TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2018 (UNAUDITED)

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine month period ended 30 September 2018

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Building a better working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TAKAFUL EMARAT - INSURANCE (PSC)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Takaful Emarat - Insurance (PSC) (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the interim consolidated statement of financial position as at 30 September 2018, and the related interim consolidated statement of comprehensive income for the three-month and nine-month periods then ended and the related interim consolidated statement of changes in equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

For Ernst & Young

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

13 November 2018

Dubai, United Arab Emirates

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2018 (Unaudited)

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

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

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 September 2018 (Unaudited)

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

Fadi Hindi
Chief Executive Officer

Wasim Ahmad
Chief Financial Officer

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

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2018 (Unaudited)

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

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

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2018 (Unaudited)

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

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

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2018 (Unaudited)

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

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

1 CORPORATE INFORMATION

Takaful Emarat - Insurance (PSC), Dubai, United Arab Emirates (the "Company") is a public joint stock company incorporated in the Emirate of Dubai – United Arab Emirates, pursuant to decree No. 62 for the year 2007 issued by the Ministry of Economy on 6 February, 2007, and is subject to the provisions of the UAE Federal Law No. 2 of 2015 ("Companies Law").

The Company carries out takaful insurance activities in Health Insurance, Life Insurance and Credit and Saving Insurance in accordance with the Islamic Sharia'a and within the provisions of the Articles of Association of the Company.

The registered address of the Company is P.O. Box 64341, Dubai, United Arab Emirates.

These interim condensed consolidated financial statements were authorised for issue on 13 November 2018.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements of the Group are prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting ("IAS 34").

Interim reporting
The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2017.

Changes in accounting estimates
The accounting policies are consistent with those used in the previous year. The accounting estimates used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2017.

New standards, interpretations and amendments
The new and revised relevant IFRSs effective in the current period had no significant impact on the amounts reported and disclosures in these interim condensed consolidated financial statements. Annual Improvements 2012-2014 cycle which became effective from 1 January 2018 also did not have an impact on the financial position or performance of the Group during the period.

These interim condensed consolidated financial statements do not include all disclosures and should be read in conjunction with the financial statements for the year ended 31 December 2017. In addition, results for the nine months ended 30 September 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

2.2 BASIS OF CONSOLIDATION

The Group comprises of the Company and the under-mentioned subsidiary company.

Subsidiary	*Principal activity*	*Country of incorporation*	*Ownership*	
			2018	2017
Modern Tech Investment	Investment	United Arab Emirates	**100%**	100%

Modern Tech Investment was established during the period ended 31 March 2017 for the purpose of holding investments.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 BASIS OF CONSOLIDATION (continued)

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

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3 CASH AND CASH EQUIVALENTS

	30 September 2018		*31 December 2017 (Audited)*	
	Takaful Operations AED	***Shareholders' Operations AED***	*Takaful Operations AED*	*Shareholders' Operations AED*
Cash and bank balances	**18,123,487**	**28,785,796**	61,715,659	10,772,754
Deposits	**37,170,000**	**4,224,000**	24,250,000	168,000
Restricted deposit – Employee pension	-	-	-	10,000,000
	55,293,487	**33,009,796**	85,965,659	20,940,754
Less: Deposits maturing in more than three months	**(37,170,000)**	**(224,000)**	(24,250,000)	(168,000)
Restricted deposit – Employee pension	-	-	-	(10,000,000)
Total	**18,123,487**	**32,785,796**	61,715,659	10,772,754

The deposits carry profit rates ranging from 1.75% to 3.50% per annum with maturity dates ranging from 20 September 2018 to 28 September 2019.

4 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

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

5 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	31 December 2017 (Audited)			
	Attributable to individual life policyholders AED	*Attributable to shareholders AED*	*Attributable to takaful operation AED*	*Total AED*
Mutual funds	73,314,638	1,257,092	-	74,571,730
Sukuk investments	15,121,390	24,471,085	31,949,793	71,542,268
Equity investments – quoted	-	33,910,000	-	33,910,000
Equity investments – unquoted	-	13,936,767	-	13,936,767
Total	88,436,028	73,574,944	31,949,793	193,960,765

Sukuk Investments amounting to AED 22 million (31 December 2017: AED 23.52 million) are pledged against bank loan (Note 8).

Movements during the period attributable to policyholders were as follows:

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

6 SHARE CAPITAL

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

7 PROPOSED AND PAID DIVIDENDS

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

8 ZAKAT

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

9 BORROWINGS

The borrowing of AED 55.50 million (31 December 2017: 58.52 million) consist of two parts. AED 22.60 million was taken from First Gulf Bank and has been utilised to purchase Tier 1 Sukuks, which are pledged against the borrowings (Note 5). The value of pledged Sukuks as at 30 September 2018 was AED 22.02 million. The borrowings carry a profit rate of 1.25% per annum above the 3 month LIBOR and have a maturity period of three months.

AED 35 million was taken from Commercial Bank of Dubai for the purchase of new building to be used as office space. The decrease of AED 2,100,629 in the carrying amount during 2018 is repayment of 3 instalments of the loan.

10 NET EARNED CONTRIBUTIONS

	Three month period ended 30 September 2018			*Three month period ended 30 September 2017*		
	Medical AED	***Life and savings AED***	***Total AED***	*Medical AED*	*Life and savings AED*	*Total AED*
Gross contributions written	**136,009,904**	**22,613,158**	**158,623,062**	110,017,795	16,839,630	126,857,425
Change in unearned contributions	**(22,792,586)**	**(1,653,197)**	**(24,445,783)**	28,545,950	599,782	29,145,732
Takaful contributions earned	**113,217,318**	**20,959,961**	**134,177,279**	138,563,745	17,439,412	156,003,157
Retakaful contributions	**88,922,494**	**3,342,166**	**92,264,660**	67,947,802	2,403,991	70,351,793
Change in unearned contributions	**(23,539,429)**	**(1,325,011)**	**(24,864,440)**	4,241,454	337,621	4,579,075
Retakaful contributions ceded	**65,383,065**	**2,017,155**	**67,400,220**	72,189,256	2,741,612	74,930,868
Net earned contributions	**47,834,253**	**18,942,806**	**66,777,059**	66,374,489	14,697,800	81,072,289

	Nine month period ended 30 September 2018			*Nine month period ended 30 September 2017*		
	Medical AED	***Life and savings AED***	***Total AED***	*Medical AED*	*Life and savings AED*	*Total AED*
Gross contributions written	**401,849,224**	**61,543,465**	**463,392,689**	425,538,932	52,063,534	477,602,466
Change in unearned contributions	**(74,372,093)**	**(512,512)**	**(74,884,605)**	(8,970,611)	(864,713)	(9,835,324)
Takaful contributions earned	**327,477,131**	**61,030,953**	**388,508,084**	416,568,321	51,198,821	467,767,142
Retakaful contributions	**244,710,011**	**6,922,683**	**251,632,694**	248,776,626	8,174,004	256,950,630
Change in unearned contributions	**(53,031,224)**	**(590,523)**	**(53,621,747)**	(45,579,526)	(889,709)	(46,469,235)
Retakaful contributions ceded	**191,678,787**	**6,332,160**	**198,010,947**	203,197,100	7,284,295	210,481,395
Net earned contributions	**135,798,344**	**54,698,793**	**190,497,137**	213,371,221	43,914,526	257,285,747

11 CHANGE IN RESERVES

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

12 WAKALAH FEES

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

For group life and group medical policies, wakalah fees were charged up to 16.75% to 25% of gross takaful contributions. For life takaful policies, wakalah fees were charged at a maximum of 50% of takaful risk contributions. Wakalah fees are approved by the Sharia'a Supervisory Board and is charged to the statement of comprehensive income when incurred.

13 BASIC AND DILUTED PROFIT PER SHARE

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

No figures for diluted earnings per share are presented as the Group has not issued any instruments which would have an impact on earnings per share when exercised.

14 RELATED PARTY TRANSACTIONS AND BALANCES

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

14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

	30 September 2018 AED	*31 December 2017 AED (Audited)*
Balances with related party		
Claims reported	**554,204**	925,307

15 SEGMENT INFORMATION

For management purposes, the Company is organised into two business segments; takaful and investment operations. The takaful operations comprise the takaful business undertaken by the Company on behalf of policyholders. Investment operations comprise investments and cash management for the Company's own account. No operating segments have been aggregated to form the above reportable operating segments.

Segment performance is evaluated based on profit or loss which in certain respects is measured differently from profit or loss in the financial statements.

Except for Wakalah fees, allocation charges and Qard Hassan, no other inter-segment transactions occurred during the period. Segment income, expenses and results include transactions between business segments which will then be eliminated on consolidation shown below.

	30 September 2018					
	Underwriting			*Shareholders*		
	Medical AED	*Life AED*	*Total AED*	*Investments AED*	*Others AED*	*Total AED*
Segment revenue	**327,477,131**	**61,030,953**	**388,508,084**	**10,938,224**	**68,925,798**	**79,864,022**
Segment result	**48,143,962**	**17,493,317**	**65,637,279**	**10,938,224**	**68,925,798**	**79,864,022**
Wakala fees	**(39,941,190)**	**(15,843,116)**	**(55,784,306)**	-		
Commission incurred	-	-	-	-	**(27,061,032)**	**(27,061,032)**
General and administrative expenses	-	-	-	-	**(53,598,547)**	**(53,598,547)**
Recovery of Qard Hassan to policyholders' fund	-	-	-	-	**9,852,973**	**9,852,973**
Profit / (loss) attributable to policyholders / shareholders	**8,202,772**	**1,650,201**	**9,852,973**	**10,938,224**	**(1,880,808)**	**9,057,416**

15 SEGMENT INFORMATION (continued)

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

	30 September 2018						
	Medical AED	***Life and savings AED***	***Underwriting total AED***	***Shareholders' investments AED***	***Unallocated Others AED***	***Total AED***	***Total AED***
Segment assets	**544,141,153**	**180,025,433**	**724,166,586**	**72,799,707**	**126,010,104**	**198,809,811**	**922,976,397**
Segment liabilities	**527,429,425**	**134,388,099**	**661,817,524**	**22,601,250**	**94,154,573**	**116,755,823**	**778,573,347**

	As at 31 December 2017 (Audited)						
	Medical AED	*Life and savings AED*	*Underwriting Total AED*	*Shareholders' investments AED*	*Unallocated Others AED*	*Total AED*	*Total AED*
Segment assets	358,307,789	181,303,504	539,611,293	77,574,944	147,619,434	225,194,378	771,172,699
Segment liabilities	363,546,586	140,821,355	504,367,941	23,520,000	88,109,598	111,629,598	746,610,409

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost
Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the interim condensed consolidated financial statements approximate their fair values.

16 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2017.

Fair value measurements recognised in the statement of financial position
The following table provides an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	30 September 2018			
	Level 1 AED	***Level 2 AED***	***Level 3 AED***	***Total AED***
Assets				
Investments at fair value through profit or loss				
Equity investments - quoted	**65,557,900**	-	-	**65,557,900**
Equity investments - unquoted	-	-	**13,936,767**	**13,936,767**
Mutual funds	-	**95,051,545**	-	**95,051,545**
Sukuk investments	**77,336,538**	-	-	**77,336,538**
Investment property	-	**39,153,396**	-	**39,153,396**
	142,894,438	**134,204,941**	**13,936,767**	**291,036,146**
Liabilities				
Investment linked contracts	-	**22,601,250**	-	**22,601,250**

	31 December 2017 (Audited)			
	Level 1 AED	*Level 2 AED*	*Level 3 AED*	*Total AED*
Assets				
Investments at fair value through profit or loss				
Equity investments - quoted	33,910,000	-	-	33,910,000
Equity investments - unquoted	-	-	13,936,767	13,936,767
Mutual funds	-	74,571,730	-	74,571,730
Sukuk investments	71,542,269	-	-	71,542,269
Investment property	-	38,772,429	-	38,772,429
	105,452,269	113,344,159	13,936,767	232,733,195
Liabilities				
Investment linked contracts	-	88,436,028	-	88,436,028

17 POLICY HOLDERS' FUND

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

18 CONTINGENCIES

Contingent liabilities
At 30 September 2018, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which is anticipated that no material liabilities will arise, amounting to AED 967,537.0 (31 December 2017: AED 1,011,924).

Legal claims
The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Group's income or financial condition.

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

19 EVENTS AFTER THE REPORTING PERIOD

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

20 SEASONALITY OF RESULTS

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