

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

**Review report and interim
financial information for the
nine month period ended
30 September 2019**

Methaq Takaful Insurance Company P.S.C.

**Review report and interim financial information
for the nine month period ended 30 September 2019**

| | Pages |
|---|---------------|
| Report on review of interim financial information | 1 |
| Condensed statement of financial position | 2 - 3 |
| Condensed statement of profit or loss | 4 |
| Condensed statement of comprehensive income | 5 |
| Condensed statement of changes in shareholders' equity | 6 |
| Condensed statement of cash flows | 7 |
| Notes to the interim financial information | 8 - 21 |

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 September 2019 and the related condensed statements of profit or loss, comprehensive income, changes in shareholders' equity and cash flows for the nine 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 this 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 financial statements of the Company's for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on 14 March 2019.

The Comparative information in the condensed statements of income, comprehensive income, changes in shareholders' equity and cash flows and related explanatory information for the nine month period ended 30 September 2018, were reviewed by another auditor who issued unmodified conclusion with an emphasis of matter dated 13 November 2018.

Deloitte & Touche (M.E.)



Obada Alkowitzly
Registration No. 1056
10 November 2019
Abu Dhabi
United Arab Emirates

**Condensed statement of financial position
as at 30 September 2019**

| | Notes | 30 September 2019 (Unaudited) AED | 31 December 2018 (Audited) AED |
|--|-------|--|---|
| ASSETS | | | |
| Takaful operations assets | | | |
| Retakaful share of unearned contributions | | 84,906,446 | 69,723,884 |
| Prepaid expenses and other assets | | 6,642,063 | 5,204,343 |
| Retakaful share of outstanding claims | 9 | 77,105,717 | 60,753,690 |
| Contributions and retakaful balances receivables | | 247,225,185 | 212,749,250 |
| Term deposits | | 40,000,000 | 40,000,000 |
| Cash and bank balances | 4 | 12,001,932 | 24,024,707 |
| | | <hr/> | <hr/> |
| Total takaful operations assets | | 467,881,343 | 412,455,874 |
| Shareholders' assets | | | |
| Property and equipment | | 1,375,094 | 1,211,974 |
| Statutory deposit | 5 | 6,000,000 | 6,000,000 |
| Financial assets measured at fair value through profit or loss | 6 | 1,150,502 | 1,243,148 |
| Financial assets measured at fair value through other comprehensive income | 6 | 15,000,000 | 3,544,000 |
| Deferred policy acquisition costs | | 17,776,420 | 14,746,045 |
| Investments properties | 8 | 162,360,000 | 162,360,000 |
| Prepaid expenses and other assets | | 7,214,090 | 10,228,450 |
| Term deposits | | 2,989,426 | 2,989,426 |
| Cash and bank balances | 4 | 2,762,734 | 8,883,267 |
| | | <hr/> | <hr/> |
| Total shareholders' assets | | 216,628,266 | 211,206,310 |
| | | <hr/> | <hr/> |
| TOTAL ASSETS | | 684,509,609 | 623,662,184 |
| LIABILITIES, PARTICIPANTS' AND SHAREHOLDERS' EQUITY | | | |
| Takaful operations liabilities | | | |
| Takaful payables | | 54,186,478 | 42,845,885 |
| Outstanding claims | 9 | 239,679,740 | 234,435,049 |
| Retakaful payables | | 107,319,497 | 79,760,893 |
| Unearned retakaful commission income | | 27,733,479 | 23,237,023 |
| Unearned contributions | | 151,792,386 | 144,322,166 |
| | | <hr/> | <hr/> |
| Total takaful operations liabilities | | 580,711,580 | 524,601,016 |
| | | <hr/> | <hr/> |

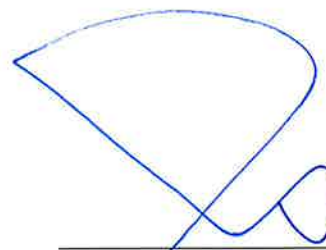
The accompanying notes form an integral part of these interim financial information.

**Condensed statement of financial position
as at 30 September 2019 (continued)**

| | Notes | 30 September 2019 (Unaudited) AED | 31 December 2018 (Audited) AED |
|---|-------|--|---|
| Shareholders' liabilities | | | |
| Trade payables | | 5,655,286 | 811,816 |
| Accrued expenses and other liabilities | | 7,876,962 | 9,711,164 |
| Provision for end of service benefits | | 3,888,903 | 3,088,178 |
| Islamic financing arrangement | | 857,143 | 1,714,286 |
| Total shareholders' liabilities | | 18,278,294 | 15,325,444 |
| Total liabilities | | 598,989,874 | 539,926,460 |
| Participants' fund | | | |
| Deficit of general participants takaful fund | 10 | (209,604,083) | (206,532,287) |
| Loan from shareholders | 10 | 209,604,083 | 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 | | (53,041,626) | (58,369,637) |
| Total shareholders' equity | | 85,519,735 | 83,735,724 |
| TOTAL LIABILITIES, PARTICIPANTS' FUND AND SHAREHOLDERS' EQUITY | | 684,509,609 | 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 nine month period ended 30 September 2019 (unaudited)**

| | 3 month ended 30 September | | 9 month ended 30 September | |
|---|----------------------------|---------------------|----------------------------|----------------------|
| | 2019 AED | 2018 AED | 2019 AED | 2018 AED |
| Attributable to policyholders | | | | |
| Gross contributions written | 65,176,286 | 65,048,673 | 233,319,524 | 263,667,505 |
| Retakaful contributions ceded | (40,165,964) | (36,900,170) | (125,593,348) | (124,564,583) |
| Net written contributions | 25,010,322 | 28,148,503 | 107,726,176 | 139,102,922 |
| Change in net unearned contribution provision | 9,853,824 | 43,192,177 | 7,712,342 | 102,156,634 |
| Net earned contributions | 34,864,146 | 71,340,680 | 115,438,518 | 241,259,556 |
| Commissions earned | 10,653,101 | 8,171,098 | 33,523,693 | 18,977,487 |
| Gross takaful income | 45,517,247 | 79,511,778 | 148,962,211 | 260,237,043 |
| Gross claims paid | (46,873,838) | (69,140,320) | (142,564,194) | (195,541,541) |
| Retakaful share of accepted claims paid | 20,518,545 | 10,682,050 | 52,771,481 | 34,400,086 |
| Net paid claims | (26,355,293) | (58,458,270) | (89,792,713) | (161,141,455) |
| Change in outstanding claim | (10,390,696) | 15,379,267 | (15,687,965) | 3,718,054 |
| Change in retakaful share of outstanding claims | 4,252,483 | (1,118,061) | 17,683,632 | (181,383) |
| Change in incurred but not reported claims reserve | (13,025,360) | (3,905,542) | (897,204) | (24,417,531) |
| Change in retakaful share of incurred but not reported claims reserve | 9,804,257 | (5,449,987) | (1,331,605) | 5,917,908 |
| Change in unallocated loss adjustment expense | (477,679) | 97,887 | (1,789,611) | (868,476) |
| Net claims incurred | (36,192,288) | (53,454,706) | (91,815,466) | (176,972,883) |
| Takaful income | 9,324,959 | 26,057,072 | 57,146,745 | 83,264,160 |
| Allowance for doubtful receivables | - | (4,500,000) | - | (4,500,000) |
| Investment Income | 276,090 | 279,452 | 950,501 | 279,452 |
| Takaful operating profit | 9,601,049 | 21,836,524 | 58,097,246 | 79,043,612 |
| Wakalah fees | (18,065,316) | (19,561,398) | (61,169,042) | (74,865,518) |
| (Deficit)/surplus of takaful result for the period | (8,464,267) | 2,275,126 | (3,071,796) | 4,178,094 |
| Attributable to shareholders | | | | |
| Shareholders' investment and other income, net | 60,585 | 107,575 | 463,749 | 162,203 |
| Wakalah fees from policyholders | 18,065,316 | 19,561,398 | 61,169,042 | 74,865,518 |
| Income from real estate | 198,416 | 172,510 | 514,224 | 595,071 |
| Takaful expense | (7,525,844) | (12,190,832) | (22,344,731) | (40,968,576) |
| Change in fair value of investments at fair value through profit and loss | 152,620 | (50,535) | (92,646) | (65,028) |
| Increase/(decrease) in provision of loan from shareholders | (8,464,267) | 2,275,126 | (3,071,796) | 4,178,094 |
| Profit expense on Islamic financing | (18,619) | (55,857) | (80,345) | (190,845) |
| General and administrative expenses | (8,962,226) | (8,211,533) | (31,229,486) | (24,654,849) |
| (Loss)/profit for the period | (6,494,019) | 1,607,852 | 5,328,011 | 13,921,588 |
| Basic and diluted earnings per share | (0.08) | 0.01 | 0.04 | 0.09 |

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

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

| | <u>3 month ended 30 September</u> | | <u>9 month ended 30 September</u> | |
|--|-----------------------------------|-------------|-----------------------------------|-------------|
| | 2019 AED | 2018 AED | 2019 AED | 2018 AED |
| (Loss)/profit for the period | (6,494,019) | 1,607,852 | 5,328,011 | 13,921,588 |
| 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) | (3,544,000) | (5,316,000) |
| Total other comprehensive loss for the period | - | (1,772,000) | (3,544,000) | (5,316,000) |
| Total comprehensive (loss)/income for the period | (6,494,019) | (164,148) | 1,784,011 | 8,605,588 |

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

**Condensed statement of changes in shareholders' equity
for the nine month period ended 30 September 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 | - | - | - | - | 13,921,588 | 13,921,588 |
| Other comprehensive loss for the period | - | - | - | (5,316,000) | - | (5,316,000) |
| Total comprehensive income for the period | - | - | - | (5,316,000) | 13,921,588 | 8,605,588 |
| Balance at 30 September 2018 (unaudited) | 150,000,000 | 3,039,935 | 1,700,807 | (12,404,000) | (58,313,617) | 84,023,125 |
| 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 | - | - | - | - | 5,328,011 | 5,328,011 |
| Other comprehensive income for the period | - | - | - | (3,544,000) | - | (3,544,000) |
| Total comprehensive income for the period | - | - | - | (3,544,000) | 5,328,011 | 1,784,011 |
| Balance at 30 September 2019 (unaudited) | 150,000,000 | 4,580,554 | 1,700,807 | (17,720,000) | (53,041,626) | 85,519,735 |

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

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

| | 9 month ended 30 September | |
|--|-----------------------------------|---------------------|
| | 2019 AED | 2018 AED |
| OPERATING ACTIVITIES | | |
| Profit for the period | 5,328,011 | 13,921,588 |
| Surplus of Takaful Result for the period | (3,071,796) | 4,178,094 |
| Adjustments for: | | |
| Depreciation of property and equipment | 499,154 | 595,925 |
| Movement of unearned contributions, net | (7,712,342) | (102,156,634) |
| Change in fair value of investments at fair value through profit or loss | 92,646 | 65,028 |
| Investment and other income | 1,414,250 | (441,655) |
| Profit expense on Islamic Financing | 80,345 | 190,845 |
| Net movement in provision for end of service benefits | 928,345 | 468,230 |
| Decrease in provision of loan from shareholders | 3,071,796 | (4,178,094) |
| Allowance for doubtful receivables | - | 4,500,000 |
| Operating profit before movements in working capital: | 630,409 | (82,856,673) |
| Decrease/(increase) in prepaid and other assets | 1,576,640 | (5,182,062) |
| (Increase)/decrease in contributions and retakaful balances receivables | (34,475,935) | 26,098,063 |
| (Increase)/decrease in deferred policy acquisition costs | (3,030,375) | 5,544,386 |
| (Decrease)/increase in outstanding claims, net | (11,107,336) | 21,886,197 |
| Increase/(decrease) in takaful payables | 11,340,593 | (7,623,471) |
| Increase in retakaful payables | 27,558,604 | 54,762,596 |
| Increase in trade payables | 4,843,470 | 301,668 |
| Decrease in accrued expenses and other liabilities | (1,834,202) | (326,742) |
| Increase in unearned retakaful commission income | 4,496,456 | 18,129,976 |
| End of Service benefits paid | (127,620) | (19,366) |
| Net cash (used in)/generated from operating activities | (129,296) | 30,714,572 |
| INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (662,272) | (347,984) |
| Investment and other income received | (1,414,250) | 441,655 |
| Purchase in equity securities | (15,000,000) | - |
| Net cash (used in)/generated from investing activities | (17,076,522) | 93,671 |
| FINANCING ACTIVITYIES | | |
| Profit expense on Islamic Financing | (80,345) | (190,845) |
| Islamic Financing arrangements repayments | (857,143) | (857,142) |
| Increase in Term deposits | - | (40,000,000) |
| Net cash used in financing activity | (937,488) | (41,047,987) |
| (Decrease) / increase in cash and cash equivalents | (18,143,306) | (10,239,744) |
| 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 (note 4) | 14,764,666 | 50,424,499 |

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

**Notes to the interim financial information
for the nine month period ended 30 September 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 September 2019 have been authorised for issue in accordance with a resolution of the Board of Directors on 10 November 2019.

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

As of 30 September 2019, the Company’s accumulated losses amounted to AED 53,041,626 (31 December 2018: AED 58,369,637), which represents 35.3% (31 December 2018: 38.9%) of the share capital of the Company. These accumulated losses have been continued since 2011, mainly due to operational loss resulting from insurance business of approximately AED 26 million and fair value loss on investments of AED 27 million as a result of volatility in the financial market.

As a remediation to resolve this accumulated loss position, the Company has adjusted the business plan for 2019 onwards, which have been approved by the board on 14 March 2019. Accordingly, 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 nine month period ended 30 September 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 nine month period ended 30 September 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.

**Notes to the interim financial information
for the nine month period ended 30 September 2019 (continued)****2 Basis of preparation and accounting policies (continued)****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.

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 an 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.

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

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.

4 Cash and cash equivalents

| | 30 September 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|--|--|---|
| Cash and bank balances | 14,764,666 | 32,907,974 |
| Term deposits | 42,989,426 | 42,989,426 |
| | <hr/> | <hr/> |
| Cash and bank balances | 57,754,092 | 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 | 14,764,666 | 32,907,974 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Takaful operation Fund | 12,001,932 | 24,024,707 |
| Shareholder's assets | 2,762,734 | 8,883,267 |
| | <hr/> | <hr/> |
| | 14,764,666 | 32,907,974 |
| | <hr/> <hr/> | <hr/> <hr/> |

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.

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

6 Investments

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

| | 30 September 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|-------------------------------------|--|---|
| <u>Shareholders assets</u> | | |
| Unquoted securities | | |
| - <i>Unlisted equity securities</i> | 15,000,000 | 3,544,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

The geographical concentration of investments is as follows:

| | 30 September 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|------------|--|---|
| Within UAE | 15,000,000 | 3,544,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

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 25,168 shares at a fair value of AED 15,000,000.

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

| | 30 September 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 | 15,000,000 | - |
| Change in fair value | (3,544,000) | (7,088,000) |
| | <hr/> <hr/> | <hr/> <hr/> |
| Fair value at the end of the period/year | 15,000,000 | 3,544,000 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

6 Investments (continued)

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

| | 30 September 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|-----------------------------------|--|---|
| <u>Shareholders assets</u> | | |
| Quoted securities | | |
| - <i>Listed equity securities</i> | 1,150,502 | 1,243,148 |
| | <hr/> <hr/> | <hr/> <hr/> |

The geographical concentration of investments is as follows:

| | 30 September 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|------------|--|---|
| Within UAE | 1,150,502 | 1,243,148 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

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

| | 30 September 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 | (92,646) | (187,511) |
| | <hr/> <hr/> | <hr/> <hr/> |
| Balance at the end of the period/year | 1,150,502 | 1,243,148 |
| | <hr/> <hr/> | <hr/> <hr/> |

**Notes to the interim financial information
for the nine month period ended 30 September 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 September | | 9 month ended 30 September | |
|--|---|---|--|---|
| | 2019 (unaudited) AED | 2018 (unaudited) AED | 2019 (unaudited) AED | 2018 (unaudited) AED |
| Gross contributions written | 12,871 | 41,111 | 85,453 | 1,522,225 |
| Claims paid | 333,002 | 916,903 | 1,173,466 | 1,740,546 |
| Directors remuneration | 14,000 | 219,000 | 1,460,557 | 588,000 |
| | | | 30 September 2019 (unaudited) AED | 31 December 2018 (audited) AED |
| Takaful receivables due from related parties | | | 5,196,806 | 5,505,899 |
| Less: allowance for doubtful balances due from related parties | | | (5,196,806) | (5,196,806) |
| | | | - | 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 |

One related party is no more a related party as he is not the board member anymore since June 2019. The receivable pertaining to him amounting to AED 309,093 has been moved to normal takaful receivables.

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

| | 3 month ended 30 September | | 9 month ended 30 September | |
|---------------------|---|---|---|---|
| | 2019 (unaudited) AED | 2018 (unaudited) AED | 2019 (unaudited) AED | 2018 (unaudited) AED |
| Short term benefits | 1,427,958 | 1,266,250 | 4,220,394 | 3,843,850 |
| Long-term benefits | 41,927 | 34,402 | 282,760 | 103,787 |

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

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

8 Investment properties

| | 30 September 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 602,711 (30 September 2018: AED 748,057) and building expenses amounted to AED 88,488 (30 September 2018: AED 152,986).

9 Takaful contract liabilities and re-takaful contract assets

| | 30 September 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|---|--|---|
| Gross outstanding claims | | |
| - Outstanding claims | 83,497,819 | 80,939,943 |
| - Incurred but not reported reserve | 150,960,424 | 150,063,220 |
| - Unallocated Loss adjustment expense reserve | 5,221,497 | 3,431,886 |
| | 239,679,740 | 234,435,049 |
| Retakaful share of outstanding claims | | |
| - Outstanding claims | 26,348,288 | 8,664,656 |
| - Incurred but not reported reserve | 50,757,429 | 52,089,034 |
| | 77,105,717 | 60,753,690 |

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

10 Loan from shareholders

| | 30 September 2019 (unaudited) AED | 31 December 2018 (audited) AED |
|---------------------------------------|--|---|
| At the beginning of the period/year | 206,532,287 | 217,382,631 |
| Deficit/(Surplus) for the period/year | 3,071,796 | (10,850,344) |
| | <hr/> <hr/> | <hr/> <hr/> |
| At end of the period/year | 209,604,083 | 206,532,287 |
| | <hr/> <hr/> | <hr/> <hr/> |

The deficit in the policyholders' fund is financed by the shareholders through a Qard Hassan 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 209,604,087 as of 30 September 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 3,071,797 (30 September 2018: AED 4,178,094) 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.

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 Wakalah fees:

| | 30 September 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).

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

12 Segment information (continued)

12.1 Segment revenue and results

| | 30 September 2019 (unaudited) | | | 30 September 2018 (unaudited) | | |
|---|-------------------------------|---------------------|-------------------|-------------------------------|---------------------|--------------------|
| | Policy holders AED | Shareholders AED | Total AED | Policy holders AED | Shareholders AED | Total AED |
| Net underwriting income | 58,097,246 | - | 58,097,246 | 79,043,612 | - | 79,043,612 |
| Wakala fees | (61,169,042) | 61,169,042 | - | (74,865,518) | 74,865,518 | - |
| Segment results | (3,071,796) | 61,169,042 | 58,097,246 | 4,178,094 | 74,865,518 | 79,043,612 |
| Investment and other income | - | 463,749 | 463,749 | - | 162,203 | 162,203 |
| Rental income from investment property, net | - | 514,224 | 514,224 | - | 595,071 | 595,071 |
| Change in fair value of investments at FVTPL (Increase)/decrease in provision for loan to Policyholders' Fund | - | (92,646) | (92,646) | - | (65,028) | (65,028) |
| Profit expense on Islamic financing | - | (3,071,796) | (3,071,796) | - | 4,178,094 | 4,178,094 |
| Takaful expenses | - | (80,345) | (80,345) | - | (190,845) | (190,845) |
| General and administrative expenses | - | (22,344,731) | (22,344,731) | - | (40,968,576) | (40,968,576) |
| | - | (31,229,486) | (31,229,486) | - | (24,654,849) | (24,654,849) |
| Profit for the period | (3,071,796) | 5,328,011 | 2,256,215 | 4,178,094 | 13,921,588 | 18,099,682 |
| Elimination | | | 3,071,796 | | | (4,178,094) |
| | | | 5,328,011 | | | 13,921,588 |

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the period (30 September 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 nine month period ended 30 September 2019 (continued)

| 12 Segment information (continued) | As at 30 September 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 | 467,881,343 | 216,628,266 | 684,509,609 | 412,455,874 | 211,206,310 | 623,662,184 |
| Total liabilities | 580,711,580 | 18,278,294 | 598,989,874 | 524,601,016 | 15,325,444 | 539,926,460 |
| Capital expenditure | - | 662,272 | 662,272 | - | 360,979 | 360,979 |

Notes to the interim financial information
for the nine month period ended 30 September 2019 (continued)

12 Segment information (continued)

12.3 Product lines

| | 9 month ended 30 September 2019 (unaudited) | | | | 9 month ended 30 September 2018 (unaudited) | | | |
|--|---|---------------------|------------------|---------------------|---|---------------------|------------------|----------------------|
| | Motor AED | Medical AED | Others AED | Total AED | Motor AED | Medical AED | Others AED | Total AED |
| Gross takaful contributions revenue | 190,800,493 | 32,515,459 | 2,533,353 | 225,849,305 | 286,422,750 | 23,684,853 | 2,206,830 | 312,314,433 |
| Retakaful contributions ceded | (101,511,040) | (7,085,355) | (1,814,391) | (110,410,786) | (68,790,944) | (794,042) | (1,469,891) | (71,054,877) |
| Net earned contributions | 89,289,453 | 25,430,104 | 718,962 | 115,438,519 | 217,631,806 | 22,890,811 | 736,939 | 241,259,556 |
| Retakaful commission income | 33,000,595 | 113,657 | 409,440 | 33,523,692 | 18,696,649 | - | 280,838 | 18,977,487 |
| Total takaful income | 122,290,048 | 25,543,761 | 1,128,402 | 148,962,211 | 236,328,455 | 22,890,811 | 1,017,775 | 260,237,043 |
| Gross claims incurred | (124,481,643) | (35,596,408) | (860,924) | (160,938,975) | (190,738,218) | (26,599,740) | 228,464 | (217,109,494) |
| Retakaful share of claims incurred | 54,267,763 | 14,107,143 | 748,603 | 69,123,509 | 35,327,704 | 5,114,963 | (306,056) | 40,136,611 |
| Net claims incurred | (70,213,880) | (21,489,265) | (112,321) | (91,815,466) | (155,410,515) | (21,484,778) | (77,590) | (176,972,883) |
| Policyholders' investment income | 950,501 | - | - | 950,501 | 279,452 | - | - | 279,452 |
| Allowance for doubtful receivables | - | - | - | - | (4,500,000) | - | - | (4,500,000) |
| Net takaful expenses | (69,263,379) | (21,489,265) | (112,321) | (90,864,965) | (159,631,063) | (21,484,778) | (77,590) | (181,193,431) |
| Net takaful income for the period | 53,026,669 | 4,054,496 | 1,016,081 | 58,097,246 | 76,697,392 | 1,406,033 | 940,187 | 79,043,612 |

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

12 Segment information (continued)

Gross takaful contributions revenue from underwriting departments

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

| | 9 month ended 30 September | |
|-------------------------|-----------------------------------|-------------------------|
| | 2019 | 2018 |
| | AED | AED |
| | (unaudited) | (unaudited) |
| Motor | 180,730,426 | 232,016,254 |
| Medical | 50,022,984 | 29,500,506 |
| Miscellaneous accidents | 958,080 | 973,914 |
| Fire | 480,370 | 491,434 |
| Engineering | 665,781 | 389,865 |
| Marine and aviation | 461,883 | 295,532 |
| | <hr/> 233,319,524 <hr/> | <hr/> 263,667,505 <hr/> |

13 Seasonality of results

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

14 Contingent liabilities and commitments

| | 30 September | 31 December |
|-----------------|------------------------------|-----------------------|
| | 2019 | 2018 |
| | (unaudited) | (audited) |
| | AED | AED |
| Bank guarantees | 6,300,000 | 6,536,430 |
| | <hr/> 6,300,000 <hr/> | <hr/> 6,536,430 <hr/> |

Bank guarantees were issued in the normal course of business.

**Notes to the interim financial information
for the nine month period ended 30 September 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 September 2019 (unaudited)</u> | | | | |
| Financial assets measured at fair value through profit and loss | 1,150,502 | - | - | 1,150,502 |
| Financial assets measured at fair value through other comprehensive income | - | - | 15,000,000 | 15,000,000 |
| | <u>1,150,502</u> | <u>-</u> | <u>15,000,000</u> | <u>16,150,502</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.