

**Arabian Scandinavian Insurance Company (PLC) -
Takaful - ASCANA Insurance**

Condensed interim Financial Statements
(Unaudited)

For the period ended 30 September 2019

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United Arab Emirates**
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**Review report of the independent auditor
To the shareholders of Arabian Scandinavian Insurance Company (PLC) -
Takaful - ASCANA Insurance**

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance (the "Company") as at 30 September 2019, the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the 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 condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".



**GRANT THORNTON
Farouk Mohamed**

**Registration No: 86
Dubai, 5 November 2019**



Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Condensed interim statement of financial position
As at 30 September 2019

	Notes	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
ASSETS			
Takaful operations' assets			
Cash and bank balances	4	82,017	97,497
Takaful and retakaful receivables	5	21,091	28,112
Retakaful contract assets			
Unearned contribution	6	10,591	12,196
Claims reported unsettled	6	10,572	14,291
Claims incurred but not reported	6	5,479	5,684
Additional unexpired risk reserve	6	990	498
Prepayments and other receivables		11,865	7,992
Due from related parties	7	11,309	10,721
Deferred policy acquisition cost		8,644	7,843
Total takaful operations' assets		162,558	184,834
Shareholders' assets			
Cash and bank balances	4	55,063	18,980
Statutory deposits	8	10,000	10,000
Prepayments and other receivables		3,116	3,668
Due from policyholders	9	45,454	58,499
Financial assets measured at fair value through other comprehensive income (FVTOCI)	10	1,939	1,939
Financial assets measured at fair value through profit and loss (FVTPL)	10	515	27,938
Investment properties	11	269,356	269,356
Property and equipment		1,225	809
Total shareholders' assets		386,668	391,189
Total assets		549,226	576,023

The notes from 1 to 25 form an integral part of these condensed interim financial statements.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Condensed interim statement of financial position (continued)
As at 30 September 2019

	Notes	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
LIABILITIES, POLICYHOLDERS' FUND AND EQUITY*			
Takaful operations' liabilities and policyholders' fund			
Takaful operations' liabilities			
Takaful and re takaful payables	12	50,363	55,116
Takaful contract liabilities			
Unearned contribution	6	75,404	76,732
Claims reported unsettled	6	18,345	24,319
Claims incurred but not reported	6	25,238	29,623
Unallocated loss adjustments expense reserve	6	1,721	1,671
Additional unexpired risk reserve	6	2,610	1,821
Other liabilities		5,387	5,905
Due to related parties	7	15	1
Due to shareholders	9	45,454	58,499
Deferred discount		2,357	2,267
Total takaful operations' liabilities		226,894	255,954
Policyholders' fund			
Deficit in policyholders' fund		(64,336)	(71,120)
Qard Hassan from shareholders		64,336	71,120
Total policyholders' fund		-	-
Liabilities and policyholders' fund		226,894	255,954
Shareholders' liabilities and equity			
Shareholders' liabilities			
Provision for employees' end of service indemnity		2,465	2,353
Other liabilities		6,837	6,839
Due to related parties		37	-
Total shareholders' liabilities		9,339	9,192
Shareholders' equity			
Share capital	13	154,000	154,000
Statutory reserve	14	63,572	63,572
Voluntary reserve	15	50,064	50,064
Investments revaluation reserve - FVTOCI		(484)	(484)
Retained earnings		45,841	43,725
Total shareholders' equity		312,993	310,877
Total shareholders' liabilities and equity		322,332	320,069
Total liabilities, policyholders' fund and equity		549,226	576,023

The condensed interim financial statements were authorised for issue in accordance with a resolution of the Directors on 5 November 2019.


Managing Director

The notes from 1 to 25 form an integral part of these condensed interim financial statements.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Condensed interim income statement
For the period ended 30 September 2019

	Three months period ended 30 September 2019 (Unaudited) AED'000	Three months period ended 30 September 2018 (Unaudited) AED'000	Nine months period ended 30 September 2019 (Unaudited) AED'000	Nine months period ended 30 September 2018 (Unaudited) AED'000
Attributable to policyholders				
Takaful income				
Gross takaful contribution	34,899	36,405	112,422	135,018
Retakaful share of accepted business	(37)	(7)	(90)	(62)
Retakaful share of ceded business	(5,712)	(7,172)	(24,190)	(34,797)
Net takaful contribution	29,150	29,226	88,142	100,159
Net transfer to unearned contribution reserves	781	7,363	(574)	17,418
Net takaful contribution earned	29,931	36,589	87,568	117,577
Commission earned	1,400	1,340	4,166	5,261
Policy fees and other income	3	8	14	22
Total underwriting income	31,334	37,937	91,748	122,860
Takaful expenses				
Gross claims paid	(28,080)	(44,910)	(87,516)	(129,731)
Retakaful share of accepted business claims	(196)	13	784	216
Retakaful share of ceded business claims	9,380	17,850	27,470	46,478
Net claims paid	(18,896)	(27,047)	(59,262)	(83,037)
Provision for takaful contract liabilities	2,090	12,410	5,974	8,568
Retakaful share of claims reported unsettled	(1,974)	(5,756)	(3,719)	(4,980)
Decrease in claims incurred but not reported– net	1,122	448	4,180	6,643
Decrease/(increase) in unallocated loss adjustments expenses – net	133	236	(49)	(238)
Net takaful claims incurred	(17,525)	(19,709)	(52,876)	(73,044)
Other takaful expenses	-	-	-	-
Total takaful expenses	(17,525)	(19,709)	(52,876)	(73,044)
Net takaful income	13,809	18,228	38,872	49,816
Investment income (note 17)	680	930	2,024	1,599
Other income	-	-	222	94
Wakala fees (note 16)	(10,470)	(10,922)	(33,727)	(40,506)
Mudarib fees (note 16)	(204)	(280)	(607)	(480)
Profit for the period attributable to policyholders	3,815	7,956	6,784	10,523

The notes from 1 to 25 form an integral part of these condensed interim financial statements.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Condensed interim income statement (continued)
For the period ended 30 September 2019

	Three months period ended 30 September 2019 (Unaudited) AED'000	Three months period ended 30 September 2018 (Unaudited) AED'000	Nine months period ended 30 September 2019 (Unaudited) AED'000	Nine months period ended 30 September 2018 (Unaudited) AED'000
Attributable to shareholders				
Investment income (note 17)	4,219	5,646	12,459	13,427
Other income	2	-	4	60
Wakala fees from policyholders (note 16)	10,470	10,922	33,727	40,506
Mudarib's fee (note 16)	204	280	607	480
Policy acquisition cost	(4,671)	(5,326)	(13,616)	(17,578)
General and administrative expenses	(6,491)	(6,955)	(22,449)	(21,603)
Income for the period before Qard Hassan	3,733	4,567	10,732	15,292
Recovery against Qard Hassan to policyholders	3,815	7,956	6,784	10,523
Profit for the period attributable to shareholders	7,548	12,523	17,516	25,815
Earnings per share (AED)				
Basic and diluted (note 18)	0.05	0.08	0.11	0.16

The notes from 1 to 25 form an integral part of these condensed interim financial statements.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Condensed interim statement of comprehensive income
For the period ended 30 September 2019

	Three months period ended 30 September 2019 (Unaudited) AED'000	Three months period ended 30 September 2018 (Unaudited) AED'000	Nine months period ended 30 September 2019 (Unaudited) AED'000	Nine months period ended 30 September 2018 (Unaudited) AED'000
Attributable to shareholders				
Profit for the period	7,548	12,523	17,516	25,815
Other comprehensive income	-	-	-	-
Total comprehensive income for the period attributable to shareholders	7,548	12,523	17,516	25,815

The notes from 1 to 25 form an integral part of these condensed interim financial statements.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Condensed interim statement of changes in equity
For the period ended 30 September 2019

	Share capital AED'000	Statutory reserve AED'000	Voluntary reserve AED'000	Investment revaluation reserve - FVTOCI AED'000	Retained earnings AED'000	Total AED'000
As at 1 January 2018 (Audited)	154,000	61,488	50,064	(484)	29,594	294,662
Profit for the period	-	-	-	-	25,815	25,815
Total comprehensive income for the period	-	-	-	-	25,815	25,815
<i>Transactions with owners</i>						
Dividend paid (note 19)	-	-	-	-	(4,620)	(4,620)
As at 30 September 2018 (Unaudited)	154,000	61,488	50,064	(484)	50,789	315,857
As at 1 January 2019 (Audited)	154,000	63,572	50,064	(484)	43,725	310,877
Profit for the period	-	-	-	-	17,516	17,516
Total comprehensive income for the period	-	-	-	-	17,516	17,516
<i>Transactions with owners</i>						
Dividend paid (note 19)	-	-	-	-	(15,400)	(15,400)
As at 30 September 2019 (Unaudited)	154,000	63,572	50,064	(484)	45,841	312,993

The notes from 1 to 25 form an integral part of these condensed interim financial statements.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Condensed interim statement of cash flows
For the period ended 30 September 2019

	Nine months period ended 30 September 2019 (Unaudited) AED'000	Nine months period ended 30 September 2018 (Unaudited) AED'000
Cash flows from operating activities		
Profit for the period	17,516	25,815
Adjustments for:		
Depreciation of property and equipment	254	205
Unrealised loss on financial assets at FVTPL	-	1,908
Realised loss on sale of financial assets at FVTPL	38	715
Other investment income	(11,576)	(13,896)
Dividend income from financial investments at FVTPL and FVTOCI	(551)	(1,638)
Profit on wakala deposits	(2,394)	(2,115)
Provision for employees' end of service indemnity	184	180
Operating cash flows before changes in working capital	3,471	11,174
Decrease/(increase) in retakaful contract assets	5,037	(329)
Decrease/(increase) in takaful and retakaful receivables	7,021	(1,801)
Increase in due from related parties	(588)	(2,249)
Increase in prepayments and other receivables	(3,321)	(7,974)
(Increase)/decrease in deferred policy acquisition costs	(801)	2,200
Decrease in takaful contract liabilities	(10,848)	(27,082)
(Decrease)/increase in takaful and retakaful payables	(4,753)	3,231
Increase in deferred discount	90	373
Increase/(decrease) in other liabilities	480	(178)
Increase/(decrease) in due to related parties	51	(59)
Cash used in operations	(4,161)	(22,694)
Employees' end of service indemnity paid	(72)	(43)
Zakat paid	(1,000)	(500)
Net cash used in operating activities	(5,233)	(23,237)
Cash flows from investing activities		
Purchase of property and equipment	(670)	(480)
Purchase of investments in securities	(1,374)	(26,503)
Proceeds from sale of investments in securities	28,759	35,185
Rental income received	11,576	13,896
Profit received on wakala deposit	2,394	2,115
Dividend received	551	1,638
Movement in wakala deposits with maturity over 3 months	(12,000)	10,000
Net cash generated from investing activities	29,236	35,851
Cash flows from financing activities		
Dividend paid (note 19)	(15,400)	(4,620)
Net cash used in financing activities	(15,400)	(4,620)
Net change in cash and cash equivalents	8,603	7,994
Cash and cash equivalents, beginning of period	36,477	21,083
Cash and cash equivalents, end of period (note 20)	45,080	29,077

The notes from 1 to 25 form an integral part of these condensed interim financial statements.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance

Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements

For the period ended 30 September 2019

1 Legal status and activities

Arabian Scandinavian Insurance Company PLC - Takaful - ASCANA Insurance (the "Company") is a public shareholding company and was registered in 1992 under U.A.E. Federal Law No. (2) of 2015, relating to commercial companies in U.A.E. The Company is subject to the regulation of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E under registration number 6. The address of the Company's registered office is P.O. Box 1993, Dubai, United Arab Emirates.

The Shareholders Extraordinary General Assembly Meeting held on 19 March 2014 approved conversion of the Company's business from conventional insurance to Takaful insurance. The Board of Directors appointed a Fatwa and Sharia'a Supervisory Board for overseeing the compliance with Sharia'a.

The Company started issuing short term takaful contracts from 1 February 2015 in connection with life and non-life takaful such as motor, marine, fire, engineering, medical and general accident risks (collectively known as general takaful) and the name of the Company was changed to Arabian Scandinavian Insurance Company PLC - Takaful ASCANA Insurance. The Company only operates in U.A.E., through its Dubai and Abu Dhabi offices.

2 General information and basis of preparation

The condensed interim financial statements are for the nine months period ended 30 September 2019 and are presented in United Arab Emirate Dirham (AED), which is also the functional currency of the Company. These condensed interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' and do not include all of the information required in annual financial statements in accordance with IFRS, and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2018. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

3 Significant accounting policies

These condensed interim financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual financial statements for the year ended 31 December 2018. Certain amendments to accounting standards and annual improvements, as disclosed in the Company's most recent annual financial statements for the year ended 31 December 2018, are applicable on the Company but do not have any material impact on these condensed interim financial statements.

Interim reporting

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2018 except for the changes in the accounting policies implemented by management from 1 January 2019.

Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumption that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may substantially be different.

Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at FVTOCI or FVTPL. In judging whether investments in securities are as at FVTOCI or FVTPL, Management has considered the detailed criteria for determination of such classification as set out in IFRS 9 - Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 30 September 2019

3 Significant accounting policies (continued)

Critical accounting estimates and judgments in applying accounting policies (continued)

Classification of properties

In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property. In making its judgment, management has considered the detailed criteria and related guidance set out in IAS 40 - Investment Property, with regards to the intended use of the property.

Outstanding claims and technical provisions

The estimation of ultimate liability arising from the claims made under takaful contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting period. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on internal and external actuarial assessment, taking into account the historical data of the claims reported and settlement pattern. Such method takes into account the best estimates of the future contractual cash flows estimated based on the historical data. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

Impairment losses on Takaful receivables

The Company reviews its Takaful receivables on a regular basis to assess whether a provision for impairment should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant Takaful receivables, the Company also makes a collective impairment provision against Takaful receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for Takaful receivables within each grade and is adjusted to reflect current economic changes.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of Takaful contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the statement of income.

Valuation of unquoted equity instruments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, management estimates the fair value of these instruments using expected cash flows discounted at current rates for similar instruments or other valuation models.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 30 September 2019

3 Significant accounting policies (continued)

Critical accounting estimates and judgments in applying accounting policies (continued)

Inputs, assumptions and techniques used for expected credit losses ("ECL") calculation – IFRS9 Methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Company while determining the impact assessment, are:

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Company compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Company's existing risk management processes.

The measurement of ECL for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

When measuring ECL, the Company must consider the maximum contractual period over which the Company is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Company is exposed to credit risk and where the credit losses would not be mitigated by management actions.

4 Cash and bank balances

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Cash on hand	36	70
Bank balances:		
Wakala deposits	92,000	80,000
Current accounts	45,044	36,407
	137,080	116,477
Attributable to:		
Policyholders	82,017	97,497
Shareholders	55,063	18,980
	137,080	116,477

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 30 September 2019

5 Takaful and retakaful receivables

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Takaful receivable	20,922	24,072
Receivables from takaful companies	4,202	4,309
Receivables from retakaful companies	1,699	5,463
	<u>26,823</u>	<u>33,844</u>
Less: Expected credit losses	(5,732)	(5,732)
	<u>21,091</u>	<u>28,112</u>

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Inside UAE:		
Takaful receivable	20,922	24,072
Receivables from takaful companies	4,202	4,309
Receivables from retakaful companies	1,339	1,344
	<u>26,463</u>	<u>29,725</u>
Less: Expected credit losses	(5,732)	(5,732)
	<u>20,731</u>	<u>23,993</u>

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Outside UAE:		
Receivables from retakaful companies	360	4,119

The ageing for takaful receivables is as follows:

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Inside UAE - Takaful receivable		
0 - 30 days	5,662	6,368
31 - 90 days	5,973	6,875
91 - 180 days	4,986	6,496
181 - 270 days	3,746	2,932
271 - 360 days	1,130	5,280
More than 360 days	4,966	1,774
	<u>26,463</u>	<u>29,725</u>

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 30 September 2019

5 Takaful and retakaful receivables (continued)

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Outside UAE - Receivables from retakaful companies		
0 - 30 days	354	93
31 - 90 days	2	-
91 - 180 days	1	366
181 - 270 days	-	463
271 - 360 days	-	-
More than 360 days	3	3,197
	360	4,119

6 Takaful contract liabilities and retakaful contract assets

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Gross		
Takaful contract liabilities:		
Unearned contribution	75,404	76,732
Claims reported unsettled	18,345	24,319
Claims incurred but not reported	25,238	29,623
Unallocated loss adjustments expense reserve	1,721	1,671
Additional unexpired risk reserve	2,610	1,821
Total takaful contract liabilities, gross	123,318	134,166
Recoverable from retakaful		
Retakaful contract assets:		
Unearned contribution	10,591	12,196
Claims reported unsettled	10,572	14,291
Claims incurred but not reported	5,479	5,684
Additional unexpired risk reserve	990	498
Total retakaful share of takaful liabilities	27,632	32,669
Net		
Unearned contribution	64,813	64,536
Claims reported unsettled	7,773	10,028
Claims incurred but not reported	19,759	23,939
Unallocated loss adjustments expense reserve	1,721	1,671
Additional unexpired risk reserve	1,620	1,323
	95,686	101,497

7 Related parties

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24. Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. The management decides on the terms and conditions of the transactions with related parties.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 30 September 2019

7 Related parties (continued)

Related parties represent directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

a) Related party balances

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Due from related parties:		
Al Redah Insurance Brokers (LLC), Dubai	11,273	10,704
Other	36	17
	11,309	10,721

All due from related parties are attributable to policyholders.

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Due to related parties:		
Other	52	1
	52	1
Attributable to:	AED'000	AED'000
Policyholders	15	1
Shareholders	37	-
	52	1

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the year for bad or doubtful debts in respect of the amounts owed by related parties.

b) Transactions with related parties

During the period, the Company entered into following transactions with related parties:

	Three months period ended 30 September 2019 (Unaudited) AED'000	Three months period ended 30 September 2018 (Unaudited) AED'000	Nine months period ended 30 September 2019 (Unaudited) AED'000	Nine months period ended 30 September 2018 (Unaudited) AED'000
Gross contribution written for related parties	185	248	1,177	816
Management expenses (net)	73	105	978	1,100
Contribution written through a related party broker	2,895	4,508	10,066	14,523
Policy acquisition costs	383	360	1,302	1,883
Claims paid - net	80	69	551	253
Claims paid through related party broker	(13)	36	48	84

Transactions with related parties were carried out on terms agreed with the management.

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7 Related parties (continued)

c) Board of Directors and key management personnel compensation

	Three months period ended 30 September 2019 (Unaudited) AED'000	Three months period ended 30 September 2018 (Unaudited) AED'000	Nine months period ended 30 September 2019 (Unaudited) AED'000	Nine months period ended 30 September 2018 (Unaudited) AED'000
Short-term benefits	572	590	1,215	1,269
Long-term benefits	212	69	613	315
Board of Directors' remuneration	-	-	1,050	400

8 Statutory deposits

Statutory deposit represents a Wakala deposit under lien against the guarantees issued in favour of Insurance Authority of U.A.E. in accordance with Article 42 of United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations.

9 Due from policyholders/due to shareholders

The balance consists of the net of Wakala fees balances that is due to the shareholders from the policyholders amounting to AED 45.5 million (31 December 2018: AED 58.5 million).

10 Other financial assets

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Financial assets measured at fair value through other comprehensive income (FVTOCI)		
Unquoted UAE equity securities	1,939	1,939
Financial assets measured at fair value through profit and loss (FVTPL)		
Quoted UAE equity securities	-	27,423
Unquoted UAE equity securities	515	515
	515	27,938

All other financial assets measured at fair value through other comprehensive income (FVTOCI) are attributable to Shareholders.

Other financial assets measured at fair value through profit and loss (FVTPL) are attributable to shareholders.

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10 Other financial assets (continued)

The movement in other financial assets are as follows:

	At fair value through other comprehensive income (FVTOCI)		At fair value through profit or loss (FVTPL)	
	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Fair value, at the beginning of the period/year	1,939	1,939	27,938	43,053
Purchased during the period/year	-	-	1,374	27,265
Sold during the period/year	-	-	(28,797)	(41,725)
Change in fair value	-	-	-	(655)
Fair value, at the end of the period/year	1,939	1,939	515	27,938

11 Investment properties

Investment properties comprise of land and buildings and are located in United Arab Emirates.

Management estimates that there has been no change in the fair value of investment properties during the nine months period ended 30 September 2019.

Investment properties are classified as Level 3 in the fair value hierarchy as at 30 September 2019 (31 December 2018: Level 3).

Investment property amounting to AED 6.7 million (31 December 2018: AED 6.7 million) is registered in the name of related parties in trust and for the benefit of the Company.

12 Takaful and retakaful payables

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Payable arising from takaful activities	12,125	14,310
Due to takaful companies	17,147	17,899
Due to retakaful companies	21,091	22,907
	50,363	55,116

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Inside UAE:		
Payable arising from takaful activities	12,125	14,310
Due to takaful companies	17,147	17,899
Due to retakaful companies	1,572	2,601
	30,844	34,810

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12 Takaful and retakaful payables (continued)

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Outside UAE:		
Due to retakaful companies	19,519	20,306

13 Share capital

At 30 September 2019, authorised, issued and fully paid share capital comprised 154,000,000 shares of AED 1 each (31 December 2018: 154,000,000 shares of AED 1 each).

14 Statutory reserve

In accordance with U.A.E. Law No. (2) of 2015, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law. No transfer to the statutory reserve have been made during the nine months period ended 30 September 2019 (nine months period ended 30 September 2018: Nil), as this will be based on the audited results for the year.

15 Voluntary reserve

The Company had set up the voluntary reserve by transferring 10% of annual profit as per the clause in the earlier Articles of Association which required at least 10% of the Company's annual profit must be transferred to voluntary reserve until it is suspended by an Ordinary General Meeting upon recommendations of the Board of Directors or when the reserve reaches 50% of the paid up capital of Company and this reserve can be utilised for purposes determined by the General meeting up on recommendation of the Board of Directors.

During 2016, the Company had amended its Articles of Association and the clause related to voluntary reserve states that a voluntary purpose reserve can be created upon a recommendation of the Board of Directors and this reserve cannot be utilised for any other purpose unless approved by the General meeting. As per the above amendment, no transfer to voluntary reserve is made for the period ended 30 September 2019 and 31 December 2018.

16 Wakala and Mudarib's fees

Wakala fees

Wakala fees for the period ended 30 September 2019 amounted to AED 33.73 million (30 September 2018: AED 40.51 million). The fees are calculated at maximum rate of 30% of gross takaful contributions. Wakala fee is charged to the statement of income when incurred.

Mudarib's fee

The shareholders also manage the policyholders' investment funds and charge Mudarib's fee. Mudarib's fee is charged at 30% of realised investment income. Mudarib's fees for the period ended 30 September 2019 amounted to AED 0.607 million (30 September 2018: AED 0.480 million).

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17 Investment income

	Three months period ended 30 September 2019 (Unaudited) AED'000	Three months period ended 30 September 2018 (Unaudited) AED'000	Nine months period ended 30 September 2019 (Unaudited) AED'000	Nine months period ended 30 September 2018 (Unaudited) AED'000
Gain/(loss) on disposal of financial investments at FVTPL	135	(507)	(38)	(715)
Unrealised gain/(loss) on financial investments at FVTPL	223	1,283	-	(1,908)
Dividends from financial investments at FVTPL	-	646	551	1,638
Income from investment properties	3,627	4,456	11,576	13,896
Income from Wakala Deposit	914	698	2,394	2,115
	4,899	6,576	14,483	15,026
Attributable to:				
Policyholders	680	930	2,024	1,599
Shareholders	4,219	5,646	12,459	13,427
	4,899	6,576	14,483	15,026

18 Earnings per share

Earnings per share are calculated by dividing the profit for the period attributable to shareholders by the number of ordinary shares outstanding as of the end of the period as follows:

	Three months period ended 30 September 2019 (Unaudited)	Three months period ended 30 September 2018 (Unaudited)	Nine months period ended 30 September 2019 (Unaudited)	Nine months period ended 30 September 2018 (Unaudited)
Profit for the period attributable to shareholders (in AED'000)	7,548	12,523	17,516	25,815
Number of ordinary shares outstanding (shares)	154,000,000	154,000,000	154,000,000	154,000,000
Basic and diluted earnings per share (in AED)	0.05	0.08	0.11	0.16

Diluted earnings per share as of 30 September 2019 and 30 September 2018 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

19 Dividends

At the Annual General Meeting held on 15 April 2019, the shareholders approved a cash dividend of 10% of share capital, AED 10 fils per share, amounting to AED 15.4 million for the year 2018 (2017: cash dividend of 3% of share capital, AED 3 fils per share, amounting to AED 4.62 million for the year 2017). The shareholders also approved the Board of Directors' remuneration for 2018 of AED 1.05 million (2017: AED 0.4 million).

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20 Cash and cash equivalents

	30 September 2019 (Unaudited) AED'000	30 September 2018 (Unaudited) AED'000
Cash and bank balances	137,080	119,077
Wakala deposits with maturity over 3 months	(92,000)	(90,000)
	<u>45,080</u>	<u>29,077</u>

21 Commitments and contingent liabilities

	30 September 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Letters of guarantee	<u>10,415</u>	<u>10,470</u>

22 Segment information

For management purposes, the Company is organised into two business segments; takaful management and investment. The takaful segment comprises the takaful business undertaken by the Company on behalf of policyholders. Investment comprises investment and cash management for the Company's own account.

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

Except for Wakala fees, Mudarib fees and Qard Hassan, no other inter-segment transactions occurred during the period. If any other transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation.

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22 Segment information (continued)

These segments are the basis on which the Company reports its primary segment information. Segmental information is presented below:

	Nine months period ended 30 September 2019 (Unaudited)			Nine months period ended 30 September 2018 (Unaudited)		
	Attributable to policyholders AED'000	Attributable to shareholders AED'000	Total AED'000	Attributable to policyholders AED'000	Attributable to shareholders AED'000	Total AED'000
Takaful						
Total takaful income	91,748	-	91,748	122,860	-	122,860
Total takaful expenses	(52,876)	-	(52,876)	(73,044)	-	(73,044)
Net takaful income	38,872		38,872	49,816	-	49,816
Investment						
Wakala fees	(33,727)	33,727	-	(40,506)	40,506	-
Mudarib fees	(607)	607	-	(480)	480	-
Other Income	222	-	222	94	-	94
Investment Income	2,024	-	2,024	1,599	-	1,599
	6,784	34,334	41,118	10,523	40,986	51,509
Investment income	-	12,459	12,459	-	13,427	13,427
Other income	-	4	4	-	60	60
Policy acquisition cost	-	(13,616)	(13,616)	-	(17,578)	(17,578)
General and administration expenses	-	(22,449)	(22,449)	-	(21,603)	(21,603)
Profit for the period	6,784	10,732	17,516	10,523	15,292	25,815

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22 Segment information (continued)

Other information

	Takaful		Investment		Total	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018	30 September 2019	31 December 2018
	(Unaudited) AED'000	(Audited) AED'000	(Unaudited) AED'000	(Audited) AED'000	(Unaudited) AED'000	(Audited) AED'000
Segment assets	162,558	184,834	386,668	391,189	549,226	576,023
Segment liabilities	226,894	255,954	9,339	9,192	236,233	265,146
	Takaful		Investment		Total	
	Nine months period ended 30 September 2019	2018	Nine months period ended 30 September 2019	2018	Nine months period ended 30 September 2019	2018
	(Unaudited) AED'000	(Unaudited) AED'000	(Unaudited) AED'000	(Unaudited) AED'000	(Unaudited) AED'000	(Unaudited) AED'000
Capital expenditure	-	-	670	480	670	480
Depreciation	-	-	254	205	254	205

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23 Fair value measurements

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 operation 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 condensed financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial 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 condensed statement of financial position

The following table provides an analysis of financial instruments 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).

		Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
30 September 2019					
<i>Financial assets at FVTOCI</i>					
Investment in unquoted securities	(b)	-	-	1,939	1,939
<i>Financial assets at FVTPL</i>					
Investment in quoted securities	(a)	-	-	-	-
Investment in unquoted securities	(b)	-	-	515	515
		-	-	2,454	2,454
31 December 2018					
<i>Financial assets at FVTOCI</i>					
Investment in unquoted securities	(b)	-	-	1,939	1,939
<i>Financial assets at FVTPL</i>					
Investment in quoted securities	(a)	27,423	-	-	27,423
Investment in unquoted securities	(b)	-	-	515	515
		27,423	-	2,454	29,877

(a) Fair values have been determined by reference to their quoted prices at the reporting date.

(b) The Company holds investments in unquoted securities of three entities as at 30 September 2019 (31 December 2018: three entities). These investments are fair valued based on Net Asset Value Techniques using observable market data. Management believes that there is no significant deterioration in the value of these unquoted investments during the period ended 30 September 2019. All the unquoted securities fall under level 3 of fair value hierarchy therefore use of estimate is significant.

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24 Fatwa and Shari'a Supervisory Board

The Company's business activities are subject to the supervision of its Fatwa and Sharia'a Supervisory Board consisting of three members appointed by the Shareholders. The Fatwa and Sharia'a Supervisory Board perform a supervisory role in order to determine whether the operations of the Company are conducted in accordance with Sharia'a rules and principles.

According to the Company's Fatwa and Sharia'a Supervisory Board, the Company is required to identify any income deemed to be derived from transactions not acceptable under Islamic Sharia'a principles, as interpreted by Fatwa and Sharia'a Supervisory Board, and to set aside such amount in a separate account for Shareholders who may resolve to pay the same for local charitable causes and activities.

25 Approval of condensed financial statements

The condensed financial statements were approved by the Board of Directors and authorised for issue on 5 November 2019.