

**TAKAFUL EMARAT - INSURANCE
(PSC) AND ITS SUBSIDIARY**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

31 MARCH 2019 (UNAUDITED)

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three month period ended 31 March 2019

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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 2019, 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



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

13 May 2019

Dubai, United Arab Emirates


TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019 (Unaudited)

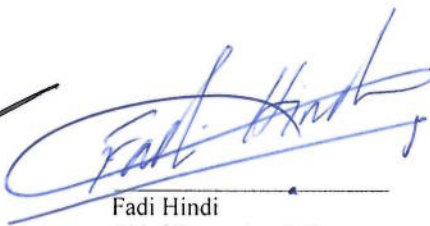
	<i>Notes</i>	31 March 2019 AED	31 December 2018 AED (Audited)
TAKAFUL OPERATIONS' ASSETS			
Cash and bank balances	3	32,994,523	60,939,584
Financial instruments	5	182,307,742	178,577,125
Takaful receivables and other assets		274,029,821	128,407,631
Retakaful contract assets	4	278,707,754	241,259,789
Investment properties		41,773,624	38,921,256
Deposit		7,373,754	-
Deferred policy acquisition cost		67,490,711	63,563,930
		884,677,929	711,669,315
SHAREHOLDERS' ASSETS			
Cash and bank balances	3	58,804,934	62,748,453
Financial instruments	5	110,079,090	107,294,556
Takaful receivables and other assets		36,259,362	34,540,816
Statutory deposit		4,000,000	4,000,000
Property and equipment		52,856,233	51,048,764
Intangible assets		5,137,609	4,897,937
Receivable from policyholders		51,424,222	62,217,380
		318,561,450	326,747,906
TOTAL ASSETS		1,203,239,379	1,038,417,221
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations liabilities			
Takaful and other payables		294,834,581	191,510,540
Takaful contract liabilities	4	571,317,079	492,248,900
Payable to shareholders		51,424,222	62,217,380
		917,575,882	745,976,820
DEFICIT IN POLICYHOLDERS' FUND AND QARD HASSAN FROM SHAREHOLDERS			
Deficit in policyholders' fund	16	(32,897,953)	(34,307,505)
Qard Hassan from shareholders	16	32,897,953	34,307,505
		-	-
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT		917,575,882	745,976,820


The accompanying notes 1 to 18 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 31 March 2019 (Unaudited)

	Note	31 March 2019 AED	31 December 2018 AED (Audited)
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Shareholders' liabilities			
Takaful and other payables		74,233,062	71,732,509
Borrowings	8	52,534,001	53,234,001
Provision for employees' end of service benefits		2,626,407	2,443,215
TOTAL SHAREHOLDERS' LIABILITIES		129,393,470	127,409,725
SHAREHOLDERS' EQUITY			
Share capital	6	150,000,000	150,000,000
Accumulated losses		(17,344,355)	(7,135,626)
Statutory reserve		6,558,666	6,526,302
Cumulative changes in fair value of investments		17,055,716	15,640,000
TOTAL SHAREHOLDERS' EQUITY		156,270,027	165,030,676
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		285,663,497	292,440,401
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT AND SHAREHOLDERS' LIABILITIES AND EQUITY		1,203,239,379	1,038,417,221


Mohammad Al-Hawari
Managing Director


Fadi Hindi
Chief Executive Officer


Wasim Ahmad
Chief Financial Officer



TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the period ended 31 March 2019 (Unaudited)

		<i>Three months ended 31 March</i>	
		<i>2019</i>	<i>2018</i>
		<i>AED</i>	<i>AED</i>
	<i>Notes</i>		
Attributable to policyholders:			
Gross contribution written	9	223,401,444	215,038,153
Changes in unearned contributions	9	(75,244,055)	(86,273,017)
		<u>148,157,389</u>	<u>128,765,136</u>
Takaful contributions earned			
Retakaful contributions	9	(120,709,590)	(126,964,829)
Change in unearned contributions	9	46,035,287	60,708,303
		<u>(74,674,303)</u>	<u>(66,256,526)</u>
Retakaful contributions ceded			
Net earned contributions		<u>73,483,086</u>	<u>62,508,610</u>
Gross claims incurred		(108,582,746)	(93,783,024)
Retakaful share of claims incurred		72,327,641	66,492,199
		<u>(36,255,105)</u>	<u>(27,290,825)</u>
Net claims incurred			
Change in reserves	10	(6,924,018)	(11,972,741)
Net change in fair value of policyholders investment linked contracts	10	(9,169,967)	222,659
		<u>21,133,996</u>	<u>23,467,703</u>
Net takaful income			
Wakalah fees	11	(21,493,473)	(21,064,423)
Investment Income, net		1,769,029	88,280
		<u>1,409,552</u>	<u>2,491,560</u>
Net surplus from takaful operations			
Attributable to shareholders:			
Wakalah fees from policyholders	11	21,493,473	21,064,423
Investment income/ (loss), net		3,934,214	(539,754)
Other income		2,481,048	9,095,263
Commission incurred		(8,895,552)	(10,107,098)
General and administrative expenses		(20,099,100)	(19,958,593)
Recovery of Qard Hassan to policyholders' fund		1,409,552	2,491,560
		<u>323,635</u>	<u>2,045,801</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS			
Basic and diluted profit per share (AED)	12	<u>0.002</u>	<u>0.014</u>

The accompanying notes 1 to 18 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY
INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 March 2019 (Unaudited)

		<i>Three months ended 31 March</i>	
		<i>2019</i>	<i>2018</i>
		<i>AED</i>	<i>AED</i>
	<i>Notes</i>		
Profit for the period attributable to shareholders		323,635	2,045,801
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income that could not be reclassified to profit or loss in subsequent periods</i>			
Net unrealised gain on available-for-sale investments	5 (b)	1,415,716	-
Other comprehensive income for the period		1,415,716	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,739,351	2,045,801

The accompanying notes 1 to 18 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY
INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 31 March 2019 (Unaudited)

	<i>Share capital AED</i>	<i>Statutory reserve AED</i>	<i>Accumulated losses AED</i>	<i>Cumulative changes in fair value AED</i>	<i>Total AED</i>
Balance at 1 January 2019	150,000,000	6,526,302	(7,135,626)	15,640,000	165,030,676
Total comprehensive income for the period	-	-	323,635	1,415,716	1,739,351
Cash dividend (Note 7)	-	-	(10,500,000)	-	(10,500,000)
Transfer to statutory reserve	-	32,364	(32,364)	-	-
Balance at 31 March 2019	<u>150,000,000</u>	<u>6,558,666</u>	<u>(17,344,355)</u>	<u>17,055,716</u>	<u>156,270,027</u>
Balance at 1 January 2018	150,000,000	5,121,798	(6,313,666)	-	148,808,132
Total comprehensive income for the year	-	-	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	<u>150,000,000</u>	<u>5,326,378</u>	<u>(16,847,445)</u>	<u>-</u>	<u>138,478,933</u>

The accompanying notes 1 to 18 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY
INTERIM CONSOLIDATED STATEMENT OF CASHFLOWS

For the period ended 31 March 2019 (Unaudited)

	<i>Three months period ended 31 March</i>	
	<i>2019</i>	<i>2018</i>
<i>Notes</i>	<i>AED</i>	<i>AED</i>
OPERATING ACTIVITIES		
Profit for the period	323,635	2,045,801
Adjustments for:		
Depreciation and amortisation of property and equipment and intangible assets	1,074,374	331,333
Other investment (income)/ loss	(13,462,041)	2,427,786
Provision for employees' end of service benefits	306,398	(364,412)
Provision for doubtful debts	525,214	892,713
Operating profit/ (loss) before working capital changes and payment of employee end of service benefits	(11,232,420)	5,333,221
Employees' end of service benefits paid	(123,206)	(116,873)
Operating (loss)/ profit before working capital changes	(11,355,626)	5,216,348
Changes in operating assets and liabilities:		
Changes in retakaful contract assets	(37,447,965)	(77,331,000)
Changes in takaful receivables and other assets	(147,865,951)	(36,787,245)
Changes in deferred policy acquisition cost	(3,926,781)	(2,742,754)
Changes in takaful contract liabilities	79,068,180	103,407,875
Changes in takaful and other payables	105,824,593	16,308,298
Net cash (used in)/ from operating activities	(15,703,550)	8,071,522
INVESTING ACTIVITIES		
Purchase of investments at fair value through profit or loss	(28,379,131)	(35,448,332)
Change in deposits with original maturity more than 3 months	4,056,000	6,944,000
Proceeds from sale of investments at fair value through profit or loss	36,741,738	5,621,046
Deposit	(7,373,754)	-
Investment loss/ (income), net	-	(451,474)
Purchase of property and equipment	(2,690,115)	(5,464,842)
Purchase of intangible assets	(431,400)	(396,035)
Addition to investments properties	(2,852,368)	-
Net cash used in investing activities	(929,030)	(29,195,637)
FINANCING ACTIVITY		
Dividend paid	(10,500,000)	-
Repayment of borrowings	(700,000)	(700,629)
Net cash used in financing activities	(11,200,000)	(700,629)
DECREASE IN CASH AND CASH EQUIVALENTS	(27,832,580)	(21,824,744)
Cash and cash equivalents at the beginning of the period	102,214,037	72,488,413
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD 3	74,381,457	50,663,669

The accompanying notes 1 to 18 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (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 57589, Dubai, United Arab Emirates.

These interim condensed consolidated financial statements were authorised for issue on 13 May 2019.

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 2018.

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 2018.

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 2019 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 consolidated financial statements for the year ended 31 December 2018. In addition, results for the three months ended 31 March 2019 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

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>	
			2019	2018
Modern Tech Investment	Investment	United Arab Emirates	99%	99%

Modern Tech Investment was established during the period ended 31 March 2017 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 2019.

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at 31 March 2019 (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 2019</i>		<i>31 December 2018</i>	
	<i>AED</i>		<i>AED</i> <i>(Audited)</i>	
	<i>Takaful Operations AED</i>	<i>Shareholders' Operations AED</i>	<i>Takaful Operations AED</i>	<i>Shareholders' Operations AED</i>
Cash and bank balances	15,744,523	58,636,934	38,689,584	48,524,453
Deposits	17,250,000	168,000	22,250,000	14,224,000
	<u>32,994,523</u>	<u>58,804,934</u>	<u>60,939,584</u>	<u>62,748,453</u>
Less: Deposits maturing in more than - three months	<u>(17,250,000)</u>	<u>(168,000)</u>	<u>(17,250,000)</u>	<u>(4,224,000)</u>
Total	<u><u>15,744,523</u></u>	<u><u>58,636,934</u></u>	<u><u>43,689,584</u></u>	<u><u>58,524,453</u></u>

The deposits carry profit rates ranging from 1.75% to 2.40% per annum with maturity dates ranging from 20 September 2019 to 28 September 2019

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Unaudited)

4 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Gross takaful contract liabilities		
Claims reported	110,871,387	130,492,669
Claims incurred but not reported	44,788,613	41,343,887
Unearned contributions	274,055,963	198,811,908
Mathematical reserves	4,517,937	4,071,000
Policyholders' investment linked contracts at fair value	137,083,179	117,529,436
	<u>571,317,079</u>	<u>492,248,900</u>
Retakaful contract assets		
Retakaful share of claims reported	89,223,208	100,766,807
Retakaful share of claims incurred but not reported	28,600,588	25,591,191
Retakaful share of unearned contributions	158,012,448	111,977,162
Retakaful share of mathematical reserve	2,871,510	2,924,629
	<u>278,707,754</u>	<u>241,259,789</u>
Net takaful contract liabilities		
Claims reported	21,648,179	29,725,862
Claims incurred but not reported	16,188,025	15,752,696
Unearned contributions	116,043,515	86,834,746
Mathematical reserves	1,646,427	1,146,371
Policyholders' investment linked contracts at fair value	137,083,179	117,529,436
	<u>292,609,325</u>	<u>250,989,111</u>
Movement in payable to policyholders of investment linked contracts		
Opening balance	117,529,436	88,436,028
Gross contribution	21,562,735	74,756,548
Allocation charges	(4,306,101)	(18,157,378)
Redemptions during the period/ year	(6,872,858)	(22,347,210)
Change in fair value	9,169,967	(5,158,552)
	<u>137,083,179</u>	<u>117,529,436</u>
Closing balance		

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2019 (Unaudited)

5 FINANCIAL INSTRUMENTS

	31 March 2019 AED	31 December 2018 AED (Audited)
<i>Takaful operations' assets</i>		
At fair value through profit or loss (Note 5(a))	182,307,742	178,577,125
<i>Shareholders' assets</i>		
At fair value through profit or loss (Note 5(a))	76,101,906	74,733,088
Available-for-sale (Note 5(b))	33,977,184	32,561,468
	110,079,090	107,294,556
Total	292,386,832	285,871,681

5(a) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2019			
	<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	112,293,149	946,770	-	113,239,919
Sukuk investments	24,790,030	13,595,553	29,634,805	68,020,388
Equity investments – quoted	-	47,622,816	15,589,758	63,212,574
Equity investments – unquoted	-	13,936,767	-	13,936,767
Total	137,083,179	76,101,906	45,224,563	258,409,648
	31 December 2018			
	<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	95,191,773	263,614	-	95,455,387
Sukuk investments	22,337,663	14,894,175	45,946,741	83,178,579
Equity investments – quoted	-	45,638,532	15,100,948	60,739,480
Equity investments – unquoted	-	13,936,767	-	13,936,767
Total	117,529,436	74,733,088	61,047,689	253,310,213

Sukuk Investments amounting to AED 12.72 million (31 December 2018: AED 22.07 million) are pledged against bank loan (Note 8).

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at 31 March 2019 (Unaudited)

5 FINANCIAL INSTRUMENTS (continued)

5(a) FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Movements during the period attributable to policyholders were as follows:

	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
At beginning of the period	117,529,436	88,436,028
Purchases during the period	17,900,922	67,092,410
Disposals during the period	(7,517,146)	(32,840,450)
Change in fair value during the period	9,169,967	(5,158,552)
	<u>137,083,179</u>	<u>117,529,436</u>

5(b) AVAILABLE-FOR-SALE (AFS)

	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Shares - quoted	<u>33,977,184</u>	<u>32,561,468</u>

The fair value gain amounting to AED 1.42 million (31 March 2018: Nil) has been recognised in the consolidated statement of other comprehensive income.

6 SHARE CAPITAL

	<i>31 March 2019 AED</i>	<i>31 December 2018 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>150,000,000</u>	<u>150,000,000</u>

7 DIVIDENDS

	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Cash dividend for 2019 of AED 0.07 per share (declared and paid)	10,500,000	-
Cash dividend for 2018 of AED 0.0825 per share (declared and paid)	-	12,375,000
	<u>10,500,000</u>	<u>12,375,000</u>

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at 31 March 2019 (Unaudited)

8 BORROWINGS

The borrowings of AED 52.53 million (31 December 2018: 53.23 million) consist of two parts. AED 21.03 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 2019 was AED 12.72 million. The borrowings carry a profit rate of 2.5% per annum above the 3 month EIBOR. AED 35 million loan was taken from Commercial Bank of Dubai for the purchase of new building used as an office space.

The Group's borrowings arising from financing activities include the above loans from First Gulf Bank and Commercial Bank of Dubai (2019: AED 52,534,001, 2018: AED 53,234,001, respectively). The decrease of AED 700,000 in the carrying amount during 2019 is due to repayment of one instalment of the loan.

9 NET EARNED CONTRIBUTIONS

	<i>Three month period ended 31 March 2019</i>		
	<i>Medical AED</i>	<i>Life and savings AED</i>	<i>Total AED</i>
Gross contributions written	200,285,362	23,116,082	223,401,444
Change in unearned contributions	(76,054,640)	810,585	(75,244,055)
Takaful contributions earned	124,230,722	23,926,667	148,157,389
Retakaful contributions	118,510,267	2,199,323	120,709,590
Change in unearned contributions	(46,738,129)	702,842	(46,035,287)
Retakaful contributions ceded	71,772,138	2,902,165	74,674,303
Net earned contributions	52,458,584	21,024,502	73,483,086
	<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	108,207,374	20,557,762	128,765,136
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	64,258,186	1,998,340	66,256,526
Net earned contributions	43,949,188	18,559,422	62,508,610

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10 CHANGE IN RESERVES

	<i>Three month period ended 31 March</i>	
	<i>2019</i>	<i>2018</i>
	<i>AED</i>	<i>AED</i>
Changes in mathematical reserve	500,056	(597,694)
Change in reserve relating to takaful life products	15,593,929	12,347,776
Change in fair value	(9,169,967)	222,659
	6,924,018	11,972,741

11 WAKALAH FEES

Wakalah fees for the period ended 31 March 2019 amounted to AED 21,493,473 (31 March 2018: AED 21,064,423).

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.

12 BASIC AND DILUTED PROFIT PER SHARE

	<i>Three month period ended 31 March</i>	
	<i>2019</i>	<i>2018</i>
Profit for the period attributable to shareholders (in AED)	323,635	2,045,801
Weighted average number of shares outstanding during the period	150,000,000	150,000,000
Profit per share (AED)	0.002	0.014

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.

13 RELATED PARTY TRANSACTIONS AND BALANCES

	<i>31 March</i>	<i>31 December</i>
	<i>2019</i>	<i>2018</i>
	<i>AED</i>	<i>AED</i>
		<i>(Audited)</i>
<i>Affiliates of major shareholders:</i>		
Equity Investments – quoted	5,066,534	5,139,436

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13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	<i>Three month period ended 31 March</i>	
	<i>2019</i> <i>AED</i>	<i>2018</i> <i>AED</i>
Compensation of key management personnel:		
Short and long term benefits	2,039,997	2,080,627
Transactions with related parties during the period		
Gross written contribution	5,893,051	6,626,278
Gross claim incurred	4,119,466	569,995
Balances with related party		
Claims reported	3,533,700	1,509,768

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 2019</i>					
	<i>Underwriting</i>			<i>Shareholders</i>		
	<i>Medical</i> <i>AED</i>	<i>Life</i> <i>AED</i>	<i>Total</i> <i>AED</i>	<i>Investments</i> <i>AED</i>	<i>Others</i> <i>AED</i>	<i>Total</i> <i>AED</i>
Segment revenue	124,230,722	23,926,667	148,157,389	3,934,214	23,974,521	27,908,735
Segment result	17,561,751	5,341,274	22,903,025	3,934,214	23,974,521	27,908,735
Wakala fees	(16,332,995)	(5,160,478)	(21,493,473)	-	-	-
Commission incurred	-	-	-	-	(8,895,552)	(8,895,552)
General and administrative expenses	-	-	-	-	(20,099,100)	(20,099,100)
Provision for Qard Hassan to policyholders' fund.	-	-	-	-	1,409,552	1,409,552
Profit/ (loss) attributable to policyholders/ shareholders	1,228,756	180,796	1,409,552	3,934,214	(3,610,579)	323,635

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14 SEGMENT INFORMATION (continued)

	31 March 2018					
	Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	108,207,373	20,557,762	128,765,135	(539,754)	30,159,686	29,619,932
Segment result	16,284,290	7,271,693	23,555,983	(539,754)	30,159,686	29,619,932
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	890,121	1,601,439	2,491,560	(539,754)	2,585,555	2,045,801

31 March 2019

	Medical AED	Life and savings AED	Underwriting Total AED	Shareholders' investments AED	Unallocated Others AED	Total AED	Total AED
	Segment assets	652,773,954	231,903,975	884,677,929	168,884,023	98,253,205	267,137,228
Segment liabilities	681,328,270	184,823,390	866,151,660	21,034,629	108,358,841	129,393,470	995,545,130

As at 31 December 2018 (Audited)

	Medical AED	Life and savings AED	Underwriting total AED	Shareholders' investments AED	Unallocated others AED	Total AED	Total AED
	Segment assets	496,282,350	215,386,965	711,669,315	170,043,009	94,487,517	264,530,526
Segment liabilities	521,187,935	162,571,505	683,759,440	21,034,629	106,375,096	127,409,725	811,169,165

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 2018.

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 2019</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	63,212,574	-	-	63,212,574
Equity investments - unquoted	-	-	13,936,767	13,936,767
Mutual funds	-	113,239,919	-	113,239,919
Sukuk investments	68,020,388	-	-	68,020,388
Available-for-sale	33,977,184	-	-	33,977,184
Investment property	-	41,773,624	-	41,773,624
	<u>165,210,146</u>	<u>155,013,543</u>	<u>13,936,767</u>	<u>334,160,456</u>
Liabilities				
Investment linked contracts	-	137,083,179	-	137,083,179

	<i>31 December 2018 (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	60,739,480	-	-	60,739,480
Equity investments - unquoted	-	-	13,936,767	13,936,767
Mutual funds	-	95,455,387	-	95,455,387
Sukuk investments	83,178,579	-	-	83,178,579
Available-for-sale	32,561,468	-	-	32,561,468
Investment property	-	38,921,256	-	38,921,256
	<u>176,479,527</u>	<u>134,376,643</u>	<u>13,936,767</u>	<u>324,792,937</u>
Liabilities				
Investment linked contracts	-	117,529,436	-	117,529,436

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16 POLICY HOLDERS' FUND

	<i>31 March 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Deficit in policy holders' fund		
Balance at the beginning of the period/ year	(34,307,505)	(40,782,705)
Surplus for the period/ year recovered	<u>1,409,552</u>	<u>6,475,200</u>
Balance at the end of the period/ year	<u>(32,897,953)</u>	(34,307,505)
Qard Hassan from shareholders		
Balance at beginning of period/ year	34,307,505	40,782,705
Deficit recovered during the period/ year	<u>(1,409,552)</u>	<u>(6,475,200)</u>
Balance at the end of the period/ year	<u>32,897,953</u>	<u>34,307,505</u>
Total deficit in policyholders' fund	<u><u>-</u></u>	<u><u>-</u></u>

17 CONTINGENCIES

Contingent liabilities

At 31 March 2019, 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 769,537 (31 December 2018: AED 967,537).

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.

There is an ongoing case of death claim, amounting to 4 million dollars, the Group's liability is limited to AED 100,000 only.

18 EVENTS AFTER THE REPORTING PERIOD

On 24 April 2019, the Group has notified the Dubai Financial Market that the proposed acquisition of Al Hilal Takaful, originally announced in 2017, will no longer proceed.