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

Condensed interim Financial Statements
(Unaudited)

For the period ended 30 June 2018

Grant Thornton
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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 June 2018, 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 six 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.

## Other matter

The financial statements for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on those statements on 28 February 2018.

## 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

Grant Thornton
P.O. Box: 1620
DUBAI-U.A.E.
Public Accountants

**GRANT THORNTON**
**Farouk Mohamed**

**Registration No: 86**
**Dubai, 5 August 2018.**

## Condensed interim statement of financial position
## As at 30 June 2018

| | Notes | 30 June 2018 (Unaudited) AED'000 | 31 December 2017 (Audited) AED'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Takaful operations' assets** | | | |
| Cash and bank balances | 4 | **106,572** | 116,377 |
| Takaful and retakaful receivables | 5 | **30,583** | 24,332 |
| Retakaful contract assets | | | |
| Unearned contribution | 6 | **16,591** | 9,927 |
| Claims reported unsettled | 6 | **20,143** | 19,366 |
| Claims incurred but not reported | 6 | **7,433** | 7,908 |
| Additional unexpired risk reserve | 6 | **326** | 475 |
| Prepayments and other receivables | | **8,752** | 3,857 |
| Due from related parties | 7 | **13,466** | 10,483 |
| Financial assets measured at fair value through profit and loss (FVTPL) | 8 | **8,284** | 8,750 |
| Deferred acquisition cost | | **9,703** | 10,758 |
| **Total takaful operations' assets** | | **221,853** | 212,233 |
| | | | |
| **Shareholders' assets** | | | |
| Cash and bank balances | 4 | **6,668** | 4,706 |
| Statutory deposits | 9 | **10,000** | 10,000 |
| Prepayments and other receivables | | **2,058** | 1,137 |
| Due from policyholders | 10 | **61,651** | 56,674 |
| Financial assets measured at fair value through other comprehensive income (FVTOCI) | 8 | **1,939** | 1,939 |
| Financial assets measured at fair value through profit and loss (FVTPL) | 8 | **31,069** | 34,303 |
| Investment properties | 11 | **275,796** | 275,796 |
| Property and equipment | | **880** | 581 |
| **Total shareholders' assets** | | **390,061** | 385,136 |
| **Total assets** | | **611,914** | 597,369 |

The notes from 1 to 26 form an integral part of these condensed interim financial statements.

## Condensed interim statement of financial position
## As at 30 June 2018 (continued)

| | Notes | 30 June 2018 (Unaudited) AED'000 | 31 December 2017 (Audited) AED'000 |
|---|---|---|---|
| **LIABILITIES, POLICYHOLDERS' FUND AND EQUITY** | | | |
| **Takaful operations' liabilities and policyholders' fund** | | | |
| **Takaful operations' liabilities** | | | |
| Takaful and retakaful payables | 12 | 62,291 | 56,489 |
| Takaful contract liabilities | | | |
| Unearned contribution | 6 | 93,654 | 97,391 |
| Claims reported unsettled | 6 | 34,672 | 30,830 |
| Claims incurred but not reported | 6 | 33,386 | 40,056 |
| Unallocated loss adjustments expense reserve | 6 | 2,029 | 1,555 |
| Additional unexpired risk reserve | 6 | 3,115 | 2,917 |
| Other liabilities | | 6,521 | 5,296 |
| Due to related parties | 7 | 155 | 1 |
| Due to shareholders | 10 | 61,651 | 56,674 |
| Deferred discount | | 2,913 | 2,125 |
| **Total takaful operations' liabilities** | | 300,387 | 293,334 |
| **Policyholders' fund** | | | |
| Deficit in policyholders' fund | | (78,534) | (81,101) |
| Qard Hassan from shareholders | | 78,534 | 81,101 |
| **Total policyholders' fund** | | - | - |
| **Liabilities and policyholders' fund** | | 300,387 | 293,334 |
| **Shareholders' liabilities and equity** | | | |
| **Shareholders' liabilities** | | | |
| Provision for employees' end of service indemnity | | 2,298 | 2,197 |
| Other liabilities | | 5,871 | 7,112 |
| Due to related parties | 7 | 24 | 64 |
| **Total shareholders' liabilities** | | 8,193 | 9,373 |
| **Shareholders' equity** | | | |
| Share capital | 13 | 154,000 | 154,000 |
| Statutory reserve | 14 | 61,488 | 61,488 |
| Voluntary reserve | 15 | 50,064 | 50,064 |
| Investments revaluation reserve - FVTOCI | | (484) | (484) |
| Retained earnings | | 38,266 | 29,594 |
| **Total shareholders' equity** | | 303,334 | 294,662 |
| **Total shareholders' liabilities and equity** | | 311,527 | 304,035 |
| **Total liabilities, policyholders' fund and equity** | | 611,914 | 597,369 |

**Managing Director**

The notes from 1 to 26 form an integral part of these condensed interim financial statements.

## Condensed interim income statement
## For the period ended 30 June 2018

| | Three months period ended 30 June 2018 (Unaudited) AED'000 | Three months period ended 30 June 2017 (Unaudited) AED'000 | Six months period ended 30 June 2018 (Unaudited) AED'000 | Six months period ended 30 June 2017 (Unaudited) AED'000 |
|---|---|---|---|---|
| **Attributable to policyholders** | | | | |
| **Takaful income** | | | | |
| Gross takaful contribution | **45,371** | 61,348 | **98,613** | 136,333 |
| Retakaful share of accepted business | **(8)** | (25) | **(55)** | (58) |
| Retakaful share of ceded business | **(8,945)** | (12,980) | **(27,625)** | (29,558) |
| Net takaful contribution | **36,418** | 48,343 | **70,933** | 106,717 |
| Net transfer to unearned contribution reserves | **1,924** | (12,241) | **10,055** | (41,017) |
| **Net takaful contribution earned** | **38,342** | 36,102 | **80,988** | 65,700 |
| Commission earned | **2,544** | 2,954 | **3,921** | 4,346 |
| Policy fees and other income | **6** | 25 | **14** | 186 |
| **Total underwriting income** | **40,892** | 39,081 | **84,923** | 70,232 |
| **Takaful expenses** | | | | |
| Gross claims paid | **(41,736)** | (37,128) | **(84,821)** | (71,848) |
| Retakaful share of accepted business claims | **12** | 75 | **203** | 223 |
| Retakaful share of ceded business claims | **10,961** | 7,894 | **28,628** | 19,672 |
| **Net claims paid** | **(30,763)** | (29,159) | **(55,990)** | (51,953) |
| Provision for takaful contract liabilities | **1,672** | 2,442 | **(3,842)** | 10,123 |
| Retakaful share of claims reported unsettled | **1,509** | 3,346 | **776** | (8,104) |
| Decrease/(increase) in claims incurred but not reported– net | **3,718** | (548) | **6,195** | (4,075) |
| Increase in unallocated loss adjustments expenses – net | **(470)** | 376 | **(474)** | 148 |
| **Net takaful claims incurred** | **(24,334)** | (23,543) | **(53,335)** | (53,861) |
| Other takaful expenses | **-** | 733 | **-** | - |
| **Total takaful expenses** | **(24,334)** | (22,810) | **(53,335)** | (53,861) |
| **Net takaful income** | **16,558** | 16,271 | **31,588** | 16,371 |
| Investment income (Note 17) | **(74)** | 267 | **669** | 529 |
| Other income | **78** | 20 | **94** | 247 |
| Wakala fees (Note 16) | **(13,612)** | (18,404) | **(29,584)** | (40,900) |
| Mudarib fees (Note 16) | **23** | (80) | **(200)** | (159) |
| **Profit/(loss) for the period attributable to policyholders** | **2,973** | (1,926) | **2,567** | (23,912) |

The notes from 1 to 26 form an integral part of these condensed interim financial statements.

## Condensed interim income statement
## For the period ended 30 June 2018 (continued)

| | Three months period ended 30 June 2018 (Unaudited) AED'000 | Three months period ended 30 June 2017 (Unaudited) AED'000 | Six months period ended 30 June 2018 (Unaudited) AED'000 | Six months period ended 30 June 2017 (Unaudited) AED'000 |
|---|---|---|---|---|
| **Attributable to shareholders** | | | | |
| Investment income (Note 17) | **2,346** | 3,086 | **7,781** | 10,157 |
| Other income | **59** | 4 | **60** | 79 |
| Wakala fees from policyholders (Note 16) | **13,612** | 18,404 | **29,584** | 40,900 |
| Mudarib's fee (Note 16) | **(23)** | 80 | **200** | 159 |
| Policy acquisition cost | **(5,808)** | (4,956) | **(12,252)** | (9,224) |
| General and administrative expenses | **(7,761)** | (8,980) | **(14,648)** | (14,282) |
| **Income for the period before Qard Hassan** | **2,425** | 7,638 | **10,725** | 27,789 |
| Recovery/(provision) against Qard Hassan to policyholders | **2,973** | (1,926) | **2,567** | (23,912) |
| **Profit for the period attributable to shareholders** | **5,398** | 5,712 | **13,292** | 3,877 |
| **Earnings per share (AED)** | | | | |
| Basic and diluted (note 18) | **0.03** | 0.04 | **0.08** | 0.03 |

The notes from 1 to 26 form an integral part of these condensed interim financial statements.

## Condensed interim statement of comprehensive income
## For the period ended 30 June 2018

| | Three months period ended 30 June 2018 (Unaudited) AED'000 | Three months period ended 30 June 2017 (Unaudited) AED'000 | Six months period ended 30 June 2018 (Unaudited) AED'000 | Six months period ended 30 June 2017 (Unaudited) AED'000 |
|---|---|---|---|---|
| **Attributable to shareholders** | | | | |
| Profit for the period | **5,398** | 5,712 | **13,292** | 3,877 |
| Other comprehensive income | - | - | - | - |
| **Total comprehensive income for the period attributable to shareholders** | **5,398** | 5,712 | **13,292** | 3,877 |

The notes from 1 to 26 form an integral part of these condensed interim financial statements.

## Condensed interim statement of changes in equity
## For the period ended 30 June 2018

| | 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 2017 (Audited) | 154,000 | 60,940 | 50,064 | (117) | 50,847 | 315,734 |
| Profit for the period | - | - | - | - | 3,877 | 3,877 |
| Total comprehensive profit for the period | - | - | - | - | 3,877 | 3,877 |
| *Transactions with owners* | | | | | | |
| Dividend paid (note 19) | - | - | - | - | (26,180) | (26,180) |
| | - | - | - | - | (26,180) | (26,180) |
| As at 30 June 2017 (Unaudited) | 154,000 | 60,940 | 50,064 | (117) | 28,544 | 293,431 |
| As at 1 January 2018 (Audited) | 154,000 | 61,488 | 50,064 | (484) | 29,594 | 294,662 |
| Profit for the period | - | - | - | - | 13,292 | 13,292 |
| Total comprehensive income for the period | - | - | - | - | 13,292 | 13,292 |
| *Transactions with owners* | | | | | | |
| Dividend paid (note 19) | - | - | - | - | (4,620) | (4,620) |
| | - | - | - | - | (4,620) | (4,620) |
| **As at 30 June 2018 (Unaudited)** | **154,000** | **61,488** | **50,064** | **(484)** | **38,266** | **303,334** |

The notes from 1 to 26 form an integral part of these condensed interim financial statements.

## Condensed interim statement of cash flows
## For the period ended 30 June 2018

| | Six months period ended 30 June 2018 (Unaudited) AED'000 | Six months period ended 30 June 2017 (Unaudited) AED'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the period | **13,292** | 3,877 |
| Adjustments for: | | |
| Depreciation of property and equipment | **126** | 99 |
| Unrealised loss on financial assets at FVTPL | **3,191** | 2,212 |
| Realised loss/(gain) on sale of financial assets at FVTPL | **208** | (976) |
| Other investment income | **(9,440)** | (9,027) |
| Gain on disposal of property and equipment | **-** | (75) |
| Dividend income from financial investments at FVTPL and FVTOCI | **(992)** | (2,213) |
| Profit on wakala deposits | **(1,417)** | (682) |
| Provision for employees' end of service indemnity | **117** | 211 |
| **Operating cash flows before changes in working capital** | **5,085** | (6,574) |
| (Increase)/decrease in retakaful contract assets | **(6,817)** | 15,470 |
| Increase in takaful and retakaful receivables | **(6,251)** | (11,697) |
| Increase in due from related parties | **(2,983)** | (771) |
| Increase in prepayments and other receivables | **(5,816)** | (3,381) |
| Decrease/(increase) in deferred policy acquisition costs | **1,055** | (5,355) |
| (Decrease)/increase in takaful contract liabilities | **(5,893)** | 27,455 |
| Increase in takaful and retakaful payables | **5,802** | 9,431 |
| Increase in deferred discount | **788** | 708 |
| Increase/(decrease) in other liabilities | **484** | (2,251) |
| Increase/(decrease) in due to related parties | **114** | (10) |
| **Cash (used in)/generated from operations** | **(14,432)** | 23,025 |
| Employee's end of service indemnity paid | **(16)** | (100) |
| Zakat paid | **(500)** | (1,315) |
| **Net cash (used in)/generated from operating activities** | **(14,948)** | 21,610 |
| **Cash flows from investing activities** | | |
| Purchase of property and equipment | **(425)** | (86) |
| Purchase of investments in securities | **(25,778)** | (26,980) |
| Proceeds from sale of property and equipment | **-** | 136 |
| Proceeds from sale of investments in securities | **26,079** | 16,294 |
| Rental income received | **9,440** | 9,027 |
| Profit received on wakala deposit | **1,417** | 682 |
| Dividend received | **992** | 2,213 |
| Movement in wakala deposits with maturity over 3 months | **10,000** | (25,000) |
| **Net cash generated from/(used in) investing activities** | **21,725** | (23,714) |
| **Cash flows from financing activities** | | |
| Dividend paid (note 19) | **(4,620)** | (26,180) |
| **Net cash used in financing activities** | **(4,620)** | (26,180) |
| **Net change in cash and cash equivalents** | **2,157** | (28,284) |
| Cash and cash equivalents, beginning of period | **21,083** | 55,995 |
| **Cash and cash equivalents, end of period (note 20)** | **23,240** | 27,711 |

The notes from 1 to 26 form an integral part of these condensed interim financial statements.

## 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. The Company is subject to the regulations 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.

## 2 General information and basis of preparation

The condensed interim financial statements are for the six months period ended 30 June 2018 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 2017. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

## 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 2017. 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 2017, are applicable on the Company but do not have any material impact on these condensed interim financial statements.

Certain significant accounting policies are disclosed below:

***Product classification***

Takaful contracts are those contracts where a group of policyholders (the policyholders) mutually guarantee one another against prescribed uncertain future events of loss or damage, where the Company acts as a Wakil (agent) on their behalf in managing the Islamic Takaful insurance operations in consideration for a Wakala fee. The Takaful amounts (contributions) paid net of the Wakala fee are considered as funds available for Mudarba, where the Company acts as Mudarib, investing some of these funds in consideration of a pre-agreed share of the realised profit or loss, (Mudarib fee) if any. The policyholders further donate their contribution to those other policyholders who suffer a prescribed event of loss or damage, payable per the policies of the Company, in its capacity as an agent.

In case of deficit in policy-holders operation, such deficit is funded by the shareholders as a Qard Hasan (profit free loan).

***Surplus/deficit in policyholders' fund***

If the surplus in the policyholders' fund at the end of a year is sufficiently large, a percentage of the surplus shall be distributed between policyholders that have not made a claim, in proportion to their risk contributions to the fund after accounting for reserves. The distributions will be approved by the Company's Fatwa and Shari'a Supervisory Board. Any remaining surplus after the distribution will remain in the policyholders' fund.

A deficiency in policyholders' fund is made good by a profit free loan (Qard Hasan) from the shareholders' fund. This Qard Hasan is to be repaid from future surpluses arising from takaful operations on a priority basis. This Qard Hasan is tested for impairment annually and the portion of the Qard Hasan that is considered impaired is charged to the statement of income.

**3 Significant accounting policies (continued)**

***Surplus/deficit in policyholders' fund***

On liquidation of the fund, the accumulated surplus in the policyholders' fund, if any, after meeting all obligations (including repayment of the outstanding amount of Qard Hasan), will be dealt with after consulting with the Company's Fatwa and Shari'a Supervisory Board. In case of an accumulated deficit, any Qard Hasan outstanding at the time of liquidation will not be repayable by the policyholders' fund and the shareholders' fund will forego such outstanding amount.

Any deficit in the policyholders' fund, except for deficits arising from a decline in the fair value of securities, is financed by the shareholders through a Qard Hasan (loan without any profit). The Company maintains a full provision against the Qard Hasan.

**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.

*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 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.

## 3 Significant accounting policies (continued)

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

*Impairment losses on Takaful receivables (continued)*

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.

*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 June 2018 (Unaudited) AED'000 | 31 December 2017 (Audited) AED'000 |
|---|---|---|
| Cash on hand | **31** | 16 |
| Bank balances: | | |
| Wakala deposits | **90,000** | 100,000 |
| Current accounts | **23,209** | 21,067 |
| | **113,240** | 121,083 |
| Attributable to: | | |
| Policyholders | **106,572** | 116,377 |
| Shareholders | **6,668** | 4,706 |
| | **113,240** | 121,083 |

## 5 Takaful and retakaful receivables

| | 30 June 2018 (Unaudited) AED'000 | 31 December 2017 (Audited) AED'000 |
|---|---|---|
| Takaful receivable | **30,815** | 24,050 |
| Receivables from takaful companies | **3,585** | 2,051 |
| Receivables from retakaful companies | **494** | 231 |
| | **34,894** | 26,332 |
| Less: Provisions for doubtful receivables | **(4,311)** | (2,000) |
| | **30,583** | 24,332 |

| | 30 June 2018 (Unaudited) AED'000 | 31 December 2017 (Audited) AED'000 |
|---|---|---|
| **Inside UAE:** | | |
| Takaful receivable | **30,815** | 24,050 |
| Receivables from takaful companies | **3,585** | 2,051 |
| Receivables from retakaful companies | **146** | 40 |
| | **34,546** | 26,141 |
| Less: Provisions for doubtful receivables | **(4,311)** | (2,000) |
| | **30,235** | 24,141 |

| | 30 June 2018 (Unaudited) AED'000 | 31 December 2017 (Audited) AED'000 |
|---|---|---|
| **Outside UAE:** | | |
| Receivables from retakaful companies | **348** | 191 |

## 5 Takaful and retakaful receivables (continued)

| Inside UAE - Takaful receivable | 30 June 2018 (Unaudited) AED'000 | 31 December 2017 (Audited) AED'000 |
|---|---|---|
| Less than 30 days | **8,324** | 7,669 |
| 30 - 90 days | **6,004** | 6,209 |
| 91 - 180 days | **13,004** | 7,009 |
| 181 - 270 days | **4,790** | 2,003 |
| 271 - 360 days | **426** | 1,471 |
| More than 360 days | **1,998** | 1,780 |
| | **34,546** | 26,141 |

| Outside UAE - Receivables from retakaful companies | 30 June 2018 (Unaudited) AED'000 | 31 December 2017 (Audited) AED'000 |
|---|---|---|
| 0 - 30 days | **253** | - |
| 30 - 90 days | **-** | 142 |
| 91 - 180 days | **-** | - |
| 181 - 270 days | **-** | 22 |
| 271 - 360 days | **-** | - |
| More than 360 days | **95** | 27 |
| | **348** | 191 |

## 6 Takaful contract liabilities and retakaful contract assets

| | 30 June 2018 (Unaudited) AED'000 | 31 December 2017 (Audited) AED'000 |
|---|---|---|
| **Gross** | | |
| Takaful contract liabilities: | | |
| Unearned contribution | 93,654 | 97,391 |
| Claims reported unsettled | 34,672 | 30,830 |
| Claims incurred but not reported | 33,386 | 40,056 |
| Unallocated loss adjustments expense reserve | 2,029 | 1,555 |
| Additional unexpired risk reserve | 3,115 | 2,917 |
| **Total takaful contract liabilities, gross** | 166,856 | 172,749 |
| **Recoverable from retakaful** | | |
| Retakaful contract assets: | | |
| Unearned contribution | 16,591 | 9,927 |
| Claims reported unsettled | 20,143 | 19,366 |
| Claims incurred but not reported | 7,433 | 7,908 |
| Additional unexpired risk reserve | 326 | 475 |
| **Total retakaful share of takaful liabilities** | 44,493 | 37,676 |
| **Net** | | |
| Unearned contribution | 77,063 | 87,464 |
| Claims reported unsettled | 14,529 | 11,464 |
| Claims incurred but not reported | 25,953 | 32,148 |
| Unallocated loss adjustments expense reserve | 2,029 | 1,555 |
| Additional unexpired risk reserve | 2,789 | 2,442 |
| | 122,363 | 135,073 |

## 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.

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 June 2018 (Unaudited) AED'000 | 31 December 2017 (Audited) AED'000 |
|---|---|---|
| **Due from related parties:** | | |
| Al Redah Insurance Brokers (LLC), Dubai | 13,279 | 10,478 |
| Other | 187 | 5 |
| | 13,466 | 10,483 |
| **Due to related parties:** | | |
| Other | 179 | 65 |

All due from related parties are attributable to policy holders.

## 7 Related parties (continued)

Due to related parties are attributable as follows:

| | **30 June 2018 (Unaudited) AED'000** | 31 December 2017 (Audited) AED'000 |
|---|---|---|
| Shareholders | **24** | 64 |
| Policyholders | **155** | 1 |
| | **179** | 65 |

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 June 2018 (Unaudited) AED'000** | Three months period ended 30 June 2017 (Unaudited) AED'000 | **Six months period ended 30 June 2018 (Unaudited) AED'000** | Six months period ended 30 June 2017 (Unaudited) AED'000 |
|---|---|---|---|---|
| Gross contribution written for related parties | **311** | 208 | **568** | 752 |
| Management expenses (net) | **-** | 202 | **995** | 712 |
| Contribution written through a related party broker | **4,038** | 4,807 | **10,015** | 12,075 |
| Policy acquisition costs | **758** | 656 | **1,523** | 1,653 |
| Claims paid - net | **182** | 1 | **184** | 16 |
| Claims paid through related party broker | **36** | - | **48** | 2 |

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

### c) Board of Directors and key management personnel compensation

| | **Three months period ended 30 June 2018 (Unaudited) AED'000** | Three months period ended 30 June 2017 (Unaudited) AED'000 | **Six months period ended 30 June 2018 (Unaudited) AED'000** | Six months period ended 30 June 2017 (Unaudited) AED'000 |
|---|---|---|---|---|
| Short-term benefits | **467** | 1,186 | **679** | 1,558 |
| Long-term benefits | **-** | 68 | **246** | 136 |
| Board of Directors' remuneration | **400** | 2,400 | **400** | 2,400 |

## 8 Other financial assets

| | 30 June 2018 (Unaudited) AED'000 | 31 December 2017 (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 | **38,838** | 42,538 |
| Unquoted UAE equity securities | **515** | 515 |
| | **39,353** | 43,053 |

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 as follows:

| | 30 June 2018 (Unaudited) AED'000 | 31 December 2017 (Audited) AED'000 |
|---|---|---|
| Shareholders | **31,069** | 34,303 |
| Policyholders | **8,284** | 8,750 |
| | **39,353** | 43,053 |

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 June 2018 (Unaudited) AED'000 | 31 December 2017 (Audited) AED'000 | 30 June 2018 (Unaudited) AED'000 | 31 December 2017 (Audited) AED'000 |
| Fair value, at the beginning of the period/year | **1,939** | 2,306 | **43,053** | 30,109 |
| Purchased during the period/year | - | - | **25,778** | 62,307 |
| Disposed during the period/year | - | - | **(26,287)** | (47,172) |
| Change in fair value | - | (367) | **(3,191)** | (2,191) |
| **Fair value, at the end of the period/year** | **1,939** | 1,939 | **39,353** | 43,053 |

## 9 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.

## 10 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 61,651 thousand (31 December 2017: AED 56,674 thousand).

## 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 six months period ended 30 June 2018.

Investment properties are classified as Level 3 in the fair value hierarchy as at 30 June 2018 (31 December 2017: Level 3).

Investment property amounting to AED 71,000 thousand (31 December 2017: AED 71,000 thousand) is registered in the name of related parties in trust and for the benefit of the Company.

## 12 Takaful and retakaful payables

| | **30 June 2018 (Unaudited) AED'000** | 31 December 2017 (Audited) AED'000 |
|---|---|---|
| Payable arising from takaful activities | **16,039** | 18,496 |
| Due to takaful companies | **22,546** | 18,048 |
| Due to retakaful companies | **23,706** | 19,945 |
| | **62,291** | 56,489 |

| **Inside UAE:** | **30 June 2018 (Unaudited) AED'000** | 31 December 2017 (Audited) AED'000 |
|---|---|---|
| Payable arising from takaful activities | **16,039** | 18,496 |
| Due to takaful companies | **22,572** | 18,048 |
| Due to re takaful companies | **5,536** | 1,931 |
| | **44,147** | 38,475 |

| **Outside UAE:** | **30 June 2018 (Unaudited) AED'000** | 31 December 2017 (Audited) AED'000 |
|---|---|---|
| Due to retakaful companies | **18,144** | 18,014 |

## 13 Share capital

At 30 June 2018, authorised, issued and fully paid share capital comprised 154,000,000 shares of AED 1 each (31 December 2017: 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 six months period ended 30 June 2018 (six months period ended 30 June 2017: 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 June 2018 and 31 December 2017.

## 16 Wakala and Mudarib's fees

*Wakala fees*

Wakala fees for the period ended 30 June 2018 amounted to AED 29,584 thousand (30 June 2017: AED 40,900 thousand). 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 June 2018 amounted to AED 200 thousand (30 June 2017: AED 159 thousand).

## 17 Investment income

| | Three months period ended 30 June 2018 (Unaudited) AED'000 | Three months period ended 30 June 2017 (Unaudited) AED'000 | Six months period ended 30 June 2018 (Unaudited) AED'000 | Six months period ended 30 June 2017 (Unaudited) AED'000 |
|---|---|---|---|---|
| Loss/(profit) on disposal of financial investments at FVTPL | **(484)** | 351 | **(208)** | 976 |
| Unrealised loss on financial investments at FVTPL | **(2,866)** | (2,007) | **(3,191)** | (2,212) |
| Dividends from financial investments at FVTPL | **369** | 675 | **992** | 2,213 |
| Income from investment properties | **4,567** | 3,914 | **9,440** | 9,027 |
| Income from Wakala Deposit | **686** | 420 | **1,417** | 682 |
| | **2,272** | 3,353 | **8,450** | 10,686 |
| Attributable to: | | | | |
| Policyholders | **(74)** | 267 | **669** | 529 |
| Shareholders | **2,346** | 3,086 | **7,781** | 10,157 |
| | **2,272** | 3,353 | **8,450** | 10,686 |

## 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 June 2018 (Unaudited) | Three months period ended 30 June 2017 (Unaudited) | Six months period ended 30 June 2018 (Unaudited) | Six months period ended 30 June 2017 (Unaudited) |
|---|---|---|---|---|
| Profit for the period attributable to shareholders (in AED'000) | **5,397** | 5,712 | **13,292** | 3,877 |
| 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) | **0.03** | 0.04 | **0.08** | 0.03 |

Diluted earnings per share as of 30 June 2018 and 30 June 2017 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 10 April 2018, the shareholders approved a cash dividend of 3% of share capital, AED 3 fils per share, amounting to AED 4,620 thousand for the year 2017 (2016: cash dividend of 17% of share capital, AED 17 fils per share, amounting to AED 26,180 thousand for the year 2016). The shareholders also approved the Board of Directors' remuneration for 2017 of AED 400 thousand (2016: AED 2,400 thousand).

## 20 Cash and cash equivalents

| | 30 June 2018 (Unaudited) AED'000 | 30 June 2017 (Unaudited) AED'000 |
|---|---|---|
| Cash and bank balances | **113,240** | 102,711 |
| Wakala deposits with maturity over 3 months | **(90,000)** | (75,000) |
| | **23,240** | 27,711 |

## 21 Commitments and contingent liabilities

| | 30 June 2018 (Unaudited) AED'000 | 31 December 2017 (Audited) AED'000 |
|---|---|---|
| Letters of guarantee | **10,382** | 10,361 |

## 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.

## Notes to the condensed interim financial statements
## For the period ended 30 June 2018

### 22 Segment information (continued)

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

| | **Six months period ended 30 June 2018 (Unaudited)** | | | Six months period ended 30 June 2017 (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 | **84,923** | **-** | **84,923** | 70,232 | - | 70,232 |
| Total takaful expenses | **(53,335)** | **-** | **(53,335)** | (53,861) | - | (53,861) |
| **Net takaful income** | **31,588** | **-** | **31,588** | 16,371 | - | 16,371 |
| Wakala fees | **(29,584)** | **29,584** | **-** | (40,900) | 40,900 | - |
| Mudarib fees | **(200)** | **200** | **-** | (159) | 159 | - |
| Other Income | **94** | **-** | **94** | 247 | - | 247 |
| Investment Income | **669** | **-** | **669** | 529 | - | 529 |
| | **2,567** | **29,784** | **32,351** | (23,912) | 41,059 | 17,147 |
| ***Investment*** | | | | | | |
| Investment income | **-** | **7,781** | **7,781** | - | 10,157 | 10,157 |
| Other income | **-** | **60** | **60** | - | 79 | 79 |
| Policy acquisition cost | **-** | **(12,252)** | **(12,252)** | - | (9,224) | (9,224) |
| General and administration expenses | **-** | **(14,648)** | **(14,648)** | - | (14,282) | (14,282) |
| **Profit/(loss) for the period** | **2,567** | **10,725** | **13,292** | (23,912) | 27,789 | 3,877 |

## 22 Segment information (continued)

### Other information

| | Takaful | | Investment | | Total | |
|---|---|---|---|---|---|---|
| | **30 June 2018 (Unaudited) AED'000** | 31 December 2017 (Audited) AED'000 | **30 June 2018 (Unaudited) AED'000** | 31 December 2017 (Audited) AED'000 | **30 June 2018 (Unaudited) AED'000** | 31 December 2017 (Audited) AED'000 |
| Segment assets | **221,853** | 212,233 | **390,061** | 385,136 | **611,914** | 597,369 |
| Segment liabilities | **300,387** | 293,334 | **8,193** | 9,373 | **308,580** | 302,707 |

| | Takaful Six months period ended 30 June | | Investment Six months period ended 30 June | | Total Six months period ended 30 June | |
|---|---|---|---|---|---|---|
| | **2018 (Unaudited) AED'000** | 2017 (Unaudited) AED'000 | **2018 (Unaudited) AED'000** | 2017 (Unaudited) AED'000 | **2018 (Unaudited) AED'000** | 2017 (Unaudited) AED'000 |
| Capital expenditure | **-** | - | **425** | 86 | **425** | 86 |
| Depreciation | **-** | - | **126** | 99 | **126** | 99 |

## 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 2017.

*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 June 2018** | | | | | |
| *Financial assets at FVTOCI* | | | | | |
| Investment in unquoted securities | (b) | - | - | 1,939 | 1,939 |
| *Financial assets at FVTPL* | | | | | |
| Investment in quoted securities | (a) | 38,838 | - | - | 38,838 |
| Investment in unquoted securities | (b) | - | - | 515 | 515 |
| | | 38,838 | - | 515 | 39,353 |
| **31 December 2017** | | | | | |
| *Financial assets at FVTOCI* | | | | | |
| Investment in unquoted securities | (b) | - | - | 1,939 | 1,939 |
| *Financial assets at FVTPL* | | | | | |
| Investment in quoted securities | (a) | 42,538 | - | - | 42,538 |
| Investment in unquoted securities | (b) | - | - | 515 | 515 |
| | | 42,538 | - | 515 | 43,053 |

(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 June 2018 (31 December 2017: 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 June 2018. All the unquoted securities fall under level 3 of fair value hierarchy therefore use of estimate is significant.

## 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 August 2018.

## 26 Disclosure of exposure to Abraaj Group

As at the end of the period, the Company does not have any direct or indirect exposure to Abraaj Group.