

**TAKAFUL EMARAT - INSURANCE  
(PSC)**

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS**

**31 MARCH 2017 (UNAUDITED)**

# **TAKAFUL EMARAT - INSURANCE (PSC)**

## **INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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**For the three month period ended 31 March 2017**

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

### ***Introduction***

We have reviewed the accompanying interim condensed consolidated financial statements of Takaful Emarat - Insurance (PSC) (the “Company”) and its subsidiary (collectively referred to as the “Group”), which comprise the interim consolidated statement of financial position as at 31 March 2017, and the related interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### ***Scope of Review***

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

### ***Conclusion***

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

### ***Other Matters***

The interim condensed financial statements of the Company as of 31 March 2016 were reviewed by another auditor whose report dated 11 May 2016 expressed an unqualified conclusion on those interim condensed financial statements. Also, the financial statements as of 31 December 2016 were audited by another auditor whose report dated 7 February 2017 expressed an unqualified opinion on those financial statements.

For Ernst & Young



Ashraf Abu-Sharkh  
Partner  
Registration No. 690

8 May 2017  
Dubai, United Arab Emirates

# TAKAFUL EMARAT - INSURANCE (PSC)

## INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017 (Unaudited)

	Notes	31 March 2017 AED	31 December 2016 AED (Audited)
<b>TAKAFUL OPERATIONS' ASSETS</b>			
Cash and bank balances	3	125,169,802	176,811,393
Investments at fair value through profit or loss – individual life	5	63,313,214	55,969,153
Other investments at fair value through profit or loss	5	7,428,644	-
Takaful receivables and other assets		269,089,793	146,063,326
Retakaful contract assets	4	116,397,495	95,705,237
Deferred policy acquisition cost		47,247,385	43,499,624
<b>TOTAL TAKAFUL OPERATIONS' ASSETS</b>		<b>628,646,333</b>	<b>518,048,733</b>
<b>SHAREHOLDERS' ASSETS</b>			
Cash and bank balances	3	6,860,265	9,347,274
Investments at fair value through profit or loss	5	95,127,891	78,419,683
Takaful receivables and other assets		25,293,856	11,909,826
Deposit		31,000,000	23,000,000
Statutory deposit		4,000,000	4,000,000
Held to maturity investment		1,000,000	1,000,000
Investment properties		38,430,816	38,405,816
Property and equipment		2,381,031	2,471,395
Intangible assets		2,220,638	1,533,323
Receivable from policyholders		55,710,168	105,060,059
<b>TOTAL SHAREHOLDERS' ASSETS</b>		<b>262,024,665</b>	<b>275,147,376</b>
<b>TOTAL ASSETS</b>		<b>890,670,998</b>	<b>793,196,109</b>
<b>TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT</b>			
<b>Takaful operations liabilities</b>			
Takaful and other payables		161,219,760	132,644,115
Takaful contract liabilities	4	463,364,774	337,539,349
Payable to shareholders		55,710,168	105,060,059
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES</b>		<b>680,294,702</b>	<b>575,243,523</b>
<b>DEFICIT IN POLICYHOLDERS' FUND AND QARD HASSAN FROM SHAREHOLDERS</b>			
Deficit in policyholders' fund	16	(51,597,089)	(56,950,837)
Qard Hassan from shareholders	16	51,597,089	56,950,837
<b>NET DEFICIT IN POLICYHOLDERS' FUND AND QARD HASSAN FROM SHAREHOLDERS</b>		<b>-</b>	<b>-</b>
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT</b>		<b>680,294,702</b>	<b>575,243,523</b>


The accompanying notes 1 to 16 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

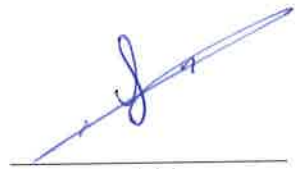
INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2017 (Unaudited)

	Notes	31 March 2017 AED	31 December 2016 AED (Audited)
<b>SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
<b>SHAREHOLDERS' LIABILITIES</b>			
<b>Shareholders' liabilities</b>			
Takaful and other payables		56,321,598	54,402,453
Borrowings	8	19,845,000	19,845,000
Provision for employees' end of service benefits		2,056,393	1,743,000
		<u>78,222,991</u>	<u>75,990,453</u>
<b>TOTAL SHAREHOLDERS' LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	6	150,000,000	150,000,000
Accumulated losses		(21,156,391)	(11,278,446)
Statutory reserve		3,309,696	3,240,579
		<u>132,153,305</u>	<u>141,962,133</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>			
		<u>210,376,296</u>	<u>217,952,586</u>
<b>TOTAL SHAREHOLDERS' LIABILITIES AND EQUITY</b>			
		<u>890,670,998</u>	<u>793,196,109</u>
<b>TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT AND SHAREHOLDERS' LIABILITIES AND EQUITY</b>			

  
Mohammad AlHawari  
Managing Director

  
Wael Al Sharif  
Chief Executive Officer

  
Adnan Sabaalish  
Financial Controller

The accompanying notes 1 to 16 form part of these interim condensed consolidated financial statements.

# TAKAFUL EMARAT - INSURANCE (PSC)

## INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2017 (Unaudited)

		<i>Three months ended 31 March</i>	
		<i>2017</i>	<i>2016</i>
		<i>AED</i>	<i>AED</i>
	<i>Notes</i>		
<b>Attributable to policyholders:</b>			
Gross contribution written	9	260,589,664	211,413,689
Changes in unearned contributions	9	(108,429,479)	(89,432,026)
Takaful contributions earned		<u>152,160,185</u>	<u>121,981,663</u>
Retakaful contributions	9	(63,323,046)	(46,694,714)
Change in unearned contributions	9	17,726,511	14,435,824
Retakaful contributions ceded		<u>(45,596,535)</u>	<u>(32,258,890)</u>
Net earned contributions		<u>106,563,650</u>	<u>89,722,773</u>
Gross claims incurred		(89,831,602)	(83,748,128)
Retakaful share of claims incurred		23,162,336	17,930,024
<b>Net claims incurred</b>		<u>(66,669,266)</u>	<u>(65,818,104)</u>
Allocation charges on life takaful policies		(5,524,000)	(6,788,021)
Change in reserves	10	(6,812,041)	(5,863,267)
Net change in fair value of policyholders investment linked contracts	10	(695,010)	679,198
<b>Net takaful income</b>		<u>26,863,333</u>	<u>11,932,579</u>
Wakalah fees	11	(21,983,556)	(14,756,090)
Investment Income, net		473,971	-
Net surplus/ (deficit) from takaful operations		<u><u>5,353,748</u></u>	<u><u>(2,823,511)</u></u>

The accompanying notes 1 to 16 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC)

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(continued)

For the period ended 31 March 2017 (Unaudited)

		<i>Three months ended 31 March</i>	
		<i>2017</i>	<i>2016</i>
		<i>AED</i>	<i>AED</i>
	<i>Notes</i>		
<b>Attributable to shareholders:</b>			
Wakalah fees from policyholders	11	21,983,556	14,756,090
Investment (loss)/ income, net		(1,636,998)	8,240,841
Allocation charges on life takaful policies		5,524,000	6,788,021
Other income		1,005,247	328,999
Commission incurred		(10,757,633)	(10,277,494)
General and administrative expenses		(20,780,748)	(13,705,985)
Recovery of / (provision for) Qard Hassan to policyholders' fund		5,353,748	(2,823,511)
<b>Profit for the period attributable to shareholders</b>		<b>691,172</b>	<b>3,306,961</b>
<b>Basic and diluted profit per share</b>	12	<b>0.005</b>	<b>0.02</b>
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE PROFIT FOR THE PERIOD</b>		<b>691,172</b>	<b>3,306,961</b>

The accompanying notes 1 to 16 form part of these interim condensed consolidated financial statements.

## TAKAFUL EMARAT - INSURANCE (PSC)

### INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2017 (Unaudited)

	<i>Share capital AED</i>	<i>Statutory reserve AED</i>	<i>Accumulated losses AED</i>	<i>Total AED</i>
Balance at 1 January 2017 (Audited)	150,000,000	3,240,579	(11,278,446)	141,962,133
Total comprehensive income for the period	-	-	691,172	691,172
Cash Dividend (Note 7)	-	-	(10,500,000)	(10,500,000)
Transfer to Statutory Reserve	-	69,117	(69,117)	-
<b>Balance at 31 March 2017</b>	<b>150,000,000</b>	<b>3,309,696</b>	<b>(21,156,391)</b>	<b>132,153,305</b>
Balance at 1 January 2016	150,000,000	1,739,597	(16,787,279)	134,952,318
Total comprehensive income for the period	-	-	3,306,961	3,306,961
Balance at 31 March 2016	150,000,000	1,739,597	(13,480,318)	138,259,279

The accompanying notes 1 to 16 form part of these interim condensed consolidated financial statements.



# TAKAFUL EMARAT - INSURANCE (PSC)

## INTERIM CONSOLIDATED STATEMENT OF CASHFLOWS

For the period ended 31 March 2017 (Unaudited)

		<i>Three months period ended 31 March</i>	
		<i>2017</i>	<i>2016</i>
		<i>AED</i>	<i>AED</i>
	<i>Notes</i>		
<b>OPERATING ACTIVITIES</b>			
Profit for the period		691,172	3,306,961
Adjustments for:			
Depreciation and amortisation of property and equipment and intangible assets		493,024	531,939
Investment loss/ (income), net		1,636,998	(8,240,841)
Provision for employees' end of service benefits		459,244	253,245
Operating profit/ (loss) before working capital changes and payment of employee end of service benefits		3,280,438	(4,148,696)
Employees' end of service benefits paid		(145,851)	(2,530)
<b>Operating profit/ (loss) before working capital changes</b>		<b>3,134,587</b>	<b>(4,151,226)</b>
<b>Changes in operating assets and liabilities:</b>			
Changes in retakaful contract assets		(20,692,258)	(24,675,687)
Changes in takaful receivables and other assets		(136,410,497)	(119,843,212)
Changes in deferred policy acquisition cost		(3,747,761)	-
Changes in takaful contract liabilities		125,825,425	122,457,235
Changes in takaful and other payables		30,494,790	34,742,475
<b>Net cash (used in)/ from operating activities</b>		<b>(1,395,714)</b>	<b>8,529,585</b>
<b>Net cash (used in)/INVESTING ACTIVITIES</b>			
Purchase of investments at fair value through profit or loss		(75,818,108)	(15,399,689)
Change in deposits with bank		(64,000,000)	(1,500,000)
Deposit		(8,000,000)	(13,000,000)
Proceeds from sale of investments at fair value through profit or loss		44,337,195	4,901,390
Investment loss/ (income), net		(1,636,998)	8,240,841
Purchase of property and equipment		(116,269)	(144,666)
Purchase of intangible assets		(973,706)	-
Addition to investments properties		(25,000)	-
<b>Net cash (used in) from investing activities</b>		<b>(106,232,886)</b>	<b>(16,902,124)</b>
<b>FINANCING ACTIVITY</b>			
Dividend paid		(10,500,000)	-
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(118,128,600)</b>	<b>(8,372,539)</b>
Cash and cash equivalents at the beginning of the period	3	159,908,667	129,076,567
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>3</b>	<b>41,780,067</b>	<b>120,704,028</b>

The accompanying notes 1 to 16 form part of these interim condensed consolidated financial statements.

# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

### 1 CORPORATE INFORMATION

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

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

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

These interim condensed consolidated financial statements were authorised for issue on 8 May 2017.

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### 2.1 BASIS OF PREPARATION

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

##### Interim reporting

The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2016.

##### Changes in accounting estimates

The accounting policies are consistent with those used in the previous year. The accounting estimates used in the preparation of these financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2016.

##### New standards, interpretations and amendments

The new and revised relevant IFRSs effective in the current period had no significant impact on the amounts reported and disclosures in these interim condensed consolidated financial statements. Annual Improvements 2012-2014 cycle which became effective from 1 January 2017 also did not have an impact on the financial position or performance of the Group during the period.

These interim condensed consolidated financial statements do not include all disclosures and should be read in conjunction with the financial statements for the year ended 31 December 2016. In addition, results for the three months ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

#### 2.2 BASIS OF CONSOLIDATION

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

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Ownership</u>	
			2017	2016
Modern Tech Investment	Investment	United Arab Emirates	100%	-

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

##### Basis of consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 31 March 2017.

# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS As at 31 March 2017 (Unaudited)

### 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

#### 2.2 BASIS OF CONSOLIDATION (continued)

##### Basis of consolidation (continued)

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

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

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

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

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

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

### 3 CASH AND CASH EQUIVALENTS

	31 March 2017		31 December 2016	
	AED		AED (Audited)	
	<i>Retakaful Operations AED</i>	<i>Shareholders' Operations AED</i>	<i>Retakaful Operations AED</i>	<i>Shareholders' Operations AED</i>
Cash and bank balances	20,919,802	6,860,265	83,061,393	9,347,274
Deposits	104,250,000	-	93,750,000	-
	<u>125,169,802</u>	<u>6,860,265</u>	<u>176,811,393</u>	<u>9,347,274</u>
Less: Deposits maturing in more than three – months	(90,250,000)	-	(26,250,000)	-
<b>Total</b>	<u><u>34,919,802</u></u>	<u><u>6,860,265</u></u>	<u><u>150,561,393</u></u>	<u><u>9,347,274</u></u>

The deposits carry profit rates ranging from 1.75% to 2.62% per annum with maturity dates ranging from 19 April 2017 to 28 October 2017.

# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

### 4 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	<i>31 March 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
<b>Gross takaful contract liabilities</b>		
Claims reported	72,317,563	63,477,889
Claims incurred but not reported	26,587,669	24,701,304
Unearned contributions	297,589,791	189,160,310
Mathematical reserves	3,556,537	4,230,693
Policyholders' investment linked contracts at fair value	63,313,214	55,969,153
	<u>463,364,774</u>	<u>337,539,349</u>
<b>Retakaful contract assets</b>		
Retakaful share of claims reported	25,074,353	21,088,996
Retakaful share of claims incurred but not reported	11,510,649	11,646,104
Retakaful share of unearned contributions	79,289,731	61,563,219
Retakaful share of mathematical reserve	522,762	1,406,918
	<u>116,397,495</u>	<u>95,705,237</u>
<b>Net takaful contract liabilities</b>		
Claims reported	47,243,210	42,388,893
Claims incurred but not reported	15,077,020	13,055,200
Unearned contributions	218,300,060	127,597,091
Mathematical reserves	3,033,775	2,823,775
Fair value of policyholders investment linked contracts	63,313,214	55,969,153
	<u>346,967,279</u>	<u>241,834,112</u>
<b>Movement in payable to policyholders of investment linked contracts</b>		
Opening balance	55,969,153	29,315,439
Gross contribution	14,862,085	58,308,413
Allocation charges	(5,524,000)	(25,346,020)
Redemptions during the period/ year	(2,689,034)	(7,275,405)
Change in fair value	695,010	966,726
	<u>63,313,214</u>	<u>55,969,153</u>

# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

### 5 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

<i>31 March 2017</i>				
	<i>Attributable to individual life policyholders AED</i>	<i>Attributable to shareholders AED</i>	<i>Attributable to takaful operation AED</i>	<i>Total AED</i>
Mutual funds	52,856,018	2,661,818	-	55,517,836
Sukuk investments	10,457,196	47,084,671	7,428,644	64,970,511
Equity investments - quoted	-	35,323,020	-	35,323,020
Equity investments - unquoted	-	10,058,382	-	10,058,382
<b>Total</b>	<b>63,313,214</b>	<b>95,127,891</b>	<b>7,428,644</b>	<b>165,869,749</b>

<i>31 December 2016 (Audited)</i>				
	<i>Attributable to individual life policyholders AED</i>	<i>Attributable to shareholders AED</i>	<i>Attributable to takaful operation AED</i>	<i>Total AED</i>
Mutual funds	53,449,500	664,806	-	54,114,306
Sukuk investments	2,519,653	49,052,225	-	51,571,878
Equity investments	-	28,702,652	-	28,702,652
<b>Total</b>	<b>55,969,153</b>	<b>78,419,683</b>	<b>-</b>	<b>134,388,836</b>

Movements during the period attributable to policyholders were as follows:

	<i>31 March 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
At beginning of the period	55,969,153	29,315,439
Purchases during the period	9,338,085	26,808,384
Disposals during the period	(2,689,034)	(1,121,396)
Change in fair value during the period	695,010	966,726
<b>At end of the period</b>	<b>63,313,214</b>	<b>55,969,153</b>

### 6 SHARE CAPITAL

	<i>31 March 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
Issued and fully paid: 150,000,000 ordinary shares of AED 1 each	150,000,000	150,000,000
	<b>150,000,000</b>	<b>150,000,000</b>

# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

### 7 PROPOSED AND PAID DIVIDENDS

	<i>31 March 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
Cash dividend for 2016 of AED 0.07 per share (declared and paid)	10,500,000	-
Cash dividend for 2015 of AED 0.053 per share (declared and paid)	-	8,000,000
	<u>10,500,000</u>	<u>8,000,000</u>
Proposed for approval at Annual General Meeting: (2016: Cash dividend of AED 0.07 per share)	-	10,500,000
	<u>-</u>	<u>10,500,000</u>

### 8 BORROWINGS

The borrowing of AED 19.845 million is from First Gulf Bank and is utilised to purchase Sukuks of an equivalent amount, which is pledged against the borrowing. The borrowing carries a profit rate of 1.25% above the 3 month LIBOR.

### 9 NET EARNED CONTRIBUTIONS

	<i>Three month period ended 31 March 2017</i>		
	<i>Medical AED</i>	<i>Life and savings AED</i>	<i>Total AED</i>
Gross contributions written	244,279,291	16,310,373	260,589,664
Change in unearned contributions	(108,695,135)	265,656	(108,429,479)
<b>Takaful contributions earned</b>	<u>135,584,156</u>	<u>16,576,029</u>	<u>152,160,185</u>
Retakaful contributions	61,141,066	2,181,980	63,323,046
Change in unearned contributions	(17,805,330)	78,819	(17,726,511)
<b>Retakaful contributions ceded</b>	<u>43,335,736</u>	<u>2,260,799</u>	<u>45,596,535</u>
<b>Net earned contributions</b>	<u>92,248,420</u>	<u>14,315,230</u>	<u>106,563,650</u>

# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

### 9 NET EARNED CONTRIBUTIONS (continued)

	<i>Three month period ended 31 March 2016</i>		
	<i>Medical AED</i>	<i>Life and savings AED</i>	<i>Total AED</i>
Gross contributions written	195,869,590	15,544,099	211,413,689
Change in unearned contributions	(89,841,617)	409,591	(89,432,026)
Takaful contributions earned	106,027,973	15,953,690	121,981,663
Retakaful contributions	43,899,668	2,795,046	46,694,714
Change in unearned contributions	(14,739,035)	303,211	(14,435,824)
Retakaful contributions ceded	29,160,633	3,098,257	32,258,890
Net earned contributions	76,867,340	12,855,433	89,722,773

### 10 CHANGE IN RESERVES

	<i>Three month period ended 31 March</i>	
	<i>2017 AED</i>	<i>2016 AED</i>
Changes in mathematical reserve – takaful life	210,000	212,137
Change in reserve relating to takaful life products	7,297,051	4,971,932
Change in fair value	(695,010)	679,198
	6,812,041	5,863,267

### 11 WAKALAH FEES

Wakalah fees for the period ended 31 March 2017 amounted to AED 21,983,556 (31 March 2016: AED 14,756,090).

For group life and group medical policies, wakalah fees were charged upto 20% to 25% of gross takaful contributions. For life takaful policies, wakalah fees were charged at a maximum of 50% of takaful risk contributions. Wakalah fees are approved by the Sharia'a Supervisory Board and is charged to the statement of comprehensive income when incurred.

### 12 BASIC AND DILUTED PROFIT PER SHARE

	<i>Three month period ended 31 March</i>	
	<i>2017</i>	<i>2016</i>
Profit for the period attributable to shareholders (in AED)	691,172	3,306,961
Weighted average number of shares outstanding during the period	150,000,000	150,000,000
Profit per share (AED)	0.005	0.02

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

# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

### 13 RELATED PARTY TRANSACTIONS AND BALANCES

	<i>Three month period ended 31 March</i>	
	<i>2017</i> <i>AED</i>	<i>2016</i> <i>AED</i>
<b>Compensation of key management personnel:</b>		
Short and long term benefits	1,911,409	1,425,436
<b>Transactions with related parties during the period</b>		
Gross written contribution	(5,714)	105,723
Gross claim incurred	(140,247)	334,079
<b>Balances with related party</b>		
Claims reported	191,587	335,494

### 14 SEGMENT INFORMATION

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

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

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

	<i>31 March 2017</i>					
	<i>Underwriting</i>			<i>Shareholders</i>		
	<i>Medical</i> <i>AED</i>	<i>Life</i> <i>AED</i>	<i>Total</i> <i>AED</i>	<i>Investments</i> <i>AED</i>	<i>Others</i> <i>AED</i>	<i>Total</i> <i>AED</i>
Segment revenue	135,584,156	16,576,029	152,160,185	(1,636,998)	(4,228,386)	(5,865,384)
Segment result	26,201,602	1,135,702	27,337,304	(1,636,998)	(4,228,386)	(5,865,384)
Wakala fees	(20,886,910)	(1,096,646)	(21,983,556)	-	21,983,556	21,983,556
General and administrative expenses	-	-	-	-	(20,780,748)	(20,780,748)
Provision for Qard Hassan to policyholders' fund.	-	-	-	-	5,353,748	5,353,748
Profit/ (loss) attributable to policyholders/ shareholders	5,314,692	39,056	5,353,748	(1,636,998)	2,328,170	691,172



# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

### 14 SEGMENT INFORMATION (continued)

31 March 2016

	Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	106,027,973	15,953,690	121,981,663	8,240,841	(3,160,474)	5,080,367
Segment result	11,094,534	838,045	11,932,579	8,240,841	(3,160,474)	5,080,367
Wakala fees	(13,727,145)	(1,028,945)	(14,756,090)	-	14,756,090	14,756,090
General and administrative expenses	-	-	-	-	(13,705,985)	(13,705,985)
Provision for Qard Hassan to policyholders' fund.	-	-	-	-	(2,823,511)	(2,823,511)
Profit / (loss) attributable to policyholders/ shareholders	(2,632,611)	(190,900)	(2,823,511)	8,240,841	(4,933,880)	3,306,961

31 March 2017

	Medical AED	Life and savings AED	Underwriting Total AED	Shareholders' investments AED	Unallocated Others AED	Total AED	Total AED
Segment assets	523,713,168	104,933,165	628,646,333	169,759,758	36,554,739	206,314,497	834,960,830
Segment liabilities	543,932,779	80,651,754	624,584,533	-	78,222,990	78,222,990	702,807,523

As at 31 December 2016 (Audited)

	Medical AED	Life and savings AED	Underwriting Total AED	Shareholders' investments AED	Unallocated Others AED	Total AED	Total AED
Segment assets	419,617,106	98,431,625	518,048,731	145,026,421	25,060,899	170,087,320	688,136,051
Segment liabilities	397,221,935	72,961,530	470,183,465	-	75,990,453	75,990,453	546,173,918

### 15 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

#### *Fair value of financial instruments carried at amortised cost*

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

# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

### 15 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2016.

*Fair value measurements recognised in the statement of financial position*

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

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

	<i>31 March 2017</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
<b>Assets</b>				
Investments at fair value through profit or loss				
Equity investments - quoted	35,323,020	-	-	35,323,020
Equity investments - unquoted	-	-	10,058,382	10,058,382
Mutual funds	-	55,517,836	-	55,517,836
Sukuk investments	64,970,511	-	-	64,970,511
Investment property	-	38,430,816	-	38,430,816
	<u>100,293,531</u>	<u>93,948,652</u>	<u>10,058,382</u>	<u>204,299,565</u>
<b>Liabilities</b>				
Investment linked contracts	-	63,313,214	-	63,313,214

	<i>31 December 2016 (Audited)</i>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	<i>AED</i>	<i>AED</i>	<i>AED</i>	<i>AED</i>
<b>Assets</b>				
Investments at fair value through profit or loss				
Quoted securities	28,702,652	-	-	28,702,652
Equity investments - quoted	-	54,114,306	-	54,114,306
Equity investments - unquoted	-	-	-	-
Sukuk investments	51,571,878	-	-	51,571,878
Investment property	-	38,405,816	-	38,405,816
	<u>80,274,530</u>	<u>92,520,122</u>	<u>-</u>	<u>172,794,652</u>
<b>Liabilities</b>				
Investment linked contracts	-	55,969,153	-	55,969,153

# TAKAFUL EMARAT - INSURANCE (PSC)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 31 March 2017 (Unaudited)

### 16 POLICY HOLDERS' FUND

	<i>31 March 2017 AED</i>	<i>31 December 2016 AED (Audited)</i>
<b>Deficit in policy holders' fund</b>		
Balance at the beginning of the period / year	(56,950,837)	(58,134,488)
Profit for the period/ year recovered	<u>5,353,748</u>	<u>1,183,651</u>
Balance at the end of the period/year	(51,597,089)	(56,950,837)
<b>Qard Hassan from shareholders</b>		
Balance at beginning of period / year	56,950,837	58,134,488
Deficit recovered during the period / year	<u>(5,353,748)</u>	<u>(1,183,651)</u>
Balance at the end of the period / year	<u>51,597,089</u>	<u>56,950,837</u>
Total deficit in policyholders' fund	<u><u>-</u></u>	<u><u>-</u></u>