6,000,000
Financial assets designated at fair value through profit or loss	5	1,365,631	1,430,659
Financial assets designated at fair value through other comprehensive income	5	5,316,000	10,632,000
Deferred policy acquisition costs		18,136,079	23,680,465
Investment properties	6	162,360,000	162,360,000
Prepaid expenses and other assets		13,261,623	10,369,086
Bank deposits	3	2,971,526	2,971,526
Cash and bank accounts	3	<u>9,533,049</u>	<u>6,686,914</u>
<b>Total Shareholders' Assets</b>		<b><u>220,318,041</u></b>	<b><u>225,752,724</u></b>
<b>TOTAL ASSETS</b>		<b><u>626,178,638</u></b>	<b><u>573,761,507</u></b>
<b>Takaful Operation Liabilities</b>			
Takaful payables		43,103,248	50,726,719
Outstanding claims		203,723,928	176,101,206
Retakaful payables		74,411,079	19,648,483
Unearned re - takaful commission income		24,875,033	6,745,057
Unearned contributions		<u>180,474,796</u>	<u>229,121,724</u>
<b>Total Takaful Operations Liabilities</b>		<b><u>526,588,084</u></b>	<b><u>482,343,189</u></b>
<b>Shareholders' Liabilities</b>			
Trade payables		936,100	634,432
Accrued expenses and other liabilities		9,027,019	9,353,761
Provision for end of service benefits		3,032,881	2,584,017
Islamic financing arrangement		<u>2,571,429</u>	<u>3,428,571</u>
<b>Total Shareholders' Liabilities</b>		<b><u>15,567,429</u></b>	<b><u>16,000,781</u></b>
<b>TOTAL LIABILITIES</b>		<b><u>542,155,513</u></b>	<b><u>498,343,970</u></b>

# Methaq Takaful Insurance Company PSC

## INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED) continued

As at 30 September 2018

	<i>Notes</i>	<i>30 September 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
<b>Participants' Fund</b>			
Deficit of general participants takaful fund	8	(213,204,537)	(217,382,631)
Loan from shareholders' fund	8	<u>213,204,537</u>	<u>217,382,631</u>
<b>Total Participants' Fund</b>		<u>                  -</u>	<u>                  -</u>
<b>Shareholders' Equity</b>			
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		(12,404,000)	(7,088,000)
Accumulated losses		<u>(58,313,617)</u>	<u>(72,235,205)</u>
<b>Total Shareholders' Equity</b>		<u>84,023,125</u>	<u>75,417,537</u>
<b>TOTAL LIABILITIES PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY</b>		<u>626,178,638</u>	<u>573,761,507</u>

Chairman



Managing Director

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

# Methaq Takaful Insurance Company PSC

## INTERIM INCOME STATEMENT (UNAUDITED)

For the three and nine months periods ended 30 September 2018

Notes	Three months ended 30 September		Nine months ended 30 September	
	2018	2017	2018	2017
	(Unaudited) AED	(Unaudited) AED	(Unaudited) AED	(Unaudited) AED
<b>Attributable to policyholders</b>				
Gross contributions written	65,048,673	106,798,197	263,667,505	298,585,478
Retakaful contributions	<u>(36,900,170)</u>	<u>(11,033,721)</u>	<u>(124,564,583)</u>	<u>(30,408,453)</u>
<b>Net Takaful Contributions</b>	<b>28,148,503</b>	<b>95,764,476</b>	<b>139,102,922</b>	<b>268,177,025</b>
Change in net unearned contribution provision	<u>43,192,177</u>	<u>(18,679,903)</u>	<u>102,156,634</u>	<u>(72,385,473)</u>
<b>Net takaful contributions earned</b>	<b>71,340,680</b>	<b>77,084,573</b>	<b>241,259,556</b>	<b>195,791,552</b>
Commissions earned	<u>8,171,098</u>	<u>2,829,049</u>	<u>18,977,487</u>	<u>7,064,341</u>
<b>Gross takaful contributions</b>	<b>79,511,778</b>	<b>79,913,622</b>	<b>260,237,043</b>	<b>202,855,893</b>
Gross claims paid	(69,140,320)	(54,282,159)	(195,541,541)	(156,345,808)
Retakaful share of claims paid	<u>10,682,050</u>	<u>9,815,291</u>	<u>34,400,086</u>	<u>29,701,838</u>
<b>Net paid claims</b>	<b>(58,458,270)</b>	<b>(44,466,868)</b>	<b>(161,141,455)</b>	<b>(126,643,970)</b>
Change in outstanding claim	15,379,267	(7,275,797)	3,718,054	(10,070,283)
Change in retakaful share of outstanding claims	(1,118,061)	(3,985,388)	(181,383)	(1,288,827)
Change in incurred but not reported claims reserve	(3,905,542)	(16,324,774)	(24,417,531)	(23,778,869)
Change in retakaful share of incurred but not reported claims reserve	(5,449,987)	9,962,604	5,917,908	13,807,170
Change in unallocated loss adjustment expense	<u>97,887</u>	<u>(203,259)</u>	<u>(868,476)</u>	<u>(232,415)</u>
<b>Net claims incurred</b>	<b>(53,454,706)</b>	<b>(62,293,482)</b>	<b>(176,972,883)</b>	<b>(148,207,194)</b>
<b>Takaful income</b>	<b>26,057,072</b>	<b>17,620,140</b>	<b>83,264,160</b>	<b>54,648,699</b>
Allowance for doubtful receivables	(4,500,000)	(3,000,000)	(4,500,000)	(6,000,000)
Policyholders' Investment and other income	<u>279,452</u>	<u>-</u>	<u>279,452</u>	<u>-</u>
<b>Takaful Operating Profit</b>	<b>21,836,524</b>	<b>14,620,140</b>	<b>79,043,612</b>	<b>48,648,699</b>
Wakalah fees	<u>(19,561,398)</u>	<u>(34,260,660)</u>	<u>(74,865,518)</u>	<u>(87,049,254)</u>
<b>Surplus (deficit) of takaful result for the period</b>	<b><u>2,275,126</u></b>	<b><u>(19,640,520)</u></b>	<b><u>4,178,094</u></b>	<b><u>(38,400,555)</u></b>
<b>Attributable to shareholders</b>				
Shareholders' investment and other income, net	107,575	215,361	162,203	458,412
Income from real estate	172,510	270,233	595,071	818,426
Takaful expense	(12,190,832)	(8,396,980)	(40,968,576)	(21,251,379)
Change in fair value of investments at fair value through profit and loss	(50,535)	(131,804)	(65,028)	(934,899)
Wakalah fees from policyholders	19,561,398	34,260,660	74,865,518	87,049,254
Profit expense on Islamic financing	(55,857)	(93,095)	(190,845)	(301,345)
General and administrative expenses	(8,211,533)	(8,064,628)	(24,654,849)	(25,512,320)
Decrease (Increase) in provision of loan to policyholders' fund	<u>2,275,126</u>	<u>(19,640,520)</u>	<u>4,178,094</u>	<u>(38,400,555)</u>
<b>Net profit (loss) for the period</b>	<b><u>1,607,852</u></b>	<b><u>(1,580,773)</u></b>	<b><u>13,921,588</u></b>	<b><u>1,925,594</u></b>
<b>Basic and diluted earnings (loss) per share</b>	<b>9</b>	<b>0.01</b>	<b>0.09</b>	<b>0.01</b>

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 nine months periods ended 30 September 2018

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
<b>Profit (loss) for the period</b>	<b>1,607,852</b>	<b>(1,580,773)</b>	<b>13,921,588</b>	<b>1,925,594</b>
Other comprehensive loss for the period	<b><u>(1,772,000)</u></b>	<b><u>(1,772,000)</u></b>	<b><u>(5,316,000)</u></b>	<b><u>(5,316,000)</u></b>
<b>Total comprehensive income (loss) for the period</b>	<b><u>(164,148)</u></b>	<b><u>(3,352,773)</u></b>	<b><u>8,605,588</u></b>	<b><u>(3,390,406)</u></b>

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 September 2018

	<i>Share capital AED</i>	<i>Legal reserve AED</i>	<i>General reserve AED</i>	<i>Investment revaluation 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	-	-	-	-	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>
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	-	-	-	-	13,921,588	13,921,588
Other comprehensive loss	-	-	-	(5,316,000)	-	(5,316,000)
Total comprehensive (loss) income for the period	-	-	-	(5,316,000)	13,921,588	8,605,588
Balance at 30 September 2018	<u>150,000,000</u>	<u>3,039,935</u>	<u>1,700,807</u>	<u>(12,404,000)</u>	<u>(58,313,617)</u>	<u>84,023,125</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 September 2018

	<i>Nine months ended</i>	
	<i>30 September</i>	
	<i>2018</i>	<i>2017</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<i>Notes</i>	<i>AED</i>	<i>AED</i>
<b>OPERATING ACTIVITIES</b>		
Net profit for the period	13,921,588	1,925,594
Surplus (deficit) of takaful result for the period	4,178,094	(38,400,555)
Adjustments for:		
Depreciation of Property and equipment	595,925	668,469
Movement of unearned contributions, net	(102,156,634)	72,385,514
Change in fair value of investments at fair value through profit or loss	65,028	934,899
Investment and other income	(441,655)	(458,412)
Profit expense on Islamic Financing	190,845	301,345
Allowance for doubtful receivables	4,500,000	-
Employees' End of Service benefit	468,230	2,482,879
Movement in provision for loan to policyholders	<u>(4,178,094)</u>	<u>38,400,555</u>
Operating (loss) profit before movements in working capital	(82,856,673)	78,240,288
Prepaid expenses and other assets	(5,182,062)	(5,337,709)
Contributions and re-takaful balances receivables	26,098,063	(51,168,100)
Deferred policy acquisition costs	5,544,386	(6,408,468)
Movement of outstanding claims, net	21,886,197	13,884,815
Takaful payables	(7,623,471)	11,391,035
Retakaful payables	54,762,596	(2,144,433)
Trade payables	301,668	220,565
Accrued expenses and other liabilities	(326,742)	(927,204)
Unearned re- takaful commission income	<u>18,129,976</u>	<u>1,106,241</u>
Cash from operations	30,733,938	38,857,030
End of service benefits paid	<u>(19,366)</u>	<u>(1,907,366)</u>
Net cash from operating activities	<u>30,714,572</u>	<u>36,949,664</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	(347,984)	(89,090)
Investment and other income	441,655	458,412
Movements in term deposits	<u>-</u>	<u>(2,637,503)</u>
Net cash from (used in) investing activities	<u>93,671</u>	<u>(2,268,181)</u>
<b>FINANCING ACTIVITIES</b>		
Increase in term deposits	(40,000,000)	-
Profit expense on Islamic financing	(190,845)	(301,345)
Islamic financing arrangement repayments	<u>(857,142)</u>	<u>(857,143)</u>
Net cash used in financing activities	<u>(41,047,987)</u>	<u>(1,158,488)</u>
<b>(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	(10,239,744)	33,522,995
Cash and cash equivalents at 1 January	<u>60,664,243</u>	<u>15,985,329</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<u>50,424,499</u>	<u>49,508,324</u>

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



## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2018 (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 2018 have been authorised for issue in accordance with a resolution of the Board of Directors on 13 November 2018.

### 2.1 FUNDAMENTAL ACCOUNTING CONCEPT

The Company accumulated losses amounted to AED 58,313,617 as of 30 September 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 September 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 September 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 September 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
Cash on hand	55,746	47,445
Current bank accounts	50,368,753	60,616,798
Term deposits	<u>42,971,526</u>	<u>2,971,526</u>
Cash and bank balances	93,396,025	63,635,769
Less: term deposits with original maturity of more than three months	<u>(42,971,526)</u>	<u>(2,971,526)</u>
Cash and cash equivalents	<u>50,424,499</u>	<u>60,664,243</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 ranging from 2% to 3.40% per annum (2017: 2.4%).

**4 STATUTORY DEPOSIT**

In accordance with the requirements of the Federal Law No. (6) of 2007 regarding the Establishment of the Insurance Authority and Insurance Operations, the Company maintains a bank deposit of AED 6,000,000 which cannot be utilised without the consent of the UAE Insurance Authority. The statutory deposit is held with a commercial bank in the UAE, and bears profit at commercial rates.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2018 (Unaudited)

## 5 INVESTMENTS

	<i>30 September 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
<b>Investments at fair value through other comprehensive income</b>		
Unquoted UAE equity securities	<u>5,316,000</u>	<u>10,632,000</u>
<b>Investments at fair value through profit or loss</b>		
Quoted UAE equity securities	<u>1,365,631</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 5,316,000 (AED 0.34 per share) (2017: 15,500,000 shares for a fair value of AED 10,632,000 (AED 0.68 per share)).

	<i>30 September 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
<b>Investments at fair value through other comprehensive income</b>		
At the beginning of the period / year	10,632,000	15,948,000
Decrease in fair value	<u>(5,316,000)</u>	<u>(5,316,000)</u>
At the end of the period / year	<u>5,316,000</u>	<u>10,632,000</u>
<b>Investments at fair value through profit or loss</b>		
At the beginning of the period / year	1,430,659	2,529,012
Decrease in fair value	<u>(65,028)</u>	<u>(1,098,353)</u>
At the end of the period / year	<u>1,365,631</u>	<u>1,430,659</u>

## 6 INVESTMENT PROPERTIES

	<i>30 September 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>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2018 (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 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 748,057 (30 September 2017: AED 918,138) and building expenses amounted to AED 152,986 (30 September 2017: AED 99,712).

**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 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
Takaful receivables due from related parties	5,468,344	5,419,647
Less: allowance for doubtful balances due from related parties	<u>(4,965,275)</u>	<u>(4,965,275)</u>
	<u>503,069</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>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 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 September 2018 (Unaudited) AED</i>	<i>Three months ended 30 September 2017 (Unaudited) AED</i>	<i>Nine months ended 30 September 2018 (Unaudited) AED</i>	<i>Nine months ended 30 September 2017 (Unaudited) AED</i>
<b>Related party transactions</b>				
Gross takaful contributions	<u>41,111</u>	<u>61,156</u>	<u>1,522,225</u>	<u>1,579,345</u>
Claims paid	<u>916,903</u>	<u>412,713</u>	<u>1,740,546</u>	<u>1,097,668</u>
Directors fees	<u>219,000</u>	<u>-</u>	<u>588,000</u>	<u>550,000</u>

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

	<i>Three months ended 30 September 2018 (Unaudited) AED</i>	<i>Three months ended 30 September 2017 (Unaudited) AED</i>	<i>Nine months ended 30 September 2018 (Unaudited) AED</i>	<i>Nine months ended 30 September 2017 (Unaudited) AED</i>
Short-term benefits	<u>1,266,250</u>	<u>1,265,200</u>	<u>3,843,850</u>	<u>3,748,400</u>
Long-term benefits	<u>34,402</u>	<u>34,921</u>	<u>103,787</u>	<u>145,099</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 2018 (Unaudited) AED</i>	<i>31 December 2017 (Audited) AED</i>
<b>Policyholders' fund</b>		
Opening balance	(217,382,631)	(165,552,785)
Surplus (deficit) for the period / year	<u>4,178,094</u>	<u>(51,829,846)</u>
Closing balance	<u>(213,204,537)</u>	<u>(217,382,631)</u>
<b>Loan from shareholders to policyholders</b>		
At 1 January	217,382,631	165,552,785
Net movement during the period / year	<u>(4,178,094)</u>	<u>51,829,846</u>
Loan from shareholders	213,204,537	217,382,631
Less: allowance for loan to policyholders	<u>(213,204,537)</u>	<u>(217,382,631)</u>
Loan to policyholders, net	<u>-</u>	<u>-</u>

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2018 (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 213,204,537 as of 30 September 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 4,178,094 (30 September 2017: AED 38,400,555) 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 1 January 2017.

**9 BASIC AND DILUTED EARNINGS (LOSS) 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 2018 (Unaudited)</i>	<i>Three months ended 30 September 2017 (Unaudited)</i>	<i>Nine months ended 30 September 2018 (Unaudited)</i>	<i>Nine months ended 30 September 2017 (Unaudited)</i>
Profit (loss) for the period (AED)	<u>1,607,852</u>	<u>(1,580,773)</u>	<u>13,921,588</u>	<u>1,925,594</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>0.01</u>	<u>(0.01)</u>	<u>0.09</u>	<u>0.01</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 nine-month periods ended 30 September 2018 and 2017.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2018 (Unaudited)

**11 CONTINGENT LIABILITIES**

	<i>30 September 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.

**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.

# Methaq Takaful Insurance Company PSC

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2018 (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 2018 (Unaudited)		30 September 2017 (Unaudited)		30 September 2018 (Unaudited)		30 September 2017 (Unaudited)		30 September 2017 (Unaudited)	
	Policyholders AED	Shareholders AED	Policyholders AED	Shareholders AED	Policyholders AED	Shareholders AED	Policyholders AED	Shareholders AED	Policyholders AED	Shareholders AED
Net takaful income for the period	21,836,524	-	14,620,140	-	79,043,612	-	48,648,699	-	87,049,254	-
Wakala fees	(19,561,398)	19,561,398	(34,260,660)	34,260,660	(74,865,518)	74,865,518	(87,049,254)	87,049,254	-	-
	2,275,126	19,561,398	(19,640,520)	34,260,660	4,178,094	74,865,518	(38,400,555)	87,049,254	48,648,699	48,648,699
Investment and other income	-	107,575	-	215,361	-	162,203	-	458,412	-	458,412
Income from real estate	-	172,510	-	270,233	-	595,071	-	818,426	-	818,426
Change in fair value of investments at FVTPL	-	(50,535)	-	(131,804)	-	(65,028)	-	(934,899)	-	(934,899)
Decrease (increase) in provision for loan to Policyholders' fund	-	2,275,126	-	(19,640,520)	-	4,178,094	-	(38,400,555)	-	(38,400,555)
Profit expense on Islamic financing	-	(55,857)	-	(93,095)	-	(190,845)	-	(301,345)	-	(301,345)
Takaful Expenses	-	(12,190,832)	-	(8,396,980)	-	(40,968,576)	-	(21,251,379)	-	(21,251,379)
General and administrative expenses	-	(8,211,533)	-	(8,064,628)	-	(24,654,849)	-	(25,512,320)	-	(25,512,320)
	2,275,126	1,607,852	(19,640,520)	(1,580,773)	4,178,094	13,921,588	(38,400,555)	1,925,594	(38,400,555)	(36,474,961)
Profit (loss) for the period	2,275,126	1,607,852	(19,640,520)	(1,580,773)	4,178,094	13,921,588	(38,400,555)	1,925,594	(38,400,555)	(36,474,961)
	405,860,597	220,318,041	348,008,783	225,752,724	626,178,638	573,761,507	405,860,597	220,318,041	348,008,783	225,752,724
Total assets										

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 2018 (30 September 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.



# Methaq Takaful Insurance Company PSC

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2018 (Unaudited)

### 12 SEGMENT INFORMATION continued

#### 12.2 Product lines

	Three months ended 30 September 2018 (Unaudited)			Three months ended 30 September 2017 (Unaudited)			Nine months ended 30 September 2018 (Unaudited)			Nine months ended 30 September 2017 (Unaudited)		
	Motor AED	Medical AED	Total AED	Motor AED	Medical AED	Total AED	Motor AED	Medical AED	Total AED	Motor AED	Medical AED	Total AED
Gross takaful contributions revenue	92,148,535	7,823,740	100,646,171	77,999,953	8,764,511	87,669,447	286,422,750	23,684,853	312,314,433	196,506,216	27,075,288	226,240,122
Retakaful contributions ceded	(28,296,542)	(90,893)	(29,305,491)	(9,618,772)	(356,000)	(10,534,874)	(68,790,944)	(794,042)	(71,054,877)	(27,691,759)	(1,038,162)	(30,446,570)
Net earned contributions	63,351,993	7,732,847	71,340,680	68,381,181	8,408,511	77,084,573	217,631,806	22,890,811	241,259,556	168,816,457	26,037,121	195,791,552
Retakaful commission income	8,109,423	—	8,171,098	2,716,685	—	2,829,049	18,696,649	—	18,977,487	6,729,279	—	7,064,341
Total takaful income	71,461,416	7,732,847	79,511,778	71,097,866	8,408,511	79,913,622	236,228,455	22,890,811	260,237,043	175,545,726	26,037,121	202,855,893
Gross claims incurred	(47,446,674)	(9,913,565)	(57,568,708)	(68,811,455)	(9,107,356)	(78,085,989)	(190,738,218)	(26,599,740)	(217,109,494)	(165,134,602)	(25,128,022)	(190,427,375)
Retakaful share of claims incurred	3,056,144	2,194,876	4,114,002	14,419,297	1,270,855	15,729,507	35,327,703	5,114,962	40,136,611	38,237,653	3,879,772	42,220,181
Net claims incurred	(44,390,530)	(7,718,689)	(53,454,706)	(54,392,158)	(7,836,501)	(64,823)	(155,410,515)	(21,484,778)	(176,972,883)	(126,896,949)	(21,248,250)	(148,207,194)
Policyholders' investment income	279,452	—	279,452	—	—	—	279,452	—	279,452	—	—	—
Allowance for doubtful receivables	(4,500,000)	—	(4,500,000)	(3,000,000)	—	(3,000,000)	(4,500,000)	—	(4,500,000)	(6,000,000)	—	(6,000,000)
Total takaful expenses	(48,611,078)	(7,718,689)	(57,675,254)	(57,392,158)	(7,836,501)	(65,293,482)	(159,631,063)	(21,484,778)	(181,193,431)	(132,896,949)	(21,248,250)	(154,207,194)
Net takaful income (loss)	22,850,338	14,158	21,856,524	13,705,708	572,010	14,620,140	76,697,392	1,406,033	79,043,612	42,648,787	4,788,871	48,648,699

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 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</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Motor	<b>64,451,075</b>	105,694,136	<b>232,016,254</b>	263,672,609
Medical	<b>(2,279)</b>	151,644	<b>29,500,506</b>	31,573,842
Workmen's compensation and miscellaneous accidents	<b>118,422</b>	124,928	<b>621,199</b>	706,507
Fire	<b>150,032</b>	294,406	<b>491,434</b>	1,191,949
Engineering	<b>85,914</b>	361,173	<b>389,865</b>	688,951
Marine and aviation	<b>167,065</b>	45,024	<b>295,532</b>	90,735
Liability	<b>78,444</b>	126,886	<b>352,715</b>	660,885
	<b><u>65,048,673</u></b>	<u>106,798,197</u>	<b><u>263,667,505</u></b>	<u>298,585,478</u>