

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

Condensed interim Financial Statements
(Unaudited)

For the period ended 30 September 2018

**Grant Thornton
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 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 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.

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
Farouk Mohamed



Registration No: 86
Dubai, 29 October 2018.

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

Condensed interim statement of financial position
As at 30 September 2018

	Notes	(Unaudited) 30 September 2018 AED'000	(Audited) 31 December 2017 AED'000
ASSETS			
Takaful operations' assets			
Cash and bank balances	4	106,246	116,377
Takaful and retakaful receivables	5	26,133	24,332
Retakaful contract assets			
Unearned contribution	6	15,117	9,927
Claims reported unsettled	6	14,386	19,366
Claims incurred but not reported	6	8,191	7,908
Additional unexpired risk reserve	6	311	475
Prepayments and other receivables		9,404	3,857
Due from related parties	7	12,732	10,483
Other financial assets measured at fair value through profit and loss (FVTPL)	8	2,992	8,750
Deferred policy acquisition cost		8,558	10,758
Total takaful operations' assets		204,070	212,233
Shareholders' assets			
Cash and bank balances	4	12,831	4,706
Statutory deposits	9	10,000	10,000
Prepayments and other receivables		3,564	1,137
Due from policyholders	10	60,630	56,674
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	8	1,939	1,939
Other financial assets measured at fair value through profit and loss (FVTPL)	8	28,756	34,303
Investment properties	11	275,796	275,796
Property and equipment		856	581
Total shareholders' assets		394,372	385,136
Total assets		598,442	597,369

The notes from 1 to 26 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
As at 30 September 2018 (continued)

	Notes	(Unaudited) 30 September 2018 AED'000	(Audited) 31 December 2017 AED'000
LIABILITIES, POLICYHOLDERS' FUND AND EQUITY			
Takaful operations' liabilities and policyholders' fund			
Takaful operations' liabilities			
Takaful and retakaful payables	12	59,720	56,489
Takaful contract liabilities			
Unearned contribution	6	85,306	97,391
Claims reported unsettled	6	22,262	30,830
Claims incurred but not reported	6	33,696	40,056
Unallocated loss adjustments expense reserve	6	1,793	1,555
Additional unexpired risk reserve	6	2,610	2,917
Other liabilities		6,128	5,296
Due to related parties	7	5	1
Due to shareholders	10	60,630	56,674
Deferred discount		2,498	2,125
Total takaful operations' liabilities		274,648	293,334
Policyholders' fund			
Deficit in policyholders' fund		(70,578)	(81,101)
Qard Hassan from shareholders		70,578	81,101
Total policyholders' fund		-	-
Liabilities and policyholders' fund		274,648	293,334
Shareholders' liabilities and equity			
Shareholders' liabilities			
Provision for employees' end of service indemnity		2,334	2,197
Other liabilities		5,602	7,112
Due to related parties	7	1	64
Total shareholders' liabilities		7,937	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		50,789	29,594
Total shareholders' equity		315,857	294,662
Total shareholders' liabilities and equity		323,794	304,035
Total liabilities, policyholders' fund and equity		598,442	597,369


Managing Director

The notes from 1 to 26 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 2018

	(Unaudited) Three months period ended 30 September 2018 AED'000	(Unaudited) Three months period ended 30 September 2017 AED'000	(Unaudited) Nine months period ended 30 September 2018 AED'000	(Unaudited) Nine months period ended 30 September 2017 AED'000
Attributable to policyholders				
Takaful income				
Gross takaful contribution	36,405	54,068	135,018	190,401
Retakaful share of accepted business	(7)	(11)	(62)	(69)
Retakaful share of ceded business	(7,172)	(13,415)	(34,797)	(42,973)
Net takaful contribution	29,226	40,642	100,159	147,359
Net transfer to unearned contribution reserves	7,363	(136)	17,418	(41,153)
Net takaful contribution earned	36,589	40,506	117,577	106,206
Commission earned	1,340	1,443	5,261	5,789
Policy fees and other income	8	23	22	209
Total underwriting income	37,937	41,972	122,860	112,204
Takaful expenses				
Gross claims paid	(44,910)	(38,966)	(129,731)	(110,814)
Retakaful share of accepted business claims	13	102	216	325
Retakaful share of ceded business claims	17,850	7,783	46,478	27,455
Net claims paid	(27,047)	(31,081)	(83,037)	(83,034)
Provision for takaful contract liabilities	12,410	6,642	8,568	16,765
Retakaful share of claims reported unsettled	(5,756)	(2,688)	(4,980)	(10,792)
Decrease/(increase) in claims incurred but not reported- net	448	(5,472)	6,643	(9,547)
Decrease/(increase) in unallocated loss adjustments expenses – net	236	(102)	(238)	46
Net takaful claims incurred	(19,709)	(32,701)	(73,044)	(86,562)
Other takaful expenses	-	-	-	-
Total takaful expenses	(19,709)	(32,701)	(73,044)	(86,562)
Net takaful income	18,228	9,271	49,816	25,642
Investment income (Note 17)	930	833	1,599	1,362
Other income	-	26	94	273
Wakala fees (Note 16)	(10,922)	(16,220)	(40,506)	(57,120)
Mudarib fees (Note 16)	(280)	(250)	(480)	(409)
Profit/(loss) for the period attributable to policyholders	7,956	(6,340)	10,523	(30,252)

The notes from 1 to 26 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 2018 (continued)

	(Unaudited) Three months period ended 30 September 2018 AED'000	(Unaudited) Three months period ended 30 September 2017 AED'000	(Unaudited) Nine months period ended 30 September 2018 AED'000	(Unaudited) Nine months period ended 30 September 2017 AED'000
Attributable to shareholders				
Investment income (Note 17)	5,646	6,673	13,427	16,830
Other income	-	-	60	79
Wakala fees from policyholders (Note 16)	10,922	16,220	40,506	57,120
Mudarib's fee (Note 16)	280	250	480	409
Policy acquisition cost	(5,326)	(5,518)	(17,578)	(14,742)
General and administrative expenses	(6,955)	(5,316)	(21,603)	(19,598)
Income for the period before Qard Hassan	4,567	12,309	15,292	40,098
Provision against Qard Hassan to policyholders	7,956	(6,340)	10,523	(30,252)
Profit for the period attributable to shareholders	12,523	5,969	25,815	9,846
Earnings per share (AED)				
Basic and diluted (note 18)	0.08	0.04	0.16	0.06

The notes from 1 to 26 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 2018

	(Unaudited) Three months period ended 30 September 2018 AED'000	(Unaudited) Three months period ended 30 September 2017 AED'000	(Unaudited) Nine months period ended 30 September 2018 AED'000	(Unaudited) Nine months period ended 30 September 2017 AED'000
Attributable to shareholders				
Profit for the period	12,523	5,969	25,815	9,846
Other comprehensive income	-	-	-	-
Total comprehensive income for the period attributable to shareholders	12,523	5,969	25,815	9,846

The notes from 1 to 26 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 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	-	-	-	-	9,846	9,846
Total comprehensive profit for the period	-	-	-	-	9,846	9,846
<i>Transactions with owners</i>						
Dividend paid (Note 19)	-	-	-	-	(26,180)	(26,180)
As at 30 September 2017 (Unaudited)	154,000	60,940	50,064	(117)	34,513	299,400
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 profit 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

The notes from 1 to 26 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 2018

	(Unaudited) Nine months period ended 30 September 2018 AED'000	(Unaudited) Nine months period ended 30 September 2017 AED'000
Cash flows from operating activities		
Profit for the period	25,815	9,846
Adjustments for:		
Depreciation of property and equipment	205	147
Unrealised loss on financial assets at FVTPL	1,908	1,881
Realised loss/(gain) on sale of financial assets at FVTPL	715	(2,297)
Other investment income	(13,896)	(13,563)
Gain on disposal of property and equipment	-	(75)
Dividends income from financial investments at FVTPL and FVTOCI	(1,638)	(2,687)
Profit on wakala deposits	(2,115)	(1,526)
Provision for employees' end of service indemnity	180	316
Operating cash flows before changes in working capital	11,174	(7,958)
(Increase)/decrease in retakaful contract assets	(329)	18,061
Increase in takaful and retakaful receivables	(1,801)	(3,472)
Increase in due from related parties	(2,249)	(1,426)
Increase in prepayments and other receivables	(7,974)	(4,468)
Decrease/(increase) in deferred policy acquisition costs	2,200	(5,214)
(Decrease)/increase in takaful contract liabilities	(27,082)	26,620
Increase in takaful and retakaful payables	3,231	15,319
Increase in deferred discount	373	436
Decrease in other liabilities	(178)	(1,317)
Decrease in due to related parties	(59)	(8)
Cash (used in)/generated from operations	(22,694)	36,573
Employee's end of service indemnity paid	(43)	(158)
Zakat paid	(500)	(1,315)
Net cash (used in)/generated from operating activities	(23,237)	35,100
Cash flows from investing activities		
Purchase of property and equipment	(480)	(170)
Purchase of investments in securities	(26,503)	(43,456)
Proceeds from sale of property and equipment	-	136
Proceeds from sale of investments in securities	35,185	44,288
Rental income received	13,896	13,563
Profit received on wakala deposit	2,115	1,526
Dividend received	1,638	2,687
Decrease/(increase) in wakala deposits with maturity over 3 months	10,000	(40,000)
Net cash generated from/(used in) investing activities	35,851	(21,426)
Cash flows from financing activities		
Dividend paid	(4,620)	(26,180)
Net cash used in financing activities	(4,620)	(26,180)
Net change in cash and cash equivalents	7,994	(12,506)
Cash and cash equivalents, beginning of period	21,083	55,995
Cash and cash equivalents, end of period (note 20)	29,077	43,489

The notes from 1 to 26 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 2018

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 nine months period ended 30 September 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.

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 2018

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, 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.

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 2018

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.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
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Notes to the condensed interim financial statements
For the period ended 30 September 2018

4 Cash and bank balances

	30 September 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000
Cash on hand	59	16
Bank balances:		
Wakala deposits	90,000	100,000
Current accounts	29,018	21,067
	<u>119,077</u>	<u>121,083</u>
Attributable to:		
Policyholders	106,246	116,377
Shareholders	12,831	4,706
	<u>119,077</u>	<u>121,083</u>

5 Takaful and retakaful receivables

	30 September 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000
Takaful receivable	27,026	24,050
Receivables from takaful companies	4,208	2,051
Receivables from retakaful companies	366	231
	<u>31,600</u>	<u>26,332</u>
Less: Provisions for doubtful receivables	(5,467)	(2,000)
	<u>26,133</u>	<u>24,332</u>

	30 September 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000
Inside UAE:		
Takaful receivable	27,025	24,050
Receivables from takaful companies	4,209	2,051
Receivables from retakaful companies	-	40
	<u>31,234</u>	<u>26,141</u>
Less: Provisions for doubtful receivables	(5,467)	(2,000)
	<u>25,767</u>	<u>24,141</u>

	30 September 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000
Outside UAE:		
Receivables from retakaful companies	366	191

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
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Notes to the condensed interim financial statements
For the period ended 30 September 2018

5 Takaful and retakaful receivables (continued)

	30 September 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000
Inside UAE - Takaful receivable		
Less than 30 days	8,441	7,669
30 - 90 days	7,571	6,209
91 - 180 days	6,642	7,009
181 - 270 days	5,018	2,003
271 - 360 days	1,769	1,471
More than 360 days	1,793	1,780
	31,234	26,141
Outside UAE - Receivables from retakaful companies		
	30 September 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000
Less than 30 days	272	-
30 - 90 days	-	142
91 - 180 days	-	-
181 - 270 days	-	22
271 - 360 days	-	-
More than 360 days	94	27
	366	191

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 2018

6 Takaful contract liabilities and retakaful contract assets

	30 September 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000
Gross		
Takaful contract liabilities:		
Unearned contribution	85,306	97,391
Claims reported unsettled	22,262	30,830
Claims incurred but not reported	33,696	40,056
Unallocated loss adjustments expense reserve	1,793	1,555
Additional unexpired risk reserve	2,610	2,917
Total takaful contract liabilities, gross	145,667	172,749
Recoverable from retakaful		
Retakaful contract assets:		
Unearned contribution	15,117	9,927
Claims reported unsettled	14,386	19,366
Claims incurred but not reported	8,191	7,908
Additional unexpired risk reserve	311	475
Total retakaful share of takaful liabilities	38,005	37,676
Net		
Unearned contribution	70,189	87,464
Claims reported unsettled	7,876	11,464
Claims incurred but not reported	25,505	32,148
Unallocated loss adjustments expense reserve	1,793	1,555
Additional unexpired risk reserve	2,299	2,442
	107,662	135,073

7 Related party

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 September 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000
Due from related parties:		
Al Redah Insurance Brokers (LLC), Dubai	12,577	10,478
Other	155	5
	12,732	10,483
Due to related parties:		
Other	6	65

All due from related parties are attributable to policy holders.

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7 Related party (continued)

Due to related parties are attributable as follows:

	30 September 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000
Shareholders	1	64
Policyholders	5	1
	6	65

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized 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:

	(Unaudited) Three months period ended 30 September 2018 AED'000	(Unaudited) Three months period ended 30 September 2017 AED'000	(Unaudited) Nine months period ended 30 September 2018 AED'000	(Unaudited) Nine months period ended 30 September 2017 AED'000
Gross contribution written for related parties	248	265	816	1,017
Management expenses (net)	105	31	1,100	743
Contribution written through a related party broker	4,508	3,750	14,523	15,825
Policy acquisition costs	360	475	1,883	2,128
Claims paid - net	69	19	253	35
Claims paid through related party broker	36	(1)	84	1

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

c) Board of Directors and key management personnel compensation

	(Unaudited) Three months period ended 30 September 2018 AED'000	(Unaudited) Three months period ended 30 September 2017 AED'000	(Unaudited) Nine months period ended 30 September 2018 AED'000	(Unaudited) Nine months period ended 30 September 2017 AED'000
Short-term benefits	590	290	1,269	1,848
Long-term benefits	69	105	315	241
Board of Directors' remuneration	-	-	400	2,400

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8 Other financial assets

	30 September 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000
Other financial assets measured at fair value through other comprehensive income (FVTOCI)		
Unquoted UAE equity securities	1,939	1,939
Other financial assets measured at fair value through profit and loss (FVTPL)		
Quoted UAE equity securities	31,233	42,538
Unquoted UAE equity securities	515	515
	31,748	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 September 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000
Shareholders	28,756	34,303
Policyholders	2,992	8,750
	31,748	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 September 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000	30 September 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	-	-	26,503	62,307
Sold during the period/year	-	-	(35,900)	(47,172)
Change in fair value	-	(367)	(1,908)	(2,191)
Fair value, at the end of the period/year	1,939	1,939	31,748	43,053

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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 60.6 million (31 December 2017: AED 56.7 million).

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 2018.

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

Investment property amounting to AED7.1 million (31 December 2017: AED 7.1 million) is registered in the name of related parties on trust and for the benefit of the Company.

12 Takaful and retakaful payables

	30 September 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000
Payable arising from takaful activities	16,218	18,496
Due to takaful companies	19,660	18,048
Due to retakaful companies	23,842	19,945
	<u>59,720</u>	<u>56,489</u>

	30 September 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000
Inside UAE:		
Payable arising from takaful activities	16,218	18,496
Due to takaful companies	19,660	18,048
Due to re takaful companies	4,988	1,931
	<u>40,866</u>	<u>38,475</u>

	30 September 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000
Outside UAE:		
Due to retakaful companies	<u>18,854</u>	<u>18,014</u>

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13 Share capital

At 30 September 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 nine months period ended 30 September 2018 (nine months period ended 30 September 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 utilized 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 utilized 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 2018 and 31 December 2017.

16 Wakala and Mudarib's fees

Wakala fees

Wakala fees for the period ended 30 September 2018 amounted to AED 40.50 million (30 September 2017: AED 57.12 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 2018 amounted to AED 0.480 million (30 September 2017: AED 0.409 million).

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17 Investment income

	(Unaudited) Three months period ended 30 September 2018 AED'000	(Unaudited) Three months period ended 30 September 2017 AED'000	(Unaudited) Nine months period ended 30 September 2018 AED'000	(Unaudited) Nine months period ended 30 September 2017 AED'000
Profit on disposal of financial investments at FVTPL	(507)	1,321	(715)	2,297
Unrealised loss on financial investments at FVTPL	1,283	331	(1,908)	(1,881)
Dividends from financial investments at FVTPL	646	474	1,638	2,687
Income from investment properties	4,456	4,536	13,896	13,563
Income from Wakala Deposit	698	844	2,115	1,526
	6,576	7,506	15,026	18,192
Attributable to:				
Policyholders	930	833	1,599	1,362
Shareholders	5,646	6,673	13,427	16,830
	6,576	7,506	15,026	18,192

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:

	(Unaudited) Three months period ended 30 September 2018	(Unaudited) Three months period ended 30 September 2017	(Unaudited) Nine months period ended 30 September 2018	(Unaudited) Nine months period ended 30 September 2017
Profit for the period attributable to shareholders (in AED'000)	12,523	5,969	25,815	9,846
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)	0.08	0.04	0.16	0.06

Diluted earnings per share as of 30 September 2018 and 30 September 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 4.6 million for the year 2017. (2016: cash dividend of 17% of share capital, AED 17 fils per share, amounting to AED 26.18 million for the year 2016). The shareholders also approved the Board of Directors' remuneration for 2017 of AED 0.4 million (2016: AED 2.4 million).

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20 Cash and cash equivalents

	30 September 2018 (Unaudited)	30 September 2017 (Unaudited)
Cash and bank balances	119,077	133,489
Wakala deposits with maturity over 3 months	(90,000)	(90,000)
	<u>29,077</u>	<u>43,489</u>

21 Commitments and contingent liabilities

	30 September 2018 (Unaudited) AED'000	31 December 2017 (Audited) AED'000
Letters of guarantee	<u>10,379</u>	<u>10,361</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 2018 (Unaudited)			Nine months period ended 30 September 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	122,860	-	122,860	112,204	-	112,204
Total takaful expenses	(73,044)	-	(73,044)	(86,562)	-	(86,562)
Net takaful income	49,816	-	49,816	25,642	-	25,642
Investment						
Wakala fees	(40,506)	40,506	-	(57,120)	57,120	-
Mudarib fees	(480)	480	-	(409)	409	-
Other Income	94	-	94	273	-	273
Investment Income	1,599	-	1,599	1,362	-	1,362
	10,523	40,986	51,509	(30,252)	57,529	27,277
Investment						
Investment income	-	13,427	13,427	-	16,830	16,830
Other income	-	60	60	-	79	79
Policy acquisition cost	-	(17,578)	(17,578)	-	(14,742)	(14,742)
General and administration expenses	-	(21,603)	(21,603)	-	(19,598)	(19,598)
Profit/(loss) for the period	10,523	15,292	25,815	(30,252)	40,098	9,846

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22 Segment information (continued)

Other information

	Takaful		Investment		Total	
	30 September 2018	31 December 2017	30 September 2018	31 December 2017	30 September 2018	31 December 2017
	(Unaudited) AED'000	(Audited) AED'000	(Unaudited) AED'000	(Audited) AED'000	(Unaudited) AED'000	(Audited) AED'000
Segment assets	204,071	212,233	394,371	385,136	598,442	597,369
Segment liabilities	274,648	293,334	7,937	9,373	282,585	302,707

	Takaful		Investment		Total	
	Nine months period ended 30 September 2018		Nine months period ended 30 September 2018		Nine months period ended 30 September 2018	
	(Unaudited) AED'000	(Unaudited) AED'000	(Unaudited) AED'000	(Unaudited) AED'000	(Unaudited) AED'000	(Unaudited) AED'000
Capital expenditure	-	-	480	170	480	170
Depreciation	-	-	205	147	205	147

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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 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 September 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)	31,233	-	-	31,233
Investment in unquoted securities	(b)	-	-	515	515
		31,233	-	515	31,748
31 December 2017					
<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)	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 September 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 September 2018. 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 29 October 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.