

**TAKAFUL EMARAT - INSURANCE
(PSC)**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2018

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2018

INDEX	PAGES
Review report on interim condensed consolidated financial statement	1
Interim consolidated statement of financial position	2 - 3
Interim consolidated statement of comprehensive income	4 - 5
Interim consolidated statement of changes in equity	6
Interim consolidated statement of cash flows	7
Notes to the interim condensed consolidated financial statement	8-18

**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 30 June 2018, and the related interim consolidated statements of comprehensive income for the three-month and six-month periods then ended and the related interim consolidated statement of changes in equity and cash flows for the six-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



Signed by:
Ashraf Abu-Sharkh
Partner
Registration No. 690

1 August 2018

Dubai, United Arab Emirates

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018 (Unaudited)

	Notes	30 June 2018 AED	31 December 2017 AED
TAKAFUL OPERATIONS' ASSETS			
Cash and bank balances	3	37,071,645	85,965,659
Investments at fair value through profit or loss – individual life	5	101,232,732	88,436,028
Other investments at fair value through profit or loss	5	77,313,109	31,949,793
Takaful receivables and other assets		165,442,464	98,271,687
Retakaful contract assets	4	190,834,938	146,249,065
Investment properties		39,017,971	38,772,429
Deferred policy acquisition cost		56,196,519	49,966,632
TOTAL TAKAFUL OPERATIONS' ASSETS		667,109,378	539,611,293
SHAREHOLDERS' ASSETS			
Cash and bank balances	3	27,398,044	20,940,754
Investments at fair value through profit or loss	5	21,746,286	73,574,944
Takaful receivables and other assets		78,207,642	75,242,203
Statutory deposit		4,000,000	4,000,000
Property and equipment		52,913,384	49,231,162
Intangible assets		2,698,598	2,205,315
Receivable from policyholders		105,858,456	76,026,057
TOTAL SHAREHOLDERS' ASSETS		292,822,410	301,220,435
TOTAL ASSETS		959,931,788	840,831,728
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations liabilities			
Takaful and other payables		164,600,796	154,858,622
Takaful contract liabilities	4	435,600,925	349,509,319
Payable to shareholders		105,858,456	76,026,057
TOTAL TAKAFUL OPERATIONS' LIABILITIES		706,060,177	580,393,998
DEFICIT IN POLICYHOLDERS' FUND AND QARD HASSAN FROM SHAREHOLDERS			
Deficit in policyholders' fund	16	(38,950,799)	(40,782,705)
Qard Hassan from shareholders	16	38,950,799	40,782,705
NET DEFICIT IN POLICYHOLDERS' FUND AND QARD HASSAN FROM SHAREHOLDERS		-	-
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT		706,060,177	580,393,998


The accompanying notes 1 to 19 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)


INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2018 (Unaudited)

	Notes	30 June 2018 AED	31 December 2017 AED
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Shareholders' liabilities			
Takaful and other payables		57,529,989	50,564,229
Borrowings	9	56,200,621	58,520,000
Provision for employees' end of service benefits		2,402,484	2,545,369
TOTAL SHAREHOLDERS' LIABILITIES		116,133,094	111,629,598
SHAREHOLDERS' EQUITY			
Share capital	6	150,000,000	150,000,000
Statutory reserve		5,361,087	5,121,798
Accumulated losses		(17,622,570)	(6,313,666)
TOTAL SHAREHOLDERS' EQUITY		137,738,517	148,808,132
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		253,871,611	260,437,730
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT AND SHAREHOLDERS' LIABILITIES AND EQUITY		959,931,788	840,831,728


Fadi Hindi
Chief Executive Officer




Wasim Ahmad
Chief Financial Officer

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2018 (Unaudited)

		<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>Notes</i>	2018 AED	2017 AED	2018 AED	2017 AED
Attributable to policyholders:					
Gross contribution written	10	89,731,474	90,155,377	304,769,627	350,745,041
Changes in unearned contributions	10	35,834,195	69,448,423	(50,438,822)	(38,981,056)
Takaful contributions earned		125,565,669	159,603,800	254,330,805	311,763,985
Retakaful contributions	10	(32,403,205)	(31,316,319)	(159,368,034)	(94,639,365)
Change in unearned contributions	10	(31,950,996)	(12,251,297)	28,757,307	5,475,214
Retakaful contributions ceded		(64,354,201)	(43,567,616)	(130,610,727)	(89,164,151)
Net earned contributions		61,211,468	116,036,184	123,720,078	222,599,834
Gross claims incurred		(99,594,222)	(107,903,567)	(193,377,246)	(197,735,169)
Retakaful share of claims incurred		65,015,218	32,632,058	131,507,417	55,794,394
Net claims incurred		(34,579,004)	(75,271,509)	(61,869,829)	(141,940,775)
Change in reserves	11	(11,099,805)	(8,273,756)	(23,072,546)	(15,085,797)
Net change in fair value of policyholders					
Investment linked contracts	11	(237,555)	(1,100,491)	(14,896)	(1,795,501)
Net takaful income		15,295,104	31,390,428	38,762,807	63,777,761
Wakalah fees	12	(15,920,796)	(28,513,871)	(36,985,219)	(56,021,427)
Investment Income, net		(33,962)	564,626	54,318	1,038,597
NET SURPLUS/ (DEFICIT) FROM TAKAFUL OPERATIONS		(659,654)	3,441,183	1,831,906	8,794,931

The accompanying notes 1 to 19 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 June 2018 (Unaudited)

		<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
		<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>Notes</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Attributable to shareholders:					
Wakalah fees from policyholders	12	15,920,796	28,513,871	36,985,219	56,021,427
Investment income/ (loss), net		7,019,327	862,344	6,479,573	(774,654)
Other income		1,844,219	1,076,952	10,939,482	2,082,199
Commission incurred		(7,002,076)	(10,742,460)	(17,109,174)	(21,500,093)
General and administrative expenses		(16,775,528)	(22,898,394)	(36,734,121)	(43,679,142)
Recovery of / (provision for) Qard Hassan to policyholders' fund		(659,654)	3,441,183	1,831,906	8,794,931
(Loss)/ profit for the period attributable to shareholders		347,084	253,496	2,392,885	944,668
Basic and diluted profit per share	13	0.002	0.002	0.016	0.006
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD		347,084	253,496	2,392,885	944,668

The accompanying notes 1 to 19 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 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	-	-	2,392,885	2,392,885
Cash dividend (Note 7)	-	-	(12,375,000)	(12,375,000)
Zakat payable (Note 8)	-	-	(1,087,500)	(1,087,500)
Transfer to statutory reserve	-	239,289	(239,289)	-
Balance at 30 June 2018	150,000,000	5,361,087	(17,622,570)	137,738,517
Balance at 1 January 2017	150,000,000	3,240,579	(11,278,446)	141,962,133
Total comprehensive income for the period	-	-	944,668	944,668
Cash dividend (Note 7)	-	-	(10,500,000)	(10,500,000)
Transfer to statutory reserve	-	94,467	(94,467)	-
Balance at 30 June 2017	150,000,000	3,335,046	(20,928,245)	132,406,801

The accompanying notes 1 to 19 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF CASHFLOWS

For the period ended 30 June 2018 (Unaudited)

		<i>Six months period ended 30 June</i>	
	<i>Notes</i>	<i>2018 AED</i>	<i>2017 AED</i>
OPERATING ACTIVITIES			
Profit for the period		2,392,885	944,668
Adjustments for:			
Depreciation and amortisation of property and equipment and intangible assets		997,412	969,206
Investment (income)/loss, net		(9,708,420)	(263,943)
Loss on sale of property and equipment		62,735	-
Provision for employees' end of service benefits		17,898	857,441
Provision for doubtful accounts		2,227,591	
Operating profit/ (loss) before working capital changes and payment of employee end of service benefits		(4,009,899)	2,507,372
Employees' end of service benefits paid		(160,783)	(81,662)
Operating (loss)/profit before working capital changes		(4,170,682)	2,425,710
Changes in operating assets and liabilities:			
Changes in retakaful contract assets	4	(44,585,873)	(19,968,622)
Changes in takaful receivables and other assets		(72,363,807)	(82,958,843)
Changes in deferred policy acquisition cost		(6,229,887)	(4,769,546)
Changes in takaful contract liabilities	4	86,091,606	87,186,529
Changes in takaful and other payables		15,620,434	15,371,182
Net cash (used in)/ from operating activities		(25,638,209)	(2,713,590)
INVESTING ACTIVITIES			
Change in deposits maturing in more than three months		16,944,000	11,250,000
Purchase of investments at fair value through profit or loss		(41,911,069)	(125,047,774)
Proceeds from sale of investments at fair value through profit or loss		38,754,236	69,991,944
Deposit		-	(8,000,000)
Held to maturity investment		-	1,000,000
Investment loss/ (income), net		6,533,891	263,943
Purchase of intangible assets		(874,479)	(1,278,879)
Purchase of property and equipment		(4,369,173)	(249,302)
Proceeds from disposal of property and equipment		8,000	-
Addition to investments properties		(245,542)	(82,429)
Net cash (used in) investing activities		14,839,864	(52,152,497)
FINANCING ACTIVITY			
Dividend paid	7	(12,375,000)	(10,500,000)
Borrowing	9	(2,319,379)	3,675,000
Net cash used in financing activities		(14,694,379)	(6,825,000)
DECREASE IN CASH AND CASH EQUIVALENTS		(25,492,724)	(61,691,087)
Cash and cash equivalents at the beginning of the period	3	72,488,413	159,908,667
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	46,995,689	98,217,580

The accompanying notes 1 to 19 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 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 29 July 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 six months ended 30 June 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% -

Modern Tech Investment was establishment during the period ended 30 June 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 30 June 2018.

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 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

	30 June 2018 AED		31 December 2017 AED (Audited)	
	<i>Retakaful Operations AED</i>	<i>Shareholders' Operations AED</i>	<i>Retakaful Operations AED</i>	<i>Shareholders' Operations AED</i>
Cash and bank balances	19,821,645	27,174,044	61,715,659	10,772,754
Deposits	17,250,000	224,000	24,250,000	168,000
Restricted deposit – Employee pension	-	-	-	10,000,000
	<u>37,071,645</u>	<u>27,398,044</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)
Total	<u>19,821,645</u>	<u>27,174,044</u>	<u>61,715,659</u>	<u>10,772,754</u>

The deposits carry profit rates ranging from 1.75% to 2.40% per annum with maturity dates ranging from 20 September 2018 to 10 March 2019.

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018 (Unaudited)

4 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	<i>30 June 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
Gross takaful contract liabilities		
Claims reported	94,277,402	87,338,194
Claims incurred but not reported	55,482,921	38,881,602
Unearned contributions	181,116,514	130,677,692
Mathematical reserves	3,491,356	4,175,803
Policyholders' investment linked contracts at fair value	101,232,732	88,436,028
	435,600,925	349,509,319
Retakaful contract assets		
Retakaful share of claims reported	60,071,335	64,232,891
Retakaful share of claims incurred but not reported	35,984,106	16,737,632
Retakaful share of unearned contributions	92,361,100	63,603,793
Retakaful share of mathematical reserve	2,418,397	1,674,749
	190,834,938	146,249,065
Net takaful contract liabilities		
Claims reported	34,206,067	23,105,303
Claims incurred but not reported	19,498,815	22,143,970
Unearned contributions	88,755,414	67,073,899
Mathematical reserves	1,072,959	2,501,054
Fair value of policy holders investment linked contracts	101,232,732	88,436,028
	244,765,987	203,260,254
Movement in payable to policyholders of investment linked contracts		
Opening balance	88,436,028	55,969,153
Gross contribution	36,824,014	91,823,595
Allocation charges	(3,960,975)	(20,066,213)
Redemptions during the period / year	(20,081,231)	(41,442,384)
Change in fair value	14,896	2,151,877
Closing balance	101,232,732	88,436,028

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018 (Unaudited)

5 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018			
	<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	82,586,301	5,185,096	-	87,771,397
Sukuk investments	18,646,431	2,624,423	53,488,609	74,759,463
Equity investments – quoted	-	-	23,824,500	23,824,500
Equity investments – unquoted	-	13,936,767	-	13,936,767
Total	101,232,732	21,746,286	77,313,109	200,292,127

	31 December 2017 (Audited)			
	<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	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 22 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:

	30 June 2018 AED	31 December 2017 AED (Audited)
At beginning of the period	88,436,028	55,969,153
Purchases during the period	32,863,039	91,823,595
Disposals during the period	(20,081,231)	(61,508,597)
Change in fair value during the period	14,896	2,151,877
At end of the period	101,232,732	88,436,028

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018 (Unaudited)

6 SHARE CAPITAL

	<i>30 June 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
Authorised, Issued and fully paid:		
150,000,000 ordinary shares of AED 1 each	150,000,000	150,000,000
	150,000,000	150,000,000

7 PROPOSED AND PAID DIVIDENDS

	<i>30 June 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
Cash dividend for 2018 of AED 0.0825 per share (declared and paid)	12,375,000	-
Cash dividend for 2017 of AED 0.07 per share (declared and paid)	-	10,500,000
	12,375,000	10,500,000
Proposed for approval at Annual General Meeting: (2018: Cash dividend of AED 0.0825 per share)	12,375,000	-
	12,375,000	-

8 ZAKAT

Zakat is payable by the shareholders. Management has informed the shareholders the amount of Zakat payable by each shareholder. Zakat payable in current period amounted to AED 1,087,500 and Zakat paid in December 2017 amounted to AED 1,446,188.

9 BORROWINGS

The borrowing of AED 56.20 million (31 December 2017: 58.52 million) consist of two parts. AED 22.60 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 30 June 2018 was AED 22 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 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 33,599,371, 2017: AED 56,200,621, respectively). The decrease of AED 1,400,629 in the carrying amount during 2018 is repayment of 2 instalments of the loan.

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018 (Unaudited)

10 NET EARNED CONTRIBUTIONS

	<i>Three month period ended 30 June 2018</i>			<i>Three month period ended 30 June 2017</i>		
	<i>Medical AED</i>	<i>Life and savings AED</i>	<i>Total AED</i>	<i>Medical AED</i>	<i>Life and savings AED</i>	<i>Total AED</i>
Gross contributions written	71,357,443	18,374,031	89,731,474	71,241,846	18,913,531	90,155,377
Change in unearned contributions	34,694,996	1,139,199	35,834,195	71,178,574	(1,730,151)	69,448,423
Takaful contributions earned	106,052,439	19,513,230	125,565,669	142,420,420	17,183,380	159,603,800
Retakaful contributions	30,903,995	1,499,210	32,403,205	27,728,286	3,588,033	31,316,319
Change in unearned contributions	31,133,541	817,455	31,950,996	13,557,446	(1,306,149)	12,251,297
Retakaful contributions ceded	62,037,536	2,316,665	64,354,201	41,285,732	2,281,884	43,567,616
Net earned contributions	44,014,903	17,196,565	61,211,468	101,134,688	14,901,496	116,036,184

	<i>Six month period ended 30 June 2018</i>			<i>Six month period ended 30 June 2017</i>		
	<i>Medical AED</i>	<i>Life and savings AED</i>	<i>Total AED</i>	<i>Medical AED</i>	<i>Life and savings AED</i>	<i>Total AED</i>
Gross contributions written	265,839,320	38,930,307	304,769,627	315,521,137	35,223,904	350,745,041
Change in unearned contributions	(51,579,507)	1,140,685	(50,438,822)	(37,516,561)	(1,464,495)	(38,981,056)
Takaful contributions earned	214,259,813	40,070,992	254,330,805	278,004,576	33,759,409	311,763,985
Retakaful contributions	155,787,517	3,580,517	159,368,034	88,869,352	5,770,013	94,639,365
Change in unearned contributions	(29,491,795)	734,488	(28,757,307)	(4,247,884)	(1,227,330)	(5,475,214)
Retakaful contributions ceded	126,295,722	4,315,005	130,610,727	84,621,468	4,542,683	89,164,151
Net earned contributions	87,964,091	35,755,987	123,720,078	193,383,108	29,216,726	222,599,834

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018 (Unaudited)

11 CHANGE IN RESERVES

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Changes in mathematical reserve – takaful life	(834,512)	418,702	(1,432,206)	628,702
Change in reserve relating to takaful life products	12,171,872	8,955,545	24,519,648	16,252,596
Change in fair value-individual life policyholders	(237,555)	(1,100,491)	(14,896)	(1,795,501)
	<u>11,099,805</u>	<u>8,273,756</u>	<u>23,072,546</u>	<u>15,085,797</u>

12 WAKALAH FEES

Wakalah fees for the period ended 30 June 2018 amounted to AED 36,985,219 (30 June 2017: AED 56,021,427).

For group life and group medical policies, wakalah fees were charged up to 16.75% 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.

13 BASIC AND DILUTED PROFIT PER SHARE

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Profit for the period attributable to shareholders (in AED)	<u>347,084</u>	<u>253,496</u>	<u>2,392,885</u>	<u>944,668</u>
Weighted average number of shares outstanding during the period	<u>150,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>
Profit per share (AED)	<u>0.002</u>	<u>0.002</u>	<u>0.016</u>	<u>0.006</u>

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.

14 RELATED PARTY TRANSACTIONS AND BALANCES

	<i>Six month period ended 30 June</i>	
	<i>2018</i>	<i>2017</i>
	<i>AED</i>	<i>AED</i>
Compensation of key management personnel:		
Short and long term benefits	<u>5,015,060</u>	<u>3,209,105</u>
Transactions with related parties during the period		
Realised gain on sale of investments at fair value through profit or loss	<u>14,187,990</u>	<u>2,740,545</u>
Gross written contribution	<u>6,760,580</u>	<u>258,047</u>
Gross claim incurred	<u>3,693,236</u>	<u>134,079</u>

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018 (Unaudited)

14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	30 June 2018 AED	31 December 2017 AED (Audited)
Balances with related party		
Claims reported	846,407	925,307

15 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.

	30 June 2018					
	Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	214,259,813	40,070,992	254,330,805	6,479,573	47,924,701	54,404,274
Segment result	26,102,074	12,715,051	38,817,125	6,479,573	47,924,701	54,404,274
Wakala fees	(26,102,930)	(10,882,289)	(36,985,219)	-	-	-
Commission incurred	-	-	-	-	(17,109,174)	(17,109,174)
General and administrative expenses	-	-	-	-	(36,734,121)	(36,734,121)
Recovery of Qard Hassan to policyholders' fund.	-	-	-	-	1,831,906	1,831,906
Profit / (loss) attributable to policyholders / shareholders	(856)	1,832,762	1,831,906	6,479,573	(4,086,688)	2,392,885

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018 (Unaudited)

15 SEGMENT INFORMATION (continued)

30 June 2017

	<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	278,004,576	33,759,409	311,763,985	(774,654)	58,103,626	57,328,972
Segment result	52,664,221	1,742,182	54,406,403	(774,654)	58,103,626	57,328,972
Wakala fees	(43,630,957)	(1,980,515)	(45,611,472)	-	-	-
Commission incurred	-	-	-	-	(21,500,093)	(21,500,093)
General and administrative expenses	-	-	-	-	(43,679,142)	(43,679,142)
Recovery of Qard Hassan to policyholders' fund.	-	-	-	-	8,794,931	8,794,931
Profit / (loss) attributable to policyholders / shareholders	9,033,264	(238,333)	8,794,931	(774,654)	1,719,322	944,668

30 June 2018

	<i>Medical AED</i>	<i>Life and savings AED</i>	<i>Underwriting Total AED</i>	<i>Shareholders' investments AED</i>	<i>Unallocated Others AED</i>	<i>Total AED</i>	<i>Total AED</i>
Segment assets	493,903,586	173,205,792	667,109,378	25,970,286	160,993,668	186,963,954	854,073,332
Segment liabilities	482,102,030	118,099,691	600,201,721	22,601,250	93,531,844	116,133,094	716,334,815

As at 31 December 2017 (Audited)

	<i>Medical AED</i>	<i>Life and savings AED</i>	<i>Underwriting Total AED</i>	<i>Shareholders' investments AED</i>	<i>Unallocated Others AED</i>	<i>Total AED</i>	<i>Total AED</i>
Segment assets	358,307,789	181,303,504	539,611,293	77,574,944	147,619,434	225,194,378	764,805,671
Segment liabilities	363,546,586	140,821,355	504,367,941	23,520,000	88,109,598	111,629,598	615,997,539

16 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.

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018 (Unaudited)

16 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).

30 June 2018

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Assets				
Investments at fair value through profit or loss				
Equity investments - quoted	23,824,500	-	-	23,824,500
Equity investments - unquoted	-		13,936,767	13,936,767
Mutual funds	-	87,771,397	-	87,771,397
Sukuk investments	74,759,463	-	-	74,759,463
Investment property	-	39,017,971	-	39,017,971
	<u>98,583,963</u>	<u>126,789,368</u>	<u>13,936,767</u>	<u>239,310,098</u>
Liabilities				
Investment linked contracts	-	101,232,732	-	101,232,732

31 December 2017 (Audited)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
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

TAKAFUL EMARAT - INSURANCE (PSC)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018 (Unaudited)

16 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	<i>30 June 2018 AED</i>	<i>31 December 2017 AED</i>
Deficit in policy holders' fund		
Balance at the beginning of the period / year	(40,782,705)	(56,950,837)
Profit for the period/ year recovered	1,831,906	16,168,132
	<hr/>	<hr/>
Balance at the end of the period /year	(38,950,799)	(40,782,705)
Qard Hassan from shareholders		
Balance at beginning of period / year	40,782,705	56,950,837
Deficit recovered during the period / year	(1,831,906)	(16,168,132)
	<hr/>	<hr/>
Balance at the end of the period / year	38,950,799	40,782,705
	<hr/>	<hr/>
Total deficit in policyholders' fund	-	-
	<hr/> <hr/>	<hr/> <hr/>

17 CONTINGENCIES

Contingent liabilities

At 30 June 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 is anticipated that no material liabilities will arise, amounting to AED 1,115,446 (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 30 June 2018, the Group's capital commitment amounted to AED 37 million with respect to acquisition of a company (31 December 2017: AED 37 million).

18 EVENTS AFTER THE REPORTING PERIOD

On 05 July 2018, the Company has obtained the final approval from the Insurance Authority on the acquisition of all the shares of Al Hilal Takaful PSC. The Company is currently in the process of finalizing the necessary procedures and documentation required for the completion of the acquisition.

19 SEASONALITY OF RESULTS

Dividend income amounted to nil and AED 600 thousand for the three-month and six-month periods ended 30 June 2018, respectively, and to nil and AED 500 thousand for the three month and six month periods ended 30 June 2017, respectively. Dividend income depends on market conditions, investment activities of the Group and declaration of profits by investee companies, which are of a seasonal nature. Accordingly, results for the period ended 30 June 2018 are not comparable to those relating to the comparative period, and are not indicative of the results that might be expected for the year ending 31 December 2018.