

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

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

30 JUNE 2019 (UNAUDITED)

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended 30 June 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 June 2019, and the related interim consolidated statements of comprehensive income for the three-month and six-month periods then ended and the related interim consolidated statement of changes in equity and cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

For Ernst & Young



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

23 July 2019

Dubai, United Arab Emirates

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


	<i>Notes</i>	<i>30 June 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
TAKAFUL OPERATIONS' ASSETS			
Cash and bank balances	3	33,132,897	60,939,584
Financial instruments	5	198,132,541	178,577,125
Takaful receivables and other assets		261,823,594	128,407,631
Retakaful contract assets	4	256,411,822	241,259,789
Investment properties		42,213,963	38,921,256
Deposit		7,373,754	-
Deferred policy acquisition cost		69,393,232	63,563,930
TOTAL TAKAFUL OPERATIONS' ASSETS		868,481,803	711,669,315
SHAREHOLDERS' ASSETS			
Cash and bank balances	3	19,263,800	62,748,453
Financial instruments	5	115,734,681	107,294,556
Takaful receivables and other assets		28,621,342	34,540,816
Statutory deposit		4,000,000	4,000,000
Property and equipment		52,047,356	51,048,764
Intangible assets		10,063,635	4,897,937
Receivable from policyholders		62,001,916	62,217,380
TOTAL SHAREHOLDERS' ASSETS		291,732,730	326,747,906
TOTAL ASSETS		1,160,214,533	1,038,417,221
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations liabilities			
Takaful and other payables		269,597,397	191,510,540
Takaful contract liabilities	4	566,282,640	492,248,900
Payable to shareholders		62,001,916	62,217,380
TOTAL TAKAFUL OPERATIONS' LIABILITIES		897,881,953	745,976,820
DEFICIT IN POLICYHOLDERS' FUND AND QARD HASSAN FROM SHAREHOLDERS			
Deficit in policyholders' fund	16	(29,400,150)	(30,905,151)
Qard Hassan from shareholders	16	29,400,150	30,905,151
NET DEFICIT IN POLICYHOLDERS' FUND AND QARD HASSAN FROM SHAREHOLDERS		-	-
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT		897,881,953	745,976,820

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 June 2019 (Unaudited)

	<i>Notes</i>	30 June 2019 AED	31 December 2018 AED (Audited)
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Takaful and other payables		62,102,883	71,732,509
Borrowings	8	40,809,001	53,234,001
Provision for employees' end of service benefits		2,954,095	2,443,215
TOTAL SHAREHOLDERS' LIABILITIES		105,865,979	127,409,725
 SHAREHOLDERS' EQUITY			
Share capital	6	150,000,000	150,000,000
Statutory reserve		6,677,423	6,526,302
Accumulated losses		(16,275,537)	(7,135,626)
Cumulative changes in fair value of investments		16,064,715	15,640,000
TOTAL SHAREHOLDERS' EQUITY		156,466,601	165,030,676
TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY		262,332,580	292,440,401
 TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT AND SHAREHOLDERS' LIABILITIES AND EQUITY		1,160,214,533	1,038,417,221


Fadi Hindi
Chief Executive Officer


Wasim Ahmad
Chief Financial 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 June 2019 (Unaudited)

	Notes	Three months ended 30 June		Six months ended 30 June	
		2019 AED	2018 AED (Reclassified*)	2019 AED	2018 AED (Reclassified*)
Attributable to policyholders:					
Gross contribution written	9	106,239,195	89,731,474	329,640,639	304,769,627
Changes in unearned contributions	9	49,418,487	35,834,195	(25,825,568)	(50,438,822)
Takaful contributions earned		155,657,682	125,565,669	303,815,071	254,330,805
Retakaful contributions	9	(35,586,076)	(32,403,205)	(156,295,666)	(159,368,034)
Change in unearned contributions	9	(42,331,775)	(31,950,996)	3,703,512	28,757,307
Retakaful contributions ceded		(77,917,851)	(64,354,201)	(152,592,154)	(130,610,727)
Net earned contributions		77,739,831	61,211,468	151,222,917	123,720,078
Gross claims incurred		(117,636,289)	(97,665,923)	(226,219,035)	(191,448,947)
Retakaful share of claims incurred		75,031,876	65,015,218	147,359,517	131,507,417
Net claims incurred		(42,604,413)	(32,650,705)	(78,859,518)	(59,941,530)
Change in reserves	10	(8,033,532)	(11,099,805)	(14,957,550)	(23,072,546)
Net change in fair value of policyholders investment linked contracts	10	(6,323,434)	(237,555)	(15,493,401)	(14,896)
Net takaful income		20,778,452	17,223,403	41,912,448	40,691,106
Wakalah fees to shareholders	11	(20,922,856)	(15,920,796)	(42,416,329)	(36,985,219)
Investment Income, net		239,853	(33,962)	2,008,882	54,318
Net surplus from takaful operations		95,449	1,268,645	1,505,001	3,760,205
Attributable to shareholders:					
Wakalah fees from policyholders	11	20,922,856	15,920,796	42,416,329	36,985,219
Investment income, net		10,559,618	7,019,327	14,493,832	6,479,573
Other income		800,643	1,844,219	3,281,691	10,939,482
Commission incurred		(11,632,380)	(7,002,076)	(20,527,932)	(17,109,174)
General and administrative expenses		(19,558,611)	(18,703,827)	(39,657,711)	(38,662,420)
Recovery of Qard Hassan to policyholders' fund		95,449	1,268,845	1,505,001	3,760,205
PROFIT FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS		1,187,575	347,084	1,511,210	2,392,885
Basic and diluted profit per share	12	0.008	0.002	0.010	0.016

* Details of the reclassification are provided in note 19.

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 June 2019 (Unaudited)

	<i>Note</i>	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
		<i>2019</i> <i>AED</i>	<i>2018</i> <i>AED</i>	<i>2019</i> <i>AED</i>	<i>2018</i> <i>AED</i>
Profit for the period attributable to shareholders		1,187,575	347,084	1,511,210	2,392,885
OTHER COMPREHENSIVE INCOME					
<i>Other comprehensive income that could be reclassified to profit or loss in subsequent periods</i>					
Net unrealised (loss)/ gain on available-for-sale investments	5 (b)	(991,001)	-	424,715	-
Other comprehensive (loss)/ income for the period		(991,001)	-	424,715	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		196,574	347,084	1,935,925	2,392,885

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 June 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	-	-	1,511,210	424,715	1,935,925
Cash dividend (Note 7)	-	-	(10,500,000)	-	(10,500,000)
Transfer to statutory reserve	-	151,121	(151,121)	-	-
Balance at 30 June 2019	150,000,000	6,677,423	(16,275,537)	16,064,715	156,466,601
Balance at 1 January 2018	150,000,000	5,121,798	(6,313,666)	-	148,808,132
Total comprehensive income for the period	-	-	2,392,885	-	2,392,885
Cash dividend (Note 7)	-	-	(12,375,000)	-	(12,375,000)
Zakat payable	-	-	(1,087,500)	-	(1,087,500)
Transfer to statutory reserve	-	239,289	(239,289)	-	-
Balance at 30 June 2018	150,000,000	5,361,087	(17,622,570)	-	137,738,517

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 CASHFLOWS

For the period ended 30 June 2019 (Unaudited)

		<i>Six months period ended 30 June</i>	
		<i>2019</i>	<i>2018</i>
		<i>AED</i>	<i>AED</i>
	<i>Notes</i>		
OPERATING ACTIVITIES			
Profit for the period		1,511,210	2,392,885
Adjustments for:			
Depreciation and amortisation of property and equipment and intangible assets		2,148,182	997,412
Investment income, net		(26,092,341)	(9,708,420)
Loss on sale of property and equipment		-	62,735
Provision for employees' end of service benefits		686,352	17,898
Provision for doubtful accounts		763,116	2,227,591
Operating loss before working capital changes and payment of employee end of service benefits		(20,983,481)	(4,009,899)
Employees' end of service benefits paid		(175,472)	(160,783)
Operating loss before working capital changes		(21,158,953)	(4,170,682)
Changes in operating assets and liabilities:			
Changes in retakaful contract assets	4	(15,152,033)	(44,585,873)
Changes in takaful receivables and other assets		(128,259,605)	(72,363,807)
Changes in deferred policy acquisition cost		(5,829,302)	(6,229,887)
Changes in takaful contract liabilities	4	74,033,740	86,091,606
Changes in takaful and other payables		68,457,231	15,620,434
Net cash used in operating activities		(27,908,922)	(25,638,209)
INVESTING ACTIVITIES			
Change in deposits maturing in more than three months		4,056,000	16,944,000
Purchase of investments at fair value through profit or loss		(57,890,734)	(41,911,069)
Proceeds from sale of investments at fair value through profit or loss		56,412,249	38,754,236
Deposit		(7,373,754)	-
Investment income, net		-	6,533,891
Purchase of intangible assets		(5,548,357)	(874,479)
Purchase of property and equipment		(2,764,115)	(4,369,173)
Proceeds from disposal of property and equipment		-	8,000
Addition to investments properties		(3,292,707)	(245,542)
Net cash (used in)/ from investing activities		(16,401,418)	14,839,864
FINANCING ACTIVITY			
Dividend paid	7	(10,500,000)	(12,375,000)
Borrowing	8	(12,425,000)	(2,319,379)
Net cash used in financing activities		(22,925,000)	(14,694,379)
DECREASE IN CASH AND CASH EQUIVALENTS		(67,235,340)	(25,492,724)
Cash and cash equivalents at the beginning of the period	3	102,214,037	72,488,413
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3	34,978,697	46,995,689

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
As at 30 June 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 23 July 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 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 financial statements for the year ended 31 December 2018. In addition, results for the six months ended 30 June 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 establishment 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
As at 30 June 2019 (Unaudited)

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 30 June 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 June 2019</i> <i>AED</i>		<i>31 December 2018</i> <i>AED</i> <i>(Audited)</i>	
	<i>Takaful</i> <i>Operations</i> <i>AED</i>	<i>Shareholders'</i> <i>Operations</i> <i>AED</i>	<i>Takaful</i> <i>Operations</i> <i>AED</i>	<i>Shareholders'</i> <i>Operations</i> <i>AED</i>
Cash and bank balances	15,882,897	19,095,800	38,689,584	48,524,453
Deposits	17,250,000	168,000	22,250,000	14,224,000
	<u>33,132,897</u>	<u>19,263,800</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>15,882,897</u></u>	<u><u>19,095,800</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 30 June 2019 (Unaudited)

4 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	<i>30 June 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Gross takaful contract liabilities		
Claims reported	141,092,081	130,492,669
Claims incurred but not reported	43,457,978	41,343,887
Unearned contributions	224,637,476	198,811,908
Mathematical reserves	4,745,763	4,071,000
Policyholders' investment linked contracts at fair value	152,349,342	117,529,436
	566,282,640	492,248,900
 Retakaful contract assets		
Retakaful share of claims reported	111,483,376	100,766,807
Retakaful share of claims incurred but not reported	26,348,000	25,591,191
Retakaful share of unearned contributions	115,680,674	111,977,162
Retakaful share of mathematical reserve	2,899,772	2,924,629
	256,411,822	241,259,789
 Net takaful contract liabilities		
Claims reported	29,608,705	29,725,862
Claims incurred but not reported	17,109,978	15,752,696
Unearned contributions	108,956,802	86,834,746
Mathematical reserves	1,845,991	1,146,371
Policyholders' investment linked contracts at fair value	152,349,342	117,529,436
	309,870,818	250,989,111
 Movement in payable to policyholders of investment linked contracts		
Opening balance	117,529,436	88,436,028
Gross contribution	43,554,437	74,756,548
Allocation charges	(10,763,057)	(18,157,378)
Redemptions and other charges	(13,464,875)	(22,347,210)
Change in fair value	15,493,401	(5,158,552)
	152,349,342	117,529,436
Closing balance		

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As at 30 June 2019 (Unaudited)

5 FINANCIAL INSTRUMENTS

	<i>30 June 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))	198,132,541	178,577,125
<i>Shareholders' assets</i>		
At fair value through profit or loss (Note 5(a))	82,748,498	74,733,088
Available-for-sale (Note 5(b))	32,986,183	32,561,468
	115,734,681	107,294,556
 Total	 313,867,222	 285,871,681

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

<i>30 June 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	125,083,422	502,832	-	125,586,254
Sukuk investments	27,265,920	13,667,340	30,168,768	71,102,028
Equity investments – quoted	-	46,233,817	15,614,431	61,848,248
Equity investments – unquoted	-	22,344,509	-	22,344,509
 Total	 152,349,342	 82,748,498	 45,783,199	 280,881,039
<i>31 December 2018</i>				
	<i>Attributable to individual life policyholders AED</i>	<i>Attributable to shareholders AED</i>	<i>Attributable to takaful operation AED</i>	<i>Total AED</i>
Mutual funds	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 12.45 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 30 June 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>30 June 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	37,392,054	67,092,410
Disposals during the period	(18,065,549)	(32,840,450)
Change in fair value during the period	15,493,401	(5,158,552)
	<u>152,349,342</u>	<u>117,529,436</u>

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

	<i>30 June 2019 AED</i>	<i>31 December 2018 AED (Audited)</i>
Shares - quoted	<u>32,986,183</u>	<u>32,561,468</u>

The fair value gain amounting to AED 424,715 (30 June 2018: Nil) has been recognised in the consolidated statement of other comprehensive income.

6 SHARE CAPITAL

	<i>30 June 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 June 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 30 June 2019 (Unaudited)

8 BORROWINGS

The borrowing of AED 40.81 million (31 December 2018: 53.23 million) consist of two parts. AED 10.01 million was taken from First Gulf Bank and has been utilised to purchase Tier 1 Sukuks, which are pledged against the borrowings (Note 5). The value of pledged Sukuks as at 30 June 2019 was AED 12.45 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 40,809,001, 2018: AED 53,234,001, respectively). The carrying amount of borrowing from CBD during 2019 is repayment of 2 instalments of the loan for AED 1,400,000, whereas, the borrowing the FAB decreased by AED 11,025,000 arising from redemption of DIB Sukuk.

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9 NET EARNED CONTRIBUTIONS

	<i>Three month period ended 30 June 2019</i>			<i>Three month period ended 30 June 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	83,122,788	23,116,407	106,239,195	71,357,443	18,374,031	89,731,474
Change in unearned contributions	49,124,012	294,475	49,418,487	34,694,996	1,139,199	35,834,195
Takaful contributions earned	132,246,800	23,410,882	155,657,682	106,052,439	19,513,230	125,565,669
Retakaful contributions	(33,908,532)	(1,677,544)	(35,586,076)	(30,903,995)	(1,499,210)	(32,403,205)
Change in unearned contributions	(42,062,193)	(269,582)	(42,331,775)	(31,133,541)	(817,455)	(31,950,996)
Retakaful contributions ceded	(75,970,725)	(1,947,126)	(77,917,851)	(62,037,536)	(2,316,665)	(64,354,201)
Net earned contributions	56,276,075	21,463,756	77,739,831	44,014,903	17,196,565	61,211,468
	<i>Six month period ended 30 June 2019</i>			<i>Six month period ended 30 June 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	283,408,150	46,232,489	329,640,639	265,839,320	38,930,307	304,769,627
Change in unearned contributions	(26,930,628)	1,105,060	(25,825,568)	(51,579,507)	1,140,685	(50,438,822)
Takaful contributions earned	256,477,522	47,337,549	303,815,071	214,259,813	40,070,992	254,330,805
Retakaful contributions	(152,418,799)	(3,876,867)	(156,295,666)	(155,787,517)	(3,580,517)	(159,368,034)
Change in unearned contributions	4,675,936	(972,424)	3,703,512	29,491,795	(734,488)	28,757,307
Retakaful contributions ceded	(147,742,863)	(4,849,291)	(152,592,154)	(126,295,722)	(4,315,005)	(130,610,727)
Net earned contributions	108,734,659	42,488,258	151,222,917	87,964,091	35,755,987	123,720,078

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10 CHANGE IN RESERVES

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2019</i> <i>AED</i>	<i>2018</i> <i>AED</i>	<i>2019</i> <i>AED</i>	<i>2018</i> <i>AED</i>
Changes in mathematical reserve	199,564	(834,512)	699,620	(1,432,206)
Change in reserve relating to takaful life products	14,157,402	12,171,872	29,751,331	24,519,648
Change in fair value	(6,323,434)	(237,555)	(15,493,401)	(14,896)
	<u>8,033,532</u>	<u>11,099,805</u>	<u>14,957,550</u>	<u>23,072,546</u>

11 WAKALAH FEES

Wakalah fees for the period ended 30 June 2019 amounted to AED 42,416,329 (30 June 2018: AED 36,985,219).

For group life and group medical policies, wakalah fees were charged up to 15% to 25% of earned 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 income when incurred.

12 BASIC AND DILUTED PROFIT PER SHARE

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Profit for the period attributable to shareholders (in AED)	<u>1,187,575</u>	<u>347,084</u>	<u>1,511,210</u>	<u>2,392,885</u>
Weighted average number of shares outstanding during the period	<u>150,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>
Profit per share (AED)	<u>0.008</u>	<u>0.002</u>	<u>0.010</u>	<u>0.016</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 June</i> <i>2019</i> <i>AED</i>	<i>31 December</i> <i>2018</i> <i>AED</i> <i>(Audited)</i>
<i>Affiliates of major shareholders:</i> Equity Investments – quoted	<u>4,109,200</u>	<u>5,139,436</u>

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13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	<i>Six month period ended 30 June</i>	
	<i>2019</i> <i>AED</i>	<i>2018</i> <i>AED</i>
Compensation of key management personnel:		
Short and long-term benefits	4,479,266	5,015,060
Transactions with related parties during the period		
Realised gain on sale of investments at fair value through profit or loss	-	14,187,990
Gross written contribution	8,251,591	6,760,580
Gross claim incurred	2,403,104	3,693,236
	<i>30 June</i> <i>2019</i> <i>AED</i>	<i>31 December</i> <i>2018</i> <i>AED</i> <i>(Audited)</i>
Balances with related party		
Claims reported	692,549	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 interim condensed consolidated 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 June 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	256,477,522	47,337,549	303,815,071	14,493,832	45,698,020	60,191,852
Segment result	31,767,163	12,154,167	43,921,330	14,493,832	45,698,020	60,191,852
Wakala fees	(30,132,000)	(12,284,329)	(42,416,329)	-	-	-
Commission incurred	-	-	-	-	(20,527,932)	(20,527,932)
General and administrative expenses	-	-	-	-	(39,657,711)	(39,657,711)
Recovery of Qard Hassan to policyholders' fund.	-	-	-	-	1,505,001	1,505,001
Profit / (loss) attributable to policyholders / shareholders	1,635,163	(130,162)	1,505,001	14,493,832	(12,982,622)	1,511,210

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14 SEGMENT INFORMATION (continued)

	30 June 2018					
	Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	214,259,813	40,070,992	254,330,805	6,479,573	47,924,701	54,404,274
Segment result	28,030,373	12,715,051	40,745,424	6,479,573	47,924,701	54,404,274
Wakala fees	(26,102,930)	(10,882,289)	(36,985,219)	-	-	-
Commission incurred	-	-	-	-	(17,109,174)	(17,109,174)
General and administrative expenses	-	-	-	-	(38,662,420)	(38,662,420)
Recovery of Qard Hassan to policyholders' fund.	-	-	-	-	3,760,205	3,760,205
Profit / (loss) attributable to policyholders/ shareholders	1,927,443	1,832,762	3,760,205	6,479,573	(4,086,688)	2,392,885

	30 June 2019						
	Medical AED	Life and savings AED	Underwriting Total AED	Shareholders' investments AED	Unallocated Others AED	Total AED	Total AED
	Segment assets	589,697,884	278,783,919	868,481,803	134,998,481	94,732,333	229,730,814
Segment liabilities	635,057,097	200,822,940	835,880,037	10,009,629	95,856,350	105,865,979	941,746,016

	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).

30 June 2019

	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>	<i>Total AED</i>
Assets				
Investments at fair value through profit or loss				
Equity investments - quoted	61,848,248	-	-	61,848,248
Equity investments - unquoted	-	-	22,344,509	22,344,509
Mutual funds	-	125,586,254	-	125,586,254
Sukuk investments	71,102,028	-	-	71,102,028
Available-for-sale securities	32,986,183	-	-	32,986,183
Investment property	-	42,213,963	-	42,213,963
	<u>165,936,459</u>	<u>167,800,217</u>	<u>22,344,509</u>	<u>356,081,185</u>
Liabilities				
Investment linked contracts	-	152,349,342	-	152,349,342

31 December 2018 (Audited)

	<i>Level 1 AED</i>	<i>Level 2 AED</i>	<i>Level 3 AED</i>	<i>Total 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 POLICYHOLDERS' FUND

	<i>30 June 2019 AED</i>	<i>31 December 2018 AED</i>
Deficit in policyholders' fund		
Balance at the beginning of the period	(30,905,151)	(40,782,705)
Surplus for the period recovered	1,505,001	9,877,554
Balance at the end of the period	(29,400,150)	(30,905,151)
Qard Hassan from shareholders		
Balance at beginning of period	30,905,151	40,782,705
Deficit recovered during the period	(1,505,001)	(9,877,554)
Balance at the end of the period	29,400,150	30,905,151
Total deficit in policyholders' fund	-	-

17 CONTINGENCIES

Contingent liabilities

At 30 June 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 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 SEASONALITY OF RESULTS

Dividend income amounted to AED 765,000 for the six-month period ended 30 June 2019 and AED 600,000 for the six-month period ended 30 June 2018. Dividend income depends on market conditions, investment activities of the Group and declaration of profits by investee companies, which are of a seasonal nature. Accordingly, results for the period ended 30 June 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.

19 COMPARATIVE INFORMATION

Reclassification

TPA expenses incurred for the six months ended 30 June 2018 amounting to AED 1,928,299 was reclassified to general and administrative expenses which resulted to reclassification 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 restatement of net surplus from takaful operations, but without impact on profit attributable to shareholders.

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19 COMPARATIVE INFORMATION (continued)

Reclassification (continued)

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

	<i>30 June 2018 AED (Reclassified)</i>	<i>30 June 2018 AED (Previously reported)</i>
<i>Interim Condensed Consolidated Statement of Comprehensive Income</i>		
Gross claims incurred	(191,448,947)	(193,377,246)
Net surplus from takaful operations	3,760,205	1,831,906
General and administrative expenses	(38,662,420)	(36,734,121)
<i>Interim Condensed Consolidated Statement of Financial Position</i>		
Deficit in policyholders' fund	(37,022,500)	(38,950,799)
Qard Hassan from shareholders	37,022,500	38,950,799
	<i>31 December 2018 AED (Reclassified)</i>	<i>31 December 2018 AED (Previously reported)</i>
<i>Interim Condensed Consolidated Statement of Comprehensive Income</i>		
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)
<i>Interim Condensed Consolidated Statement of Financial Position</i>		
Deficit in policyholders' fund	(30,905,151)	(34,307,505)
Qard Hassan from shareholders	30,905,151	34,307,505