
**TAKAFUL EMARAT - INSURANCE
(PSC)**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 2018 (UNAUDITED)

TAKAFUL EMARAT - INSURANCE (PSC)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three month period ended 31 March 2018

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TAKAFUL EMARAT - INSURANCE (PSC)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Takaful Emarat - Insurance (PSC) (the “Company”) and its subsidiary (collectively referred to as the “Group”), which comprise the interim consolidated statement of financial position as at 31 March 2018, and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated 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 consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



Ashraf Abu-Sharkh
Partner
Registration No.: 690

22 April 2018

Dubai, United Arab Emirates

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018 (Unaudited)

	<i>Notes</i>	31 March 2018 AED	31 December 2017 AED (Audited)
TAKAFUL OPERATIONS' ASSETS			
Cash and bank balances	3	27,444,724	85,965,659
Financial instruments at fair value through profit or loss where the investment risk is borne by the policyholders	5	91,852,181	88,436,028
Other investments at fair value through profit or loss	5	32,803,301	31,949,793
Takaful receivables and other assets		172,289,151	98,271,687
Retakaful contract assets	4	223,580,065	146,249,065
Investment properties		38,772,429	38,772,429
Deferred policy acquisition cost		52,709,386	49,966,632
TOTAL TAKAFUL OPERATIONS' ASSETS		639,451,237	539,611,293
SHAREHOLDERS' ASSETS			
Cash and bank balances	3	50,692,945	20,940,754
Investments at fair value through profit or loss	5	97,156,258	73,574,944
Takaful receivables and other assets		37,119,271	75,242,203
Statutory deposit		4,000,000	4,000,000
Property and equipment		54,549,317	49,231,162
Intangible assets		2,416,703	2,205,315
Receivable from policyholders		64,655,414	76,026,057
TOTAL SHAREHOLDERS' ASSETS		310,589,908	301,220,435
TOTAL ASSETS		950,041,145	840,831,728
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations liabilities			
Takaful and other payables		160,169,774	154,858,622
Takaful contract liabilities	4	452,917,194	349,509,319
Payable to shareholders		64,655,414	76,026,057
TOTAL TAKAFUL OPERATIONS' LIABILITIES		677,742,382	580,393,998
DEFICIT IN POLICYHOLDERS' FUND AND QARD HASSAN FROM SHAREHOLDERS			
Deficit in policyholders' fund	16	(38,291,145)	(40,782,705)
Qard Hassan from shareholders	16	38,291,145	40,782,705
NET DEFICIT IN POLICYHOLDERS' FUND AND QARD HASSAN FROM SHAREHOLDERS		-	-
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT		677,742,382	580,393,998

The accompanying notes 1 to 17 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2018 (Unaudited)

	<i>Notes</i>	31 March 2018 AED	31 December 2017 AED (Audited)
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Shareholders' liabilities			
Takaful and other payables		73,936,375	50,564,229
Borrowings	8	57,819,371	58,520,000
Provision for employees' end of service benefits		2,064,084	2,545,369
TOTAL SHAREHOLDERS' LIABILITIES		133,819,830	111,629,598
SHAREHOLDERS' EQUITY			
Share capital	6	150,000,000	150,000,000
Accumulated losses		(16,847,445)	(6,313,666)
Statutory reserve		5,326,378	5,121,798
TOTAL SHAREHOLDERS' EQUITY		138,478,933	148,808,132
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		272,298,763	260,437,730
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT AND SHAREHOLDERS' LIABILITIES AND EQUITY		950,041,145	840,831,728

Mohammad AlHawari
Managing Director

Fadi Hindi
Chief Executive Officer



The accompanying notes 1 to 17 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2018 (Unaudited)

	<i>Notes</i>	<i>Three months ended 31 March</i>	
		<i>2018</i> <i>AED</i>	<i>2017</i> <i>AED</i>
Attributable to policyholders:			
Gross contribution written	9	215,038,153	260,589,664
Changes in unearned contributions	9	(86,273,017)	(108,429,479)
Takaful contributions earned		<u>128,765,136</u>	<u>152,160,185</u>
Retakaful contributions	9	(126,964,829)	(63,323,046)
Change in unearned contributions	9	60,708,303	17,726,511
Retakaful contributions ceded		<u>(66,256,526)</u>	<u>(45,596,535)</u>
Net earned contributions		<u>62,508,610</u>	<u>106,563,650</u>
Gross claims incurred		(93,783,024)	(89,831,602)
Retakaful share of claims incurred		66,492,199	23,162,336
Net claims incurred		<u>(27,290,825)</u>	<u>(66,669,266)</u>
Change in reserves	10	(11,972,741)	(6,812,041)
Net change in fair value of policyholders investment linked contracts	10	222,659	(695,010)
Net takaful income		<u>23,467,703</u>	<u>32,387,333</u>
Wakalah fees	11	(21,064,423)	(27,507,556)
Investment Income, net		88,280	473,971
Net surplus from takaful operations		<u><u>2,491,560</u></u>	<u><u>5,353,748</u></u>

The accompanying notes 1 to 17 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (continued)

For the period ended 31 March 2018 (Unaudited)

	<i>Notes</i>	<i>Three months ended 31 March</i>	
		<i>2018</i>	<i>2017</i>
		<i>AED</i>	<i>AED</i>
Attributable to shareholders:			
Wakalah fees from policyholders	11	21,064,423	27,507,556
Investment (loss), net		(539,754)	(1,636,998)
Other income		9,095,263	1,005,247
Commission incurred		(10,107,098)	(10,757,633)
General and administrative expenses		(19,958,593)	(20,780,748)
Recovery of Qard Hassan to policyholders' fund		2,491,560	5,353,748
Profit for the period attributable to shareholders		2,045,801	691,172
Basic and diluted profit per share	12	0.014	0.005
Other comprehensive income		-	-
TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD		2,045,801	691,172

The accompanying notes 1 to 17 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2018 (Unaudited)

	<i>Share capital AED</i>	<i>Statutory reserve AED</i>	<i>Accumulated losses AED</i>	<i>Total AED</i>
Balance at 1 January 2018	150,000,000	5,121,798	(6,313,666)	148,808,132
Total comprehensive income for the period	-	-	2,045,801	2,045,801
Cash Dividend (Note 7)	-	-	(12,375,000)	(12,375,000)
Transfer to Statutory Reserve	-	204,580	(204,580)	-
Balance at 31 March 2018	150,000,000	5,326,378	(16,847,445)	138,478,933
Balance at 1 January 2017 (Audited)	150,000,000	3,240,579	(11,278,446)	141,962,133
Total comprehensive income for the period	-	-	691,172	691,172
Cash Dividend (Note 7)	-	-	(10,500,000)	(10,500,000)
Transfer to Statutory Reserve	-	69,117	(69,117)	-
Balance at 31 March 2017	150,000,000	3,309,696	(21,156,391)	132,153,305

The accompanying notes 1 to 17 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF CASHFLOWS

For the period ended 31 March 2018 (Unaudited)

		<i>Three months period ended 31 March</i>	
		<i>2018</i>	<i>2017</i>
		<i>AED</i>	<i>AED</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Profit for the period		2,045,801	691,172
Adjustments for:			
Depreciation and amortisation of property and equipment and intangible assets		331,333	493,024
Other investment loss/ (income)		2,427,786	1,636,998
Provision for employees' end of service benefits		(364,412)	459,244
Provision for doubtful debts		892,713	-
		<hr/>	<hr/>
Operating profit before working capital changes and payment of employee end of service benefits		5,333,221	3,280,438
Employees' end of service benefits paid		(116,873)	(145,851)
		<hr/>	<hr/>
Operating profit before working capital changes		5,216,348	3,134,587
		<hr/>	<hr/>
Changes in operating assets and liabilities:			
Changes in retakaful contract assets		(77,331,000)	(20,692,258)
Changes in takaful receivables and other assets		(36,787,245)	(136,410,497)
Changes in deferred policy acquisition cost		(2,742,754)	(3,747,761)
Changes in takaful contract liabilities		103,407,875	125,825,425
Changes in takaful and other payables		16,308,298	30,494,790
		<hr/>	<hr/>
Net cash from / (used in) operating activities		8,071,522	(1,395,714)
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Purchase of investments at fair value through profit or loss		(35,448,332)	(75,818,108)
Change in deposits with original maturity more than 3 months		6,944,000	(64,000,000)
Proceeds from sale of investments at fair value through profit or loss		5,621,046	44,337,195
Deposit		-	(8,000,000)
Investment loss/ (income), net		(451,474)	(1,636,998)
Purchase of property and equipment		(5,464,842)	(116,269)
Purchase of intangible assets		(396,035)	(973,706)
Addition to investments properties		-	(25,000)
		<hr/>	<hr/>
Net cash (used in) investing activities		(29,195,637)	(106,232,886)
		<hr/>	<hr/>
FINANCING ACTIVITIES			
Dividend paid		-	(10,500,000)
Repayment of borrowings		(700,629)	-
		<hr/>	<hr/>
DECREASE IN CASH AND CASH EQUIVALENTS		(21,824,744)	(118,128,600)
		<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period	3	72,488,413	159,908,667
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	50,663,669	41,780,067
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes 1 to 17 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2018 (Unaudited)

1 CORPORATE INFORMATION

Takaful Emarat - Insurance (PSC), Dubai, United Arab Emirates (the "Company") is a public joint stock company incorporated in the Emirate of Dubai – United Arab Emirates, pursuant to decree No. 62 for the year 2007 issued by the Ministry of Economy on 6 February, 2007, and is subject to the provisions of the UAE Federal Law No. 2 of 2015 ("Companies Law").

The Company carries out takaful insurance activities in Health Insurance, Life Insurance and Credit and Saving Insurance in accordance with the Islamic Sharia'a and within the provisions of the Articles of Association of the Company.

The registered address of the Company is P.O. Box 64341, Dubai, United Arab Emirates.

These interim condensed consolidated financial statements were authorised for issue on 22 April 2018.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34").

Interim reporting

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2017.

Changes in accounting estimates

The accounting policies are consistent with those used in the previous year. The accounting estimates used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2017.

New standards, interpretations and amendments

The new and revised relevant IFRSs effective in the current period had no significant impact on the amounts reported and disclosures in these interim condensed consolidated financial statements. Annual Improvements 2012-2014 cycle which became effective from 1 January 2018 also did not have an impact on the financial position or performance of the Group during the period.

These interim condensed consolidated financial statements do not include all disclosures and should be read in conjunction with the financial statements for the year ended 31 December 2017. In addition, results for the three months ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

2.2 BASIS OF CONSOLIDATION

The Group comprises of the Company and the under-mentioned subsidiary company.

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Ownership</u>	
			2018	2017
Modern Tech Investment	Investment	United Arab Emirates	100%	100%

Modern Tech Investment was establishment during the period ended 31 March 2018 for the purpose of holding investments.

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 March 2018.

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2018 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Basis of consolidation (continued)

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3 CASH AND CASH EQUIVALENTS

	<i>31 March 2018</i> <i>AED</i>		<i>31 December 2017</i> <i>AED</i> <i>(Audited)</i>	
	<i>Takaful</i> <i>Operations</i> <i>AED</i>	<i>Shareholders'</i> <i>Operations</i> <i>AED</i>	<i>Takaful</i> <i>Operations</i> <i>AED</i>	<i>Shareholders'</i> <i>Operations</i> <i>AED</i>
Cash and bank balances	10,194,724	19,468,945	61,715,659	10,772,754
Deposits	17,250,000	21,224,000	24,250,000	168,000
Restricted deposit – Employee pension	-	10,000,000	-	10,000,000
	<u>27,444,724</u>	<u>50,692,945</u>	<u>85,965,659</u>	<u>20,940,754</u>
Less: Deposits maturing in more than - three months	(17,250,000)	(224,000)	(24,250,000)	(168,000)
Restricted deposit - Employee pension	-	(10,000,000)	-	(10,000,000)
Total	<u><u>10,194,724</u></u>	<u><u>40,468,945</u></u>	<u><u>61,715,659</u></u>	<u><u>10,772,754</u></u>

The deposits carry profit rates ranging from 1.75% to 2.80% per annum with maturity dates ranging from 29 April 2018 to 10 March 2019.

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2018 (Unaudited)

4 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	<i>31 March 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
Gross takaful contract liabilities		
Claims reported	88,071,206	87,338,194
Claims incurred but not reported	52,861,434	38,881,602
Unearned contributions	216,950,708	130,677,692
Mathematical reserves	3,181,665	4,175,803
Policyholders' investment linked contracts at fair value	91,852,181	88,436,028
	<u>452,917,194</u>	<u>349,509,319</u>
Retakaful contract assets		
Retakaful share of claims reported	64,628,677	64,232,891
Retakaful share of claims incurred but not reported	33,360,987	16,737,632
Retakaful share of unearned contributions	124,312,096	63,603,793
Retakaful share of mathematical reserve	1,278,305	1,674,749
	<u>223,580,065</u>	<u>146,249,065</u>
Net takaful contract liabilities		
Claims reported	23,442,529	23,105,303
Claims incurred but not reported	19,500,447	22,143,970
Unearned contributions	92,638,612	67,073,899
Mathematical reserves	1,903,360	2,501,054
Policyholders' investment linked contracts at fair value	91,852,181	88,436,028
	<u>229,337,129</u>	<u>203,260,254</u>
Movement in payable to policyholders of investment linked contracts		
Opening balance	88,436,028	55,969,153
Gross contribution	18,888,209	91,823,595
Allocation charges	(4,764,826)	(20,066,213)
Redemptions during the period/ year	(10,484,571)	(41,442,384)
Change in fair value	(222,659)	2,151,877
	<u>91,852,181</u>	<u>88,436,028</u>

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2018 (Unaudited)

5 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

<i>31 March 2018</i>				
	<i>Attributable to individual life policyholders AED</i>	<i>Attributable to shareholders AED</i>	<i>Attributable to takaful operation AED</i>	<i>Total AED</i>
Mutual funds	74,338,763	8,527,519	-	82,866,282
Sukuk investments	17,513,418	27,565,706	32,803,301	77,882,425
Equity investments – quoted	-	47,126,266	-	47,126,266
Equity investments – unquoted	-	13,936,767	-	13,936,767
Total	91,852,181	97,156,258	32,803,301	221,811,740

<i>31 December 2017</i>				
	<i>Attributable to individual life policyholders AED</i>	<i>Attributable to shareholders AED</i>	<i>Attributable to takaful operations AED</i>	<i>Total AED</i>
Mutual funds	73,314,638	1,257,092	-	74,571,730
Sukuk investments	15,121,390	24,471,085	31,949,793	71,542,268
Equity investments – quoted	-	33,910,000	-	33,910,000
Equity investments – unquoted	-	13,936,767	-	13,936,767
Total	88,436,028	73,574,944	31,949,793	193,960,765

Sukuk Investments amounting to AED 23.52 million (31 December 2017: AED 23.52 million) are pledged against bank loan (Note 8).

Movements during the period attributable to policyholders were as follows:

	<i>31 March 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
At beginning of the period	88,436,028	55,969,153
Purchases during the period	18,888,209	91,823,595
Disposals during the period	(15,249,397)	(61,508,597)
Change in fair value during the period	(222,659)	2,151,877
At end of the period	91,852,181	88,436,028

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2018 (Unaudited)

6 SHARE CAPITAL

	<i>31 March 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
Authorised, Issued and fully paid: 150,000,000 ordinary shares of AED 1 each	<u>150,000,000</u>	<u>150,000,000</u>
	<u><u>150,000,000</u></u>	<u><u>150,000,000</u></u>

7 PROPOSED AND PAID DIVIDENDS

	<i>31 March 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
Cash dividend for 2018 of AED 0.0825 per share (declared)	<u>12,375,000</u>	-
Cash dividend for 2017 of AED 0.07 per share (declared and paid)	-	<u>10,500,000</u>
	<u><u>12,375,000</u></u>	<u><u>10,500,000</u></u>
Proposed for approval at Annual General Meeting: (2018: Cash dividend of AED 0.0825 per share)	<u>12,375,000</u>	-
	<u><u>12,375,000</u></u>	<u><u>-</u></u>

8 BORROWINGS

The borrowings of AED 57.82 million (31 December 2017: 58.52 million) consist of two parts. AED 23.52 million was taken from First Gulf Bank and has been utilised to purchase Tier 1 Sukuks, which are pledged against the borrowings (Note 5). The value of pledged Sukuks as at 31 March 2018 was AED 23.72 million. The borrowings carry a profit rate of 1.25% per annum above the 3 month LIBOR and have a maturity period of three months. AED 35 million loan was taken from Commercial Bank of Dubai for the purchase of new building to be used as office space.

The Group's borrowings arising from financing activities include the above loans from First Gulf Bank and Commercial Bank of Dubai (2018: AED 57,819,371, 2017: AED 58,520,000, respectively). The decrease of AED 700,629 in the carrying amount during 2018 is repayment of one instalment of the loan.

9 NET EARNED CONTRIBUTIONS

	<i>Three month period ended 31 March 2018</i>		
	<i>Medical AED</i>	<i>Life and savings AED</i>	<i>Total AED</i>
Gross contributions written	194,481,877	20,556,276	215,038,153
Change in unearned contributions	(86,274,503)	1,486	(86,273,017)
Takaful contributions earned	<u>108,207,374</u>	<u>20,557,762</u>	<u>128,765,136</u>
Retakaful contributions	124,883,522	2,081,307	126,964,829
Change in unearned contributions	(60,625,336)	(82,967)	(60,708,303)
Retakaful contributions ceded	<u>64,258,186</u>	<u>1,998,340</u>	<u>66,256,526</u>
Net earned contributions	<u><u>43,949,188</u></u>	<u><u>18,559,422</u></u>	<u><u>62,508,610</u></u>

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2018 (Unaudited)

9 NET EARNED CONTRIBUTIONS (continued)

	<i>Three month period ended 31 March 2017</i>		
	<i>Medical AED</i>	<i>Life and savings AED</i>	<i>Total AED</i>
Gross contributions written	244,279,291	16,310,373	260,589,664
Change in unearned contributions	(108,695,135)	265,656	(108,429,479)
Takaful contributions earned	135,584,156	16,576,029	152,160,185
Retakaful contributions	61,141,066	2,181,980	63,323,046
Change in unearned contributions	(17,805,330)	78,819	(17,726,511)
Retakaful contributions ceded	43,335,736	2,260,799	45,596,535
Net earned contributions	92,248,420	14,315,230	106,563,650

10 CHANGE IN RESERVES

	<i>Three month period ended 31 March</i>	
	<i>2018 AED</i>	<i>2017 AED</i>
Changes in mathematical reserve – takaful life	(597,694)	210,000
Change in reserve relating to takaful life products	12,347,776	7,297,051
Change in fair value	222,659	(695,010)
	11,972,741	6,812,041

11 WAKALAH FEES

Wakalah fees for the period ended 31 March 2018 amounted to AED 21,064,423 (31 March 2017: AED 27,507,556).

For group life and group medical policies, wakalah fees were charged upto 20% to 25% of gross takaful contributions. For life takaful policies, wakalah fees were charged at a maximum of 50% of takaful risk contributions. Wakalah fees are approved by the Sharia'a Supervisory Board and is charged to the statement of comprehensive income when incurred.

12 BASIC AND DILUTED PROFIT PER SHARE

	<i>Three month period ended 31 March</i>	
	<i>2018</i>	<i>2017</i>
Profit for the period attributable to shareholders (in AED)	2,045,801	691,172
Weighted average number of shares outstanding during the period	150,000,000	150,000,000
Profit per share (AED)	0.014	0.005

No figures for diluted earnings per share are presented as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

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13 RELATED PARTY TRANSACTIONS AND BALANCES

	<i>Three month period ended 31 March</i>	
	<i>2018 AED</i>	<i>2017 AED</i>
Compensation of key management personnel:		
Short and long term benefits	<u>2,080,627</u>	<u>1,911,409</u>
Transactions with related parties during the period		
Gross written contribution	<u>6,626,278</u>	<u>(5,714)</u>
Gross claim incurred	<u>569,995</u>	<u>(140,247)</u>
Balances with related party		
Claims reported	<u>1,509,768</u>	<u>191,587</u>

14 SEGMENT INFORMATION

For management purposes, the Company is organised into two business segments; takaful and investment operations. The takaful operations comprise the takaful business undertaken by the Company on behalf of policyholders. Investment operations comprise investments and cash management for the Company's own account. No operating segments have been aggregated to form the above reportable operating segments.

Segment performance is evaluated based on profit or loss which in certain respects is measured differently from profit or loss in the financial statements.

Except for Wakalah fees, allocation charges and Qard Hassan, no other inter-segment transactions occurred during the period. Segment income, expenses and results include transactions between business segments which will then be eliminated on consolidation shown below.

	<i>31 March 2018</i>					
	<i>Underwriting</i>			<i>Shareholders</i>		
	<i>Medical AED</i>	<i>Life AED</i>	<i>Total AED</i>	<i>Investments AED</i>	<i>Others AED</i>	<i>Total AED</i>
Segment revenue	<u>108,207,373</u>	<u>20,557,762</u>	<u>128,765,135</u>	<u>(539,754)</u>	<u>30,159,686</u>	<u>29,619,932</u>
Segment result	<u>16,284,290</u>	<u>7,271,693</u>	<u>23,555,983</u>	<u>(539,754)</u>	<u>30,159,686</u>	<u>29,619,932</u>
Wakala fees	(15,394,169)	(5,670,254)	(21,064,423)	-	-	-
Commission incurred	-	-	-	-	(10,107,098)	(10,107,098)
General and administrative expenses	-	-	-	-	(19,958,593)	(19,958,593)
Provision for Qard Hassan to policyholders' fund.	-	-	-	-	2,491,560	2,491,560
Profit/ (loss) attributable to policyholders/ shareholders	<u>890,121</u>	<u>1,601,439</u>	<u>2,491,560</u>	<u>(539,754)</u>	<u>2,585,555</u>	<u>2,045,801</u>

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14 SEGMENT INFORMATION (continued)

31 March 2017

	Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	135,584,156	16,576,029	152,160,185	(1,636,998)	(4,228,386)	(5,865,384)
Segment result	26,201,602	1,135,702	27,337,304	(1,636,998)	(4,228,386)	(5,865,384)
Wakala fees	(20,886,910)	(1,096,646)	(21,983,556)	-	21,983,556	21,983,556
General and administrative expenses	-	-	-	-	(20,780,748)	(20,780,748)
Provision for Qard Hassan to policyholders' fund.	-	-	-	-	5,353,748	5,353,748
Profit/ (loss) attributable to policyholders/ shareholders	5,314,692	39,056	5,353,748	(1,636,998)	2,328,170	691,172

31 March 2018

	Medical AED	Life and savings AED	Underwriting Total AED	Shareholders' investments AED	Unallocated Others AED	Total AED	Total AED
	Segment assets	520,347,482	119,103,755	639,451,237	101,380,258	144,554,236	245,934,494
Segment liabilities	503,803,505	109,283,463	613,086,968	23,520,000	110,299,831	133,819,831	746,906,799

As at 31 December 2017 (Audited)

	Medical AED	Life and savings AED	Underwriting total AED	Shareholders' investments AED	Unallocated others AED	Total AED	Total AED
	Segment assets	358,307,789	181,303,504	539,611,293	77,574,944	147,619,434	225,194,378
Segment liabilities	363,546,586	140,821,355	504,367,941	23,520,000	88,109,598	111,629,598	615,997,539

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost

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

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15 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2017.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<i>31 March 2018</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Assets				
Investments at fair value through profit or loss				
Equity investments - quoted	47,126,266	-	-	47,126,266
Equity investments - unquoted	-	-	13,936,767	13,936,767
Mutual funds	-	82,866,282	-	82,866,282
Sukuk investments	77,882,425	-	-	77,882,425
Investment property	-	38,772,429	-	38,772,429
	<u>125,008,691</u>	<u>121,638,711</u>	<u>13,936,767</u>	<u>260,584,169</u>
Liabilities				
Investment linked contracts	-	91,852,181	-	91,852,181
Borrowings	-	-	57,819,371	57,819,371
	<u>-</u>	<u>91,852,181</u>	<u>57,819,371</u>	<u>149,671,552</u>
	<i>31 December 2017 (Audited)</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Assets				
Investments at fair value through profit or loss				
Equity investments - quoted	33,910,000	-	-	33,910,000
Equity investments - unquoted	-	-	13,936,767	13,936,767
Mutual funds	-	74,571,730	-	74,571,730
Sukuk investments	71,542,269	-	-	71,542,269
Investment property	-	38,772,429	-	38,772,429
	<u>105,452,269</u>	<u>113,344,159</u>	<u>13,936,767</u>	<u>232,733,195</u>
Liabilities				
Investment linked contracts	-	88,436,028	-	88,436,028

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16 POLICY HOLDERS' FUND

	<i>31 March 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
Deficit in policy holders' fund		
Balance at the beginning of the year	(40,782,705)	(56,950,837)
Surplus for the period recovered	<u>2,491,560</u>	<u>16,168,132</u>
Balance at the end of the period	<u>(38,291,145)</u>	<u>(40,782,705)</u>
Qard Hassan from shareholders		
Balance at beginning of period	40,782,705	56,950,837
Deficit recovered during the period	<u>(2,491,560)</u>	<u>(16,168,132)</u>
Balance at the end of the period	<u>38,291,145</u>	<u>40,782,705</u>
Total deficit in policyholders' fund	<u><u>-</u></u>	<u><u>-</u></u>

17 CONTINGENCIES

Contingent liabilities

At 31 March 2018 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 1,055,446 (31 December 2017: AED 1,011,924).

Legal claims

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Group's income or financial condition.

Capital commitments

At 31 December 2017, the group's capital commitment amounted to AED 37 million with respect to acquisition of a company (2016: AED Nil)