

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 SEPTEMBER 2019 (UNAUDITED)

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the nine month period ended 30 September 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 30 September 2019, 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

27 October 2019

Dubai, United Arab Emirates

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2019 (Unaudited)

	Notes	30 September 2019 AED	31 December 2018 AED
TAKAFUL OPERATIONS' ASSETS			
Cash and bank balances	3	39,414,055	60,939,584
Financial instruments	5	205,545,921	178,577,125
Takaful receivables and other assets		207,969,905	128,407,631
Retakaful contract assets	4	224,640,602	241,259,789
Investment properties		42,691,356	38,921,256
Deposit		7,373,754	-
Deferred policy acquisition cost		71,596,702	63,563,930
TOTAL TAKAFUL OPERATIONS' ASSETS		799,232,295	711,669,315
SHAREHOLDERS' ASSETS			
Cash and bank balances	3	9,161,714	62,748,453
Financial instruments	5	127,212,013	107,294,556
Takaful receivables and other assets		30,043,002	34,540,816
Statutory deposit		4,000,000	4,000,000
Property and equipment		51,208,183	51,048,764
Intangible assets		5,194,477	4,897,937
Receivable from policyholders		21,728,093	58,815,026
TOTAL SHAREHOLDERS' ASSETS		248,547,482	323,345,552
TOTAL ASSETS		1,047,779,777	1,035,014,867
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations liabilities			
Takaful and other payables		179,619,375	191,510,540
Takaful contract liabilities	4	604,451,527	492,248,900
Payable to shareholders		21,728,093	58,815,026
TOTAL TAKAFUL OPERATIONS' LIABILITIES		805,798,995	742,574,466
DEFICIT IN POLICYHOLDERS' FUND AND QARD HASSAN FROM SHAREHOLDERS			
Deficit in policyholders' fund	16	(6,566,700)	(30,905,151)
Qard Hassan from shareholders	16	6,566,700	30,905,151
NET DEFICIT IN POLICYHOLDERS' FUND AND QARD HASSAN FROM SHAREHOLDERS		-	-
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT		805,798,995	742,574,466



The accompanying notes 1 to 19 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 30 September 2019 (Unaudited)

	<i>Notes</i>	<i>30 September 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Shareholders' liabilities			
Takaful and other payables		58,939,995	71,732,509
Borrowings	8	41,028,092	53,234,001
Provision for employees' end of service benefits		3,213,833	2,443,215
TOTAL SHAREHOLDERS' LIABILITIES		103,181,920	127,409,725
SHAREHOLDERS' EQUITY			
Share capital	6	150,000,000	150,000,000
Statutory reserve		6,526,302	6,526,302
Accumulated losses		(35,207,871)	(7,135,626)
Cumulative changes in fair value of investments		17,480,431	15,640,000
TOTAL SHAREHOLDERS' EQUITY		138,798,862	165,030,676
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		241,980,782	292,440,401
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT AND SHAREHOLDERS' LIABILITIES AND EQUITY		1,047,779,777	1,035,014,867



Dr. Nooraldeen Subhi Ahmed Atatreh
Deputy Chairman




Mr. Lalitha Prasad
Chief Operating Officer

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

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

INTERIM CONSOLIDATED STATEMENT OF INCOME

For the period ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 AED	2018 AED	2019 AED	2018 AED
Attributable to policyholders:					
Gross contribution written	9	154,947,475	158,623,062	484,588,114	463,392,689
Changes in unearned contributions	9	3,153,653	(24,445,783)	(22,671,915)	(74,884,605)
Takaful contributions earned		<u>158,101,128</u>	<u>134,177,279</u>	<u>461,916,199</u>	<u>388,508,084</u>
Retakaful contributions	9	3,066,006	(92,264,660)	(153,229,660)	(251,632,694)
Change in unearned contributions	9	(24,048,451)	24,864,440	(20,344,939)	53,621,747
Retakaful contributions ceded		<u>(20,982,445)</u>	<u>(67,400,220)</u>	<u>(173,574,599)</u>	<u>(198,010,947)</u>
Net earned contributions		<u>137,118,683</u>	<u>66,777,059</u>	<u>288,341,600</u>	<u>190,497,137</u>
Gross claims incurred		(108,887,446)	(62,569,586)	(335,106,481)	(254,018,533)
Retakaful share of claims incurred		<u>711,544</u>	<u>38,881,233</u>	<u>148,071,061</u>	<u>170,388,650</u>
Net claims incurred		<u>(108,175,902)</u>	<u>(23,688,353)</u>	<u>(187,035,420)</u>	<u>(83,629,883)</u>
Change in reserves	10	(15,123,477)	(11,750,467)	(30,081,027)	(34,823,013)
Net change in fair value of policyholders					
Investment linked contracts	10	(1,387,641)	(2,362,283)	(16,881,042)	(2,377,179)
NET TAKAFUL INCOME		<u>12,431,663</u>	<u>28,975,956</u>	<u>54,344,111</u>	<u>69,667,062</u>
Wakalah fees	11	(18,951,253)	(18,799,087)	(61,367,582)	(55,784,306)
Investment (loss)/ income, net		<u>(1,552,111)</u>	<u>(1,146,591)</u>	<u>456,771</u>	<u>(1,092,273)</u>
Net (deficit)/ surplus from takaful operations		<u>(8,071,701)</u>	<u>9,030,278</u>	<u>(6,566,700)</u>	<u>12,790,483</u>
Attributable to shareholders:					
Wakalah fees from policyholders	11	18,951,253	18,799,087	61,367,582	55,784,306
Investment income, net		2,287,542	4,458,651	16,781,374	10,938,224
Other income		3,673,482	2,202,010	6,955,173	13,141,492
Commission incurred		(11,714,409)	(9,951,858)	(32,242,341)	(27,061,032)
General and administrative expenses		(24,209,622)	(17,873,637)	(63,867,333)	(56,536,057)
(Provision for)/ recovery of					
Qard Hassan to policyholders' fund		<u>(8,071,701)</u>	<u>9,030,278</u>	<u>(6,566,700)</u>	<u>12,790,483</u>
(DEFICIT)/ PROFIT FOR THE PERIOD					
ATTRIBUTABLE TO SHAREHOLDERS		<u>(19,083,455)</u>	<u>6,664,531</u>	<u>(17,572,245)</u>	<u>9,057,416</u>
Basic and diluted (loss)/ profit per share	12	<u>(0.127)</u>	<u>0.044</u>	<u>(0.117)</u>	<u>0.060</u>

The accompanying notes 1 to 19 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 30 September 2019

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
<i>Note</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
(Loss)/ profit for the period attributable to shareholders	(19,083,455)	6,664,531	(17,572,245)	9,057,416
OTHER COMPREHENSIVE INCOME				
<i>Other comprehensive income that could be reclassified to profit or loss in subsequent periods</i>				
Net unrealised gain on available-for-sale investments	5 (b) 1,415,716	-	1,840,431	-
Other comprehensive income for the period	1,415,716	-	1,840,431	-
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD	(17,667,739)	6,664,531	(15,731,814)	9,057,416

The accompanying notes 1 to 19 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 30 September 2019

	<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 as at 1 January 2019	150,000,000	6,526,302	(7,135,626)	15,640,000	165,030,676
Total comprehensive (loss)/ income for the period	-	-	(17,572,245)	1,840,431	(15,731,814)
Cash dividend (Note 7)	-	-	(10,500,000)	-	(10,500,000)
Transfer to statutory reserve	-	-	-	-	-
Balance as at 30 September 2019	150,000,000	6,526,302	(35,207,871)	17,480,431	138,798,862
Balance as at 1 January 2018	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 payable	-	-	(1,087,500)	-	(1,087,500)
Transfer to statutory reserve	-	905,742	(905,742)	-	-
Balance as at 30 September 2018	150,000,000	6,027,540	(11,624,492)	-	144,403,048

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

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2019

		<i>Nine months period ended 30 September</i>	
		<i>2019</i>	<i>2018</i>
<i>Notes</i>		<i>AED</i>	<i>AED</i>
OPERATING ACTIVITIES			
	(Loss)/ profit for the period	(17,572,245)	9,057,416
Adjustments for:			
	Depreciation and amortisation of property and equipment and intangible assets	3,251,006	3,492,408
	Investment income, net	(26,820,255)	(9,845,951)
	Provision for employees' end of service benefits	1,663,939	321,335
	Provision for doubtful accounts	851,018	-
	Operating (loss)/ profit before working capital changes and payment of employee end of service benefits	(38,626,537)	3,025,208
	Employees' end of service benefits paid	(893,321)	(193,160)
	Operating (loss)/ profit before working capital changes	(39,519,858)	2,832,048
Changes in operating assets and liabilities:			
	Changes in retakaful contract assets	16,619,187	(66,510,071)
	Changes in takaful receivables and other assets	(75,915,478)	(38,966,529)
	Changes in deferred policy acquisition cost	(8,032,772)	(9,427,729)
	Changes in takaful contract liabilities	112,202,628	106,030,071
	Changes in takaful and other payables	(24,683,681)	58,705,443
	Net cash (used in)/ from operating activities	(19,329,974)	52,663,233
INVESTING ACTIVITIES			
	Change in deposits with maturity of more than three months	4,224,000	(2,976,000)
	Purchase of investments at fair value through profit or loss	(96,854,971)	(169,369,696)
	Proceeds from sale of investments at fair value through profit or loss	78,629,405	119,680,279
	Deposit	(7,373,754)	-
	Investment income, net	-	1,613,382
	Purchase of intangible assets	(911,895)	(1,281,556)
	Purchase of property and equipment	(2,795,070)	(5,777,426)
	Addition to investments properties	(3,770,100)	(380,967)
	Net cash used in investing activities	(28,852,385)	(58,491,984)
FINANCING ACTIVITIES			
	Dividend paid	(10,500,000)	(12,375,000)
	Zakat payment	-	(356,000)
	Borrowings	(12,205,909)	(3,019,379)
	Net cash used in financing activities	(22,705,909)	(15,750,379)
	DECREASE IN CASH AND CASH EQUIVALENTS	(70,888,268)	(21,579,130)
	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	31,325,769	50,909,283

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

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019

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 24 October 2019.

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.

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 interim condensed consolidated financial statements are consistent with those used in the preparation of the consolidated 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 nine months ended 30 September 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.

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 At 30 September 2019

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 2019.

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>30 September 2019</i>		<i>31 December 2018</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	22,164,055	7,161,714	38,689,584	48,524,453
Deposits	17,250,000	2,000,000	22,250,000	14,224,000
	<u>39,414,055</u>	<u>9,161,714</u>	<u>60,939,584</u>	<u>62,748,453</u>
Less: Deposits maturing in more than - three months	(17,250,000)	-	(17,250,000)	(4,224,000)
Total	<u>22,164,055</u>	<u>9,161,714</u>	<u>43,689,584</u>	<u>58,524,453</u>

The deposits carry profit rates ranging from 2.35% to 3.40% per annum with maturity dates ranging from 20 October 2019 to 28 September 2020.

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019

4 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	<i>30 September 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Gross takaful contract liabilities		
Claims reported	152,953,556	130,492,669
Claims incurred but not reported	63,908,193	41,343,887
Unearned contributions	221,483,823	198,811,908
Mathematical reserves	4,731,237	4,071,000
Policyholders' investment linked contracts at fair value	161,374,718	117,529,436
	<u>604,451,527</u>	<u>492,248,900</u>
Retakaful contract assets		
Retakaful share of claims reported	99,291,139	100,766,807
Retakaful share of claims incurred but not reported	31,085,723	25,591,191
Retakaful share of unearned contributions	91,632,223	111,977,162
Retakaful share of mathematical reserve	2,631,517	2,924,629
	<u>224,640,602</u>	<u>241,259,789</u>
Net takaful contract liabilities		
Claims reported	53,662,417	29,725,862
Claims incurred but not reported	32,822,470	15,752,696
Unearned contributions	129,851,600	86,834,746
Mathematical reserves	2,099,720	1,146,371
Policyholders' investment linked contracts at fair value	161,374,718	117,529,436
	<u>379,810,925</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	66,468,657	74,756,548
Allocation charges	(16,057,115)	(18,157,378)
Redemptions and other charges	(23,447,302)	(22,347,210)
Change in fair value	16,881,042	(5,158,552)
	<u>161,374,718</u>	<u>117,529,436</u>

5 FINANCIAL INSTRUMENTS

	<i>30 September 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
<i>Takaful operations' assets</i>		
At fair value through profit or loss (Note 5(a))	205,545,921	178,577,125
<i>Shareholders' assets</i>		
At fair value through profit or loss (Note 5(a))	92,810,114	74,733,088
Available-for-sale (Note 5(b))	34,401,899	32,561,468
	<u>127,212,013</u>	<u>107,294,556</u>
Total	<u>332,757,934</u>	<u>285,871,681</u>

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2019

5 FINANCIAL INSTRUMENTS (continued)

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

	<i>30 September 2019</i>			
	<i>Attributable to individual life policyholders AED</i>	<i>Attributable to shareholders AED</i>	<i>Attributable to takaful operation AED</i>	<i>Total AED</i>
Mutual funds	131,236,852	3,913,545	-	135,150,397
Sukuk investments	30,137,866	18,333,959	30,409,401	78,881,226
Equity investments – quoted	-	48,218,101	13,761,802	61,979,903
Equity investments – unquoted	-	22,344,509	-	22,344,509
Total	161,374,718	92,810,114	44,171,203	298,356,035

	<i>31 December 2018 (Audited)</i>			
	<i>Attributable to individual life policyholders AED</i>	<i>Attributable to shareholders AED</i>	<i>Attributable to takaful operation AED</i>	<i>Total AED</i>
Mutual funds	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 12.41 million (31 December 2018: AED 22.07 million) are pledged against bank loan (Note 8).

Movements during the period attributable to policyholders were as follows:

	<i>30 September 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	59,414,484	74,756,548
Disposals during the period	(32,450,244)	(40,504,588)
Change in fair value during the period	16,881,042	(5,158,552)
At end of the period	161,374,718	117,529,436

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
 At 30 September 2019

5 FINANCIAL INSTRUMENTS (continued)

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

	<i>30 September 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Shares - quoted	<u>34,401,899</u>	<u>32,561,468</u>

The fair value gain amounting to AED 1,840,431 (30 September 2018: Nil) has been recognised in the consolidated statement of other comprehensive income.

6 SHARE CAPITAL

	<i>30 September 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>30 September 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Cash dividend for 2019 of AED 0.07 per share (declared and paid)	<u>10,500,000</u>	-
Cash dividend for 2018 of AED 0.0825 per share (declared and paid)	-	<u>12,375,000</u>
	<u>10,500,000</u>	<u>12,375,000</u>

8 BORROWINGS

The borrowing of AED 41.03 million (31 December 2018: 53.23 million) consist of two parts. AED 10.92 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 2019 was AED 12.41 million. The borrowings carry a profit rate of 2.5% per annum above the 3 month EIBOR. 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 Abu Dhabi Bank and Commercial Bank of Dubai (2019: AED 41,028,092, 2018: AED 53,234,001, respectively). The carrying amount of borrowing from CBD during 2019 is repayment of 3 instalments of the loan for AED 2,100,000, whereas, the borrowing the FAB decreased by AED 10,105,908 arising from redemption of DIB Sukuk.

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9 NET EARNED CONTRIBUTIONS

	<i>Three month period ended 30 September 2019</i>			<i>Three month period ended 30 September 2018</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	129,230,273	25,717,202	154,947,475	136,009,904	22,613,158	158,623,062
Change in unearned contributions	4,315,669	(1,162,016)	3,153,653	(22,792,586)	(1,653,197)	(24,445,783)
Takaful contributions earned	133,545,942	24,555,186	158,101,128	113,217,318	20,959,961	134,177,279
Retakaful contributions	(6,184,596)	3,118,590	(3,066,006)	88,922,494	3,342,166	92,264,660
Change in unearned contributions	25,250,610	(1,202,159)	24,048,451	(23,539,429)	(1,325,011)	(24,864,440)
Retakaful contributions ceded	19,066,014	1,916,431	20,982,445	65,383,065	2,017,155	67,400,220
Net earned contributions	114,479,928	22,638,755	137,118,683	47,834,253	18,942,806	66,777,059
	<i>Nine month period ended 30 September 2019</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	412,638,423	71,949,691	484,588,114	401,849,224	61,543,465	463,392,689
Change in unearned contributions	(22,614,959)	(56,956)	(22,671,915)	(74,372,093)	(512,512)	(74,884,605)
Takaful contributions earned	390,023,464	71,892,735	461,916,199	327,477,131	61,030,953	388,508,084
Retakaful contributions	146,234,203	6,995,457	153,229,660	244,710,011	6,922,683	251,632,694
Change in unearned contributions	20,574,674	(229,735)	20,344,939	(53,031,224)	(590,523)	(53,621,747)
Retakaful contributions ceded	166,808,877	6,765,722	173,574,599	191,678,787	6,332,160	198,010,947
Net earned contributions	223,214,587	65,127,013	288,341,600	135,798,344	54,698,793	190,497,137
	<i>Nine month period ended 30 September 2018</i>					

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10 CHANGE IN RESERVES

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2019 AED</i>	<i>2018 AED</i>	<i>2019 AED</i>	<i>2018 AED</i>
Changes in mathematical reserve	297,479	243,424	997,099	(1,188,782)
Change in reserve relating to takaful life products	16,213,639	13,869,326	45,964,970	38,388,974
Change in fair value	(1,387,641)	(2,362,283)	(16,881,042)	(2,377,179)
	<u>15,123,477</u>	<u>11,750,467</u>	<u>30,081,027</u>	<u>34,823,013</u>

11 WAKALAH FEES

Wakalah fees for the period ended 30 September 2019 amounted to AED 61,367,582 (30 September 2018: AED 55,784,306).

For group life and group medical policies, wakalah fees were charged up to 13% 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 months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2019 AED</i>	<i>2018 AED</i>	<i>2019 AED</i>	<i>2018 AED</i>
(Loss)/ profit for the period attributable to shareholders (in AED)	(19,083,454)	6,664,531	(17,572,244)	9,057,416
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>
(Loss)/ profit per share (AED)	<u>(0.127)</u>	<u>0.044</u>	<u>(0.117)</u>	<u>0.060</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.

13 RELATED PARTY TRANSACTIONS AND BALANCES

	<i>30 September 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
<i>Affiliates of major shareholders:</i>		
Equity Investments – quoted	<u>4,405,231</u>	<u>5,139,436</u>

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13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	<i>Nine month period ended 30 September</i>	
	<i>2019 AED</i>	<i>2018 AED</i>
Compensation of key management personnel:		
Short and long-term benefits	3,979,637	6,829,781
Transactions with related parties during the period		
Realised gain on sale of investments at fair value through profit or loss	-	3,420,000
Gross written contribution	8,012,470	6,639,611
Gross claim incurred	3,145,563	5,457,144
	<i>30 September 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Balances with related party		
Claims reported	725,296	846,407

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.

30 September 2019

	<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	390,023,464	71,892,735	461,916,199	16,781,374	68,322,755	85,104,129
Segment result	36,249,877	18,551,005	54,800,882	16,781,374	68,322,755	85,104,129
Wakala fees	(43,039,225)	(18,328,357)	(61,367,582)	-	-	-
Commission incurred	-	-	-	-	(32,242,341)	(32,242,341)
General and administrative expenses	-	-	-	-	(63,867,333)	(63,867,333)
Recovery of Qard Hassan to policyholders' fund	-	-	-	-	(6,566,700)	(6,566,700)
(Loss) / profit attributable to policyholders / shareholders	(6,789,348)	222,648	(6,566,700)	16,781,374	(34,353,619)	(17,572,245)

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14 SEGMENT INFORMATION (continued)

30 September 2018

	<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	-	-	-	-	(56,536,057)	(56,536,057)
Recovery of Qard Hassan to policyholders' fund	-	-	-	-	12,790,483	12,790,483
Profit / (loss) attributable to policyholders / shareholders	8,202,772	1,650,201	9,852,973	10,938,224	(1,880,808)	9,057,416

30 September 2019

	<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	507,203,134	292,029,161	799,232,295	136,373,727	90,445,662	226,819,389
Segment liabilities	570,224,965	213,845,937	784,070,902	10,928,722	92,253,198	103,181,920	887,252,822

As at 31 December 2018 (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	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>30 September 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	61,979,903	-	-	61,979,903
Equity investments - unquoted	-	-	22,344,509	22,344,509
Mutual funds	-	135,150,397	-	135,150,397
Sukuk investments	78,881,226	-	-	78,881,226
Available-for-sale securities	34,401,899	-	-	34,401,899
Investment property	-	42,691,356	-	42,691,356
	<u>175,263,028</u>	<u>177,841,753</u>	<u>22,344,509</u>	<u>375,449,290</u>
Liabilities				
Investment linked contracts	-	161,374,718	-	161,374,718

	<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>30 September 2019 AED</i>	<i>31 December 2018 AED (Reclassified)</i>
Deficit in policy holders' fund		
Balance at the beginning of the period	(30,905,151)	(40,782,705)
(Deficit)/ surplus for the period recovered	(6,566,700)	9,877,554
Qard Hassan written off	30,905,151	-
	<u>(6,566,700)</u>	<u>(30,905,151)</u>
Qard Hassan from shareholders		
Balance at beginning of period	30,905,151	40,782,705
Surplus recovered during the period	6,566,700	(9,877,554)
Qard Hassan written off	(30,905,151)	-
	<u>6,566,700</u>	<u>30,905,151</u>
Total deficit in policyholders' fund	<u>-</u>	<u>-</u>

17 CONTINGENCIES

Contingent liabilities

At 30 September 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 is anticipated that no material liabilities will arise, amounting to AED 625,537 (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 SEASONALITY OF RESULTS

Dividend income amounted to nil and AED 765 thousand for the three-month and nine-month periods ended 30 September 2019, respectively, and to nil and AED 600 thousand for the three-month and nine-month periods ended 30 September 2018, 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 2019 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 2019.

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19 COMPARATIVE INFORMATION

Reclassification

TPA expenses for non-risk business incurred for the nine months ended 30 September 2018 amounting to AED 2,937,510 was reclassified from gross claims incurred to general and administrative expenses. The reclassification resulted to an adjustment of net surplus from takaful operations, but without impact on profit attributable to shareholders.

Total TPA expenses reclassified for the year ended 31 December 2018 amounted to AED 3,402,354 resulted to adjustment of net surplus from takaful operations, but without impact on profit attributable to shareholders.

The following tables summarise the effect of reclassification adjustments on the interim condensed consolidated financial statements.

	<i>30 September 2018 AED (Reclassified)</i>	<i>30 September 2018 AED (Previously reported)</i>
<i>Interim Condensed Consolidated Statement of Comprehensive Income</i>		
Gross claims incurred	(254,018,533)	(256,956,043)
Net surplus from takaful operations	12,790,483	9,852,973
General and administrative expenses	(56,536,057)	(53,598,547)

Interim Condensed Consolidated Statement of Financial Position

Deficit in policyholders' fund	(27,992,222)	(30,929,732)
Qard Hassan from shareholders	27,992,222	30,929,732
	<i>31 December 2018 AED (Reclassified)</i>	<i>31 December 2018 AED (Previously reported)</i>

Interim Condensed Consolidated Statement of Comprehensive Income

Gross claims incurred	(382,100,789)	(385,503,143)
Net surplus from takaful operations	9,877,554	6,475,200
General and administrative expenses	(87,264,972)	(83,862,618)