

**TAKAFUL EMARAT - INSURANCE (PSC)**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**30 SEPTEMBER 2018 (UNAUDITED)**

**TAKAFUL EMARAT - INSURANCE (PSC)**  
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the nine month period ended 30 September 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 30 September 2018, and the related interim consolidated statement of comprehensive income for the three-month and nine-month periods then ended and the related interim consolidated statement of changes in equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed 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

13 November 2018

Dubai, United Arab Emirates

# TAKAFUL EMARAT - INSURANCE (PSC)

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018 (Unaudited)

	<i>Notes</i>	<i>30 September 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
<b>TAKAFUL OPERATIONS' ASSETS</b>			
Cash and bank balances	3	55,293,487	85,965,659
Investments at fair value through profit or loss – individual life	5	112,898,592	88,436,028
Other investments at fair value through profit or loss	5	74,408,451	31,949,793
Takaful receivables and other assets		170,259,163	98,271,687
Retakaful contract assets	4	212,759,136	146,249,065
Investment properties		39,153,396	38,772,429
Deferred policy acquisition cost		59,394,361	49,966,632
<b>TOTAL TAKAFUL OPERATIONS' ASSETS</b>		<b>724,166,586</b>	<b>539,611,293</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and bank balances	3	33,009,796	20,940,754
Investments at fair value through profit or loss	5	64,575,707	73,574,944
Takaful receivables and other assets		42,221,256	75,242,203
Statutory deposit		4,000,000	4,000,000
Property and equipment		52,042,116	49,231,162
Intangible assets		2,960,936	2,205,315
Receivable from policyholders		93,278,794	76,026,057
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>292,088,605</b>	<b>301,220,435</b>
<b>TOTAL ASSETS</b>		<b>1,016,255,191</b>	<b>840,831,728</b>
<b>TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT</b>			
<b>Takaful operations liabilities</b>			
Takaful and other payables		206,278,134	154,858,622
Takaful contract liabilities	4	455,539,390	349,509,319
Payable to shareholders		93,278,794	76,026,057
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES</b>		<b>755,096,318</b>	<b>580,393,998</b>
<b>DEFICIT IN POLICYHOLDERS' FUND AND QARD HASSAN FROM SHAREHOLDERS</b>			
Deficit in policyholders' fund	17	(30,929,732)	(40,782,705)
Qard Hassan from shareholders	17	30,929,732	40,782,705
<b>NET DEFICIT IN POLICYHOLDERS' FUND AND QARD HASSAN FROM SHAREHOLDERS</b>		<b>-</b>	<b>-</b>
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT</b>		<b>755,096,318</b>	<b>580,393,998</b>

The accompanying notes 1 to 20 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2018 (Unaudited)

	<i>Notes</i>	<i>30 September 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
<b>Shareholders' liabilities</b>			
Takaful and other payables		58,581,660	50,564,229
Borrowings	9	55,500,621	58,520,000
Provision for employees' end of service benefits		2,673,544	2,545,369
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>		<b>116,755,825</b>	<b>111,629,598</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	150,000,000	150,000,000
Statutory reserve		6,027,540	5,121,798
Accumulated losses		(11,624,492)	(6,313,666)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>144,403,048</b>	<b>148,808,132</b>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>261,158,873</b>	<b>260,437,730</b>
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT AND SHAREHOLDERS' LIABILITIES AND EQUITY</b>		<b>1,016,255,191</b>	<b>840,831,728</b>

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 September 2018 (Unaudited)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 AED	2017 AED	2018 AED	2017 AED
<b>Attributable to policyholders:</b>					
Gross contribution written	10	158,623,062	126,857,425	463,392,689	477,602,466
Changes in unearned contributions	10	(24,445,783)	29,145,732	(74,884,605)	(9,835,324)
Takaful contributions earned		<u>134,177,279</u>	<u>156,003,157</u>	<u>388,508,084</u>	<u>467,767,142</u>
Retakaful contributions	10	(92,264,659)	(70,351,793)	(251,632,693)	(256,950,630)
Change in unearned contributions	10	24,864,439	(4,579,075)	53,621,746	46,469,235
Retakaful contributions ceded		<u>(67,400,220)</u>	<u>(74,930,868)</u>	<u>(198,010,947)</u>	<u>(210,481,395)</u>
Net earned contributions		<u>66,777,059</u>	<u>81,072,289</u>	<u>190,497,137</u>	<u>257,285,747</u>
Gross claims incurred		(63,578,797)	(94,875,237)	(256,956,043)	(292,610,406)
Retakaful share of claims incurred		<u>38,881,233</u>	<u>53,246,009</u>	<u>170,388,650</u>	<u>155,426,779</u>
<b>Net claims incurred</b>		<u>(24,697,564)</u>	<u>(41,629,228)</u>	<u>(86,567,393)</u>	<u>(137,183,627)</u>
Change in reserves	11	(11,750,467)	(10,144,120)	(34,823,013)	(25,229,917)
Net change in fair value of policyholders Investment linked contracts	11	(2,362,283)	(215,016)	(2,377,179)	(2,010,517)
<b>NET TAKAFUL INCOME</b>		<u>27,966,745</u>	<u>29,083,925</u>	<u>66,729,552</u>	<u>92,861,686</u>
Wakalah fees	12	(18,799,087)	(27,896,927)	(55,784,306)	(83,918,354)
Investment Income, net		<u>(1,146,591)</u>	<u>1,161,076</u>	<u>(1,092,273)</u>	<u>2,199,673</u>
Net surplus from takaful operations		<u>8,021,067</u>	<u>2,348,074</u>	<u>9,852,973</u>	<u>11,143,005</u>
<b>Attributable to shareholders:</b>					
Wakalah fees from policyholders	12	18,799,087	27,896,927	55,784,306	83,918,354
Investment income/ (loss), net		4,458,651	(2,482,722)	10,938,224	(3,257,376)
Other income		2,202,010	2,014,736	13,141,492	4,096,935
Commission incurred		(9,951,858)	(10,152,630)	(27,061,032)	(31,652,723)
General and administrative expenses		(16,864,426)	(19,127,216)	(53,598,547)	(62,806,358)
Recovery of / (provision for) Qard Hassan to policyholders' fund		<u>8,021,067</u>	<u>2,348,074</u>	<u>9,852,973</u>	<u>11,143,005</u>
<b>Profit for the period attributable to Shareholders</b>		<u>6,664,531</u>	<u>497,169</u>	<u>9,057,416</u>	<u>1,441,837</u>
<b>Basic and diluted profit per share</b>	13	<u>0.044</u>	<u>0.003</u>	<u>0.060</u>	<u>0.010</u>
Other comprehensive income		-	-	-	-
<b>TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD</b>		<u>6,664,531</u>	<u>497,169</u>	<u>9,057,416</u>	<u>1,441,837</u>

The accompanying notes 1 to 20 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 September 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 (Audited)	150,000,000	5,121,798	(6,313,666)	148,808,132
Total comprehensive income for the period	-	-	9,057,416	9,057,416
Cash dividend (Note 7)	-	-	(12,375,000)	(12,375,000)
Zakat approved (Note 8)	-	-	(1,087,500)	(1,087,500)
Transfer to statutory reserve	-	905,742	(905,742)	-
<b>Balance at 30 September 2018</b>	<b>150,000,000</b>	<b>6,027,540</b>	<b>(11,624,492)</b>	<b>144,403,048</b>
Balance at 1 January 2017 (Audited)	150,000,000	3,240,579	(11,278,446)	141,962,133
Total comprehensive income for the period	-	-	1,441,837	1,441,837
Cash dividend (Note 7)	-	-	(10,500,000)	(10,500,000)
Zakat Paid (Note 8)	-	-	(1,466,188)	(1,466,188)
Balance at 30 September 2017	150,000,000	3,240,579	(21,802,797)	131,437,782

The accompanying notes 1 to 20 form part of these interim condensed consolidated financial statements.

# TAKAFUL EMARAT - INSURANCE (PSC)

## INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2018 (Unaudited)

	Notes	Nine months period ended 30 September	
		2018 AED	2017 AED
<b>OPERATING ACTIVITIES</b>			
Profit for the period		9,057,416	1,441,837
Adjustments for:			
Depreciation and amortisation of property and equipment and intangible assets		3,492,408	1,331,171
Investment (income)/ loss, net		(9,845,951)	1,057,703
Provision for employees' end of service benefits		321,335	1,056,600
Operating profit before working capital changes and payment of employee end of service benefits		3,025,208	4,887,311
Employees' end of service benefits paid		(193,160)	(109,945)
<b>Operating profit before working capital changes</b>		<b>2,832,048</b>	<b>4,777,366</b>
<b>Changes in operating assets and liabilities:</b>			
Changes in retakaful contract assets		(66,510,071)	(98,523,649)
Changes in takaful receivables and other assets		(38,966,529)	(131,328,833)
Changes in deferred policy acquisition cost		(9,427,729)	(5,325,091)
Changes in takaful contract liabilities		106,030,071	79,342,831
Changes in takaful and other payables		58,705,443	148,282,565
<b>Net cash from/ (used in) operating activities</b>		<b>52,663,233</b>	<b>(2,774,811)</b>
<b>INVESTING ACTIVITIES</b>			
Change in deposits with maturity of more than three months		(2,976,000)	(83,168,000)
Purchase of investments at fair value through profit or loss		(169,369,696)	(123,985,660)
Proceeds from sale of investments at fair value through profit or loss		119,680,279	75,655,572
Deposit		-	23,000,000
Held to maturity investment		-	1,000,000
Investment loss/ (income), net		1,613,382	(1,057,703)
Purchase of intangible assets		(1,281,556)	(1,395,228)
Purchase of property and equipment		(5,777,426)	(384,048)
Addition to investments properties		(380,967)	(232,429)
<b>Net cash used in investing activities</b>		<b>(58,491,984)</b>	<b>(110,567,496)</b>
<b>FINANCING ACTIVITIES</b>			
Dividend paid		(12,375,000)	(10,500,000)
Zakat payment		(356,000)	(1,466,188)
Borrowings		(3,019,379)	3,675,000
<b>Net cash used in financing activities</b>		<b>(15,750,379)</b>	<b>(8,291,188)</b>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(21,579,130)</b>	<b>(121,633,495)</b>
Cash and cash equivalents at the beginning of the period	3	72,488,413	159,908,667
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>3</b>	<b>50,909,283</b>	<b>38,275,172</b>

The accompanying notes 1 to 20 form part of these interim condensed consolidated financial statements.

# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 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 13 November 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 nine months ended 30 September 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 established during the period ended 31 March 2017 for the purpose of holding investments.

# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.2 BASIS OF CONSOLIDATION (continued)

The interim condensed consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 30 September 2018.

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 September 2018		31 December 2017 (Audited)	
	Takaful Operations AED	Shareholders' Operations AED	Takaful Operations AED	Shareholders' Operations AED
Cash and bank balances	18,123,487	28,785,796	61,715,659	10,772,754
Deposits	37,170,000	4,224,000	24,250,000	168,000
Restricted deposit – Employee pension	-	-	-	10,000,000
	<u>55,293,487</u>	<u>33,009,796</u>	<u>85,965,659</u>	<u>20,940,754</u>
Less: Deposits maturing in more than - three months	(37,170,000)	(224,000)	(24,250,000)	(168,000)
Restricted deposit – Employee pension	-	-	-	(10,000,000)
<b>Total</b>	<u><u>18,123,487</u></u>	<u><u>32,785,796</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 3.50% per annum with maturity dates ranging from 20 September 2018 to 28 September 2019.

# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

### 4 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	<i>30 September 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
<b>Gross takaful contract liabilities</b>		
Claims reported	86,435,848	87,338,194
Claims incurred but not reported	45,970,561	38,881,602
Unearned contributions	205,562,297	130,677,692
Mathematical reserves	4,672,092	4,175,803
Policyholders' investment linked contracts at fair value	112,898,592	88,436,028
	<u>455,539,390</u>	<u>349,509,319</u>
<b>Retakaful contract assets</b>		
Retakaful share of claims reported	64,598,445	64,232,891
Retakaful share of claims incurred but not reported	27,579,442	16,737,632
Retakaful share of unearned contributions	117,225,540	63,603,793
Retakaful share of mathematical reserve	3,355,709	1,674,749
	<u>212,759,136</u>	<u>146,249,065</u>
<b>Net takaful contract liabilities</b>		
Claims reported	21,837,403	23,105,303
Claims incurred but not reported	18,391,119	22,143,970
Unearned contributions	88,336,757	67,073,899
Mathematical reserves	1,316,383	2,501,054
Fair value of policy holders investment linked contracts	112,898,592	88,436,028
	<u>242,780,254</u>	<u>203,260,254</u>
<b>Movement in payable to policyholders of investment linked contracts</b>		
Opening balance	88,436,028	55,969,153
Gross contribution	56,343,141	91,823,595
Allocation charges	(13,546,020)	(20,066,213)
Redemptions during the period / year	(20,711,736)	(41,442,384)
Change in fair value	2,377,179	2,151,877
	<u>112,898,592</u>	<u>88,436,028</u>

# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

### 5 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>30 September 2018</i>			
	<i>Attributable to individual life policyholders</i>	<i>Attributable to shareholders</i>	<i>Attributable to takaful operation</i>	<i>Total</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
Mutual funds	92,304,553	2,746,992	-	95,051,545
Sukuk investments	20,594,039	2,891,948	53,850,551	77,336,538
Equity investments – quoted	-	45,000,000	20,557,900	65,557,900
Equity investments – unquoted	-	13,936,767	-	13,936,767
<b>Total</b>	<b>112,898,592</b>	<b>64,575,707</b>	<b>74,408,451</b>	<b>251,882,750</b>

	<i>31 December 2017</i> <i>(Audited)</i>			
	<i>Attributable to individual life policyholders</i>	<i>Attributable to shareholders</i>	<i>Attributable to takaful operation</i>	<i>Total</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>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
<b>Total</b>	<b>88,436,028</b>	<b>73,574,944</b>	<b>31,949,793</b>	<b>193,960,765</b>

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:

	<i>30 September 2018</i> <i>AED</i>	<i>31 December 2017</i> <i>AED</i> <i>(Audited)</i>
At beginning of the period	<b>88,436,028</b>	55,969,153
Purchases during the period	<b>48,215,479</b>	71,757,382
Disposals during the period	<b>(26,130,094)</b>	(41,442,384)
Change in fair value during the period	<b>2,377,179</b>	2,151,877
<b>At end of the period</b>	<b>112,898,592</b>	<b>88,436,028</b>

## TAKAFUL EMARAT - INSURANCE (PSC)

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

#### 6 SHARE CAPITAL

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

#### 7 PROPOSED AND PAID DIVIDENDS

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

#### 8 ZAKAT

Zakat is payable by the shareholders. Management has informed the shareholders the amount of Zakat payable by each shareholder. Zakat paid in current period amounted to AED 356,000 for 2018 and Zakat paid in December 2017 amounted to AED 1,466,188.

#### 9 BORROWINGS

The borrowing of AED 55.50 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 September 2018 was AED 22.02 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 decrease of AED 2,100,629 in the carrying amount during 2018 is repayment of 3 instalments of the loan.

# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 10 NET EARNED CONTRIBUTIONS

	<i>Three month period ended 30 September 2018</i>			<i>Three month period ended 30 September 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	136,009,904	22,613,158	158,623,062	110,017,795	16,839,630	126,857,425
Change in unearned contributions	(22,792,586)	(1,653,197)	(24,445,783)	28,545,950	599,782	29,145,732
<b>Takaful contributions earned</b>	<b>113,217,318</b>	<b>20,959,961</b>	<b>134,177,279</b>	<b>138,563,745</b>	<b>17,439,412</b>	<b>156,003,157</b>
Retakaful contributions	88,922,494	3,342,166	92,264,660	67,947,802	2,403,991	70,351,793
Change in unearned contributions	(23,539,429)	(1,325,011)	(24,864,440)	4,241,454	337,621	4,579,075
<b>Retakaful contributions ceded</b>	<b>65,383,065</b>	<b>2,017,155</b>	<b>67,400,220</b>	<b>72,189,256</b>	<b>2,741,612</b>	<b>74,930,868</b>
<b>Net earned contributions</b>	<b>47,834,253</b>	<b>18,942,806</b>	<b>66,777,059</b>	<b>66,374,489</b>	<b>14,697,800</b>	<b>81,072,289</b>
	<i>Nine month period ended 30 September 2018</i>			<i>Nine month period ended 30 September 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	401,849,224	61,543,465	463,392,689	425,538,932	52,063,534	477,602,466
Change in unearned contributions	(74,372,093)	(512,512)	(74,884,605)	(8,970,611)	(864,713)	(9,835,324)
<b>Takaful contributions earned</b>	<b>327,477,131</b>	<b>61,030,953</b>	<b>388,508,084</b>	<b>416,568,321</b>	<b>51,198,821</b>	<b>467,767,142</b>
Retakaful contributions	244,710,011	6,922,683	251,632,694	248,776,626	8,174,004	256,950,630
Change in unearned contributions	(53,031,224)	(590,523)	(53,621,747)	(45,579,526)	(889,709)	(46,469,235)
<b>Retakaful contributions ceded</b>	<b>191,678,787</b>	<b>6,332,160</b>	<b>198,010,947</b>	<b>203,197,100</b>	<b>7,284,295</b>	<b>210,481,395</b>
<b>Net earned contributions</b>	<b>135,798,344</b>	<b>54,698,793</b>	<b>190,497,137</b>	<b>213,371,221</b>	<b>43,914,526</b>	<b>257,285,747</b>

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 11 CHANGE IN RESERVES

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018 AED</i>	<i>2017 AED</i>	<i>2018 AED</i>	<i>2017 AED</i>
Changes in mathematical reserve – takaful life	243,424	1,239,093	(1,188,782)	1,867,795
Change in reserve relating to takaful life products	13,869,326	9,120,043	38,388,974	25,372,639
Change in fair value-individual life policyholders	(2,362,283)	(215,016)	(2,377,179)	(2,010,517)
	<b>11,750,467</b>	<b>10,144,120</b>	<b>34,823,013</b>	<b>25,229,917</b>

### 12 WAKALAH FEES

Wakalah fees for the period ended 30 September 2018 amounted to AED 55,784,306 (30 September 2017: AED 83,918,354).

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 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018 AED</i>	<i>2017 AED</i>	<i>2018 AED</i>	<i>2017 AED</i>
Profit for the period attributable to shareholders (in AED)	<b>6,664,531</b>	497,169	<b>9,057,416</b>	1,441,837
Weighted average number of shares outstanding during the period	<b>150,000,000</b>	150,000,000	<b>150,000,000</b>	150,000,000
Profit per share (AED)	<b>0.044</b>	0.003	<b>0.060</b>	0.010

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>Nine month period ended 30 September</i>	
	<i>2018 AED</i>	<i>2017 AED</i>
<b>Compensation of key management personnel:</b>		
Short and long term benefits	<b>6,829,781</b>	3,936,635
<b>Transactions with related parties during the period</b>		
Realised gain on sale of investments at fair value through profit or loss	<b>3,420,000</b>	2,740,545
Gross written contribution	<b>6,639,611</b>	4,459,596
Gross claim incurred	<b>5,457,144</b>	925,307

# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

### 14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	<i>30 September 2018 AED</i>	<i>31 December 2017 AED (Audited)</i>
<b>Balances with related party</b>		
Claims reported	<b>554,204</b>	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.

	<i>30 September 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	327,477,131	61,030,953	388,508,084	10,938,224	68,925,798	79,864,022
Segment result	48,143,962	17,493,317	65,637,279	10,938,224	68,925,798	79,864,022
Wakala fees	(39,941,190)	(15,843,116)	(55,784,306)	-	-	-
Commission incurred	-	-	-	-	(27,061,032)	(27,061,032)
General and administrative expenses	-	-	-	-	(53,598,547)	(53,598,547)
Recovery of Qard Hassan to policyholders' fund	-	-	-	-	9,852,973	9,852,973
Profit / (loss) attributable to policyholders / shareholders	<b>8,202,772</b>	<b>1,650,201</b>	<b>9,852,973</b>	<b>10,938,224</b>	<b>(1,880,808)</b>	<b>9,057,416</b>

# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

### 15 SEGMENT INFORMATION (continued)

	30 September 2017					
	Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	416,568,321	51,198,821	467,767,142	(3,257,376)	88,015,289	84,757,913
Segment result	78,368,986	1,732,436	80,101,422	(3,257,376)	88,015,289	84,757,913
Wakala fees	(66,000,213)	(2,958,204)	(68,958,417)	-	-	-
Commission incurred	-	-	-	-	(31,652,723)	(31,652,723)
General and administrative expenses	-	-	-	-	(62,806,358)	(62,806,358)
Recovery of Qard Hassan to policyholders' fund.	-	-	-	-	11,143,005	11,143,005
Profit / (loss) attributable to policyholders / shareholders	12,368,773	(1,225,768)	11,143,005	(3,257,376)	4,699,213	1,441,837

### 30 September 2018

	Medical	Life	Underwriting	Shareholders'	Unallocated	Total	Total
	AED	and savings	total	investments	Others		
Segment assets	544,141,153	180,025,433	724,166,586	72,799,707	126,010,104	198,809,811	922,976,397
Segment liabilities	527,429,425	134,388,099	661,817,524	22,601,250	94,154,573	116,755,823	778,573,347

### As at 31 December 2017 (Audited)

	Medical	Life	Underwriting	Shareholders'	Unallocated	Total	Total
	AED	and savings	Total	investments	Others		
Segment assets	358,307,789	181,303,504	539,611,293	77,574,944	147,619,434	225,194,378	771,172,699
Segment liabilities	363,546,586	140,821,355	504,367,941	23,520,000	88,109,598	111,629,598	746,610,409

### 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 September 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).

	<i>30 September 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>
<b>Assets</b>				
Investments at fair value through profit or loss				
Equity investments - quoted	65,557,900	-	-	65,557,900
Equity investments - unquoted	-	-	13,936,767	13,936,767
Mutual funds	-	95,051,545	-	95,051,545
Sukuk investments	77,336,538	-	-	77,336,538
Investment property	-	39,153,396	-	39,153,396
	<u>142,894,438</u>	<u>134,204,941</u>	<u>13,936,767</u>	<u>291,036,146</u>
<b>Liabilities</b>				
Investment linked contracts	-	22,601,250	-	22,601,250
	<u>-</u>	<u>22,601,250</u>	<u>-</u>	<u>22,601,250</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>
<b>Assets</b>				
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>
<b>Liabilities</b>				
Investment linked contracts	-	88,436,028	-	88,436,028
	<u>-</u>	<u>88,436,028</u>	<u>-</u>	<u>88,436,028</u>

## TAKAFUL EMARAT - INSURANCE (PSC)

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 September 2018 (Unaudited)

#### 17 POLICY HOLDERS' FUND

	<i>30 September</i> <i>2018</i> <i>AED</i>	<i>31 December</i> <i>2017</i> <i>AED</i> <i>(Audited)</i>
<b>Deficit in policy holders' fund</b>		
Balance at the beginning of the period / year	(40,782,705)	(56,950,837)
Profit for the period/ year recovered	9,852,973	16,168,132
Balance at the end of the period /year	<u>(30,929,732)</u>	<u>(40,782,705)</u>
<b>Qard Hassan from shareholders</b>		
Balance at beginning of period / year	40,782,705	56,950,837
Deficit recovered during the period / year	(9,852,973)	(16,168,132)
Balance at the end of the period / year	<u>30,929,732</u>	<u>40,782,705</u>
Total deficit in policyholders' fund	<u>-</u>	<u>-</u>

#### 18 CONTINGENCIES

##### *Contingent liabilities*

At 30 September 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 967,537.0 (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 September 2018, the Group's capital commitment amounted to AED 37 million with respect to acquisition of a company (31 December 2017: AED 37 million).

#### 19 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.

#### 20 SEASONALITY OF RESULTS

Dividend income amounted to nil and AED 600 thousand for the three-month and nine-month periods ended 30 September 2018, respectively, and to nil and AED 500 thousand for the three-month and nine-month periods ended 30 September 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 September 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.