

**Methaq Takaful Insurance  
Company PSC**

REVIEW REPORT AND INTERIM CONDENSED  
FINANCIAL STATEMENTS

31 MARCH 2017 (UNAUDITED)

## **REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO THE BOARD OF DIRECTORS OF METHAQ TAKAFUL INSURANCE COMPANY PSC**

### *Introduction*

We have reviewed the accompanying interim condensed financial statements of Methaq Takaful Insurance Company PSC (the "Company") as at 31 March 2017, comprising of the interim statement of financial position as at 31 March 2017 and the related interim statement of income and interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the three-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed 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 financial statements are not prepared, in all material respects, in accordance with IAS 34.

### *Material uncertainty related to going concern*

We draw attention to Note 2.1 to the interim condensed financial statements, which states that the Company accumulated losses amounted to AED 67,383,275 as of 31 March 2017. These interim condensed financial statements have been prepared under the going concern concept as the Directors and management consider these losses to be temporary and expect the Company to generate profits from future takaful operations. Our conclusion is not qualified in respect of this matter.



Signed by  
Raed Ahmad  
Partner  
Ernst & Young  
Registration No. 811

11 May 2017  
Abu Dhabi

# Methaq Takaful Insurance Company PSC

## INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2017

		<i>31 March 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
	<i>Notes</i>		
<b>ASSETS</b>			
Cash and bank balances	3	14,345,077	16,319,352
Statutory deposit	4	6,000,000	6,000,000
Investments at fair value through other comprehensive income	5	14,176,000	15,948,000
Investments at fair value through profit or loss	5	1,866,055	2,529,012
Retakaful contract assets		27,279,668	27,461,900
Takaful and other receivables		186,701,091	163,631,927
Deferred acquisition costs		13,523,775	14,853,276
Furniture and equipment		1,787,541	2,009,122
Investment properties	6	<u>162,360,000</u>	<u>162,360,000</u>
<b>TOTAL ASSETS</b>		<u><b>428,039,207</b></u>	<u><b>411,112,589</b></u>
<b>SHAREHOLDERS' EQUITY, POLICYHOLDERS' FUND AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		150,000,000	150,000,000
Legal reserve		2,959,565	2,959,565
General reserve		1,700,807	1,700,807
Investment fair value reserve		(3,544,000)	(1,772,000)
Accumulated losses		<u>(67,383,275)</u>	<u>(72,958,535)</u>
<b>Total shareholders' equity</b>		<u><b>83,733,097</b></u>	<u><b>79,929,837</b></u>
<b>Policyholders' fund</b>			
Deficit of policyholders' fund	8	(164,206,736)	(165,552,785)
Loan from shareholders	8	<u>164,206,736</u>	<u>165,552,785</u>
<b>Total policyholders' fund</b>		<u><b>-</b></u>	<u><b>-</b></u>
<b>Liabilities</b>			
Provision for employees' end of service benefits		1,976,245	1,844,813
Takaful contract liabilities		258,180,115	243,620,409
Retakaful and other liabilities		57,896,426	60,822,819
Islamic financing arrangement		5,142,857	5,142,857
Unearned retakaful commission		5,670,570	5,119,849
Retakaful deposits retained		<u>15,439,897</u>	<u>14,632,005</u>
<b>Total liabilities</b>		<u><b>344,306,110</b></u>	<u><b>331,182,752</b></u>
<b>TOTAL SHAREHOLDERS' EQUITY, POLICYHOLDERS' FUND AND LIABILITIES</b>		<u><b>428,039,207</b></u>	<u><b>411,112,589</b></u>

Chairman

Board Member

The attached notes 1 to 14 form part of these interim condensed financial statements.



# Methaq Takaful Insurance Company PSC

## INTERIM STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2017

		<i>Three months ended 31 March 2017  (Unaudited) AED</i>	<i>Three months ended 31 March 2016  (Unaudited) (Restated) AED</i>
	<i>Notes</i>		
<b>Attributable to policyholders</b>			
Gross takaful contributions revenue	9	65,127,227	51,100,595
Retakaful contributions ceded	9	<u>(9,566,827)</u>	<u>(8,316,144)</u>
<b>Net earned contributions</b>	9	<b>55,560,400</b>	<b>42,784,451</b>
Retakaful commission income		<u>1,444,998</u>	<u>1,232,857</u>
<b>Total takaful income</b>		<b><u>57,005,398</u></b>	<b>44,017,308</b>
Gross claims incurred		(47,575,996)	(42,803,954)
Retakaful share of claims incurred		<u>12,125,885</u>	<u>5,914,995</u>
<b>Net claims incurred</b>		<b>(35,450,111)</b>	<b>(36,888,959)</b>
Expenses for acquisition of takaful contracts		<u>(5,958,685)</u>	<u>(6,551,037)</u>
<b>Total takaful expenses</b>		<b><u>(41,408,796)</u></b>	<b><u>(43,439,996)</u></b>
<b>Net takaful income</b>		<b>15,596,602</b>	<b>577,312</b>
Wakala fees		<u>(14,250,553)</u>	<u>(12,153,660)</u>
<b>Surplus (deficit) of takaful result for the period</b>		<b><u>1,346,049</u></b>	<b><u>(11,576,348)</u></b>
<b>Attributable to shareholders</b>			
Shareholders' investment income		90,896	82,893
Wakala fees from policyholders		14,250,553	12,153,660
Net rental income from investment property		244,440	270,031
Change in fair value of investments at fair value through profit and loss		(662,957)	376,787
Decrease (increase) in allowance for loan to policyholders' fund		1,346,049	(11,576,348)
Profit expense on Islamic financing		(109,286)	(147,334)
General and administrative expenses		<u>(9,584,435)</u>	<u>(6,610,778)</u>
<b>Profit (loss) for the period</b>		<b><u>5,575,260</u></b>	<b><u>(5,451,089)</u></b>
<b>Basic and diluted earnings (loss) per share</b>	10	<u>0.04</u>	<u>(0.04)</u>

The attached notes 1 to 14 form part of these interim condensed financial statements.

# Methaq Takaful Insurance Company PSC

## INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 31 March 2017

	<i>Three months ended 31 March 2017 (Unaudited) AED</i>	<i>Three months ended 31 March 2016 (Unaudited) (Restated) AED</i>
<b>Profit (loss) for the period</b>	<b>5,575,260</b>	<b>(5,451,089)</b>
Other comprehensive loss for the period	<u><b>(1,772,000)</b></u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<u><b>3,803,260</b></u>	<u><b>(5,451,089)</b></u>

The attached notes 1 to 14 form part of these interim condensed financial statements.

# Methaq Takaful Insurance Company PSC

## INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2017

	<i>Share capital AED</i>	<i>Legal reserve AED</i>	<i>General reserve AED</i>	<i>Investment fair value reserve AED</i>	<i>Accumulated losses AED</i>	<i>Total AED</i>
Balance at 1 January 2016, as previously reported	150,000,000	1,957,081	1,700,807	-	(73,627,964)	80,029,924
Effect of changes in accounting policies (note 14)	-	<u>69,496</u>	-	-	<u>(7,727,466)</u>	<u>(7,657,970)</u>
Balance at 1 January 2016 - restated	150,000,000	2,026,577	1,700,807	-	(81,355,430)	72,371,954
Total comprehensive loss for the period - restated	-	-	-	-	<u>(5,451,089)</u>	<u>(5,451,089)</u>
Balance at 31 March 2016 - restated	<u>150,000,000</u>	<u>2,026,577</u>	<u>1,700,807</u>	-	<u>(86,806,519)</u>	<u>66,920,865</u>
Balance at 1 January 2017	150,000,000	2,959,565	1,700,807	(1,772,000)	(72,958,535)	79,929,837
Profit for the period	-	-	-	-	5,575,260	5,575,260
Other comprehensive loss	-	-	-	<u>(1,772,000)</u>	-	<u>(1,772,000)</u>
Total comprehensive income for the period	-	-	-	<u>(1,772,000)</u>	<u>5,575,260</u>	<u>3,803,260</u>
Balance at 31 March 2017	<u>150,000,000</u>	<u>2,959,565</u>	<u>1,700,807</u>	<u>(3,544,000)</u>	<u>(67,383,275)</u>	<u>83,733,097</u>

The attached notes 1 to 14 form part of these interim condensed financial statements.

# Methaq Takaful Insurance Company PSC

## INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 31 March 2017

	<i>Three months ended 31 March 2017 (Unaudited) AED</i>	<i>Three months ended 31 March 2016 (Unaudited) (Restated) AED</i>
	<i>Note</i>	
<b>OPERATING ACTIVITIES</b>		
Profit (loss) for the period	5,575,260	(5,451,089)
Surplus (deficit) of takaful result for the period	1,346,049	(11,576,348)
Adjustments for:		
Depreciation of furniture and equipment	242,926	258,106
Change in fair value of investments at fair value through profit or loss	662,957	(376,787)
Fixed deposits, sukuk and dividend income	(90,896)	(82,894)
(Reversal of) allowance for loan to policyholders fund	(1,346,049)	11,576,348
Profit expense on Islamic financing	109,286	147,334
Employees' end of service benefit, net	<u>131,432</u>	<u>169,912</u>
	6,630,965	(5,335,418)
Movements in working capital:		
Takaful and other receivables	(23,069,164)	(17,162,089)
Deferred acquisition cost	1,329,501	2,342,710
Retakaful contract assets	182,232	120,665
Takaful contract liabilities	14,559,706	20,168,782
Retakaful and other liabilities	(2,926,393)	(4,402,145)
Unearned retakaful commission	550,721	(97,821)
Retakaful deposits retained	<u>807,892</u>	<u>610,060</u>
Cash used in operations	(1,934,540)	(3,755,256)
End of service benefits paid	<u>-</u>	<u>(31,092)</u>
Net cash used in operating activities	<u>(1,934,540)</u>	<u>(3,786,348)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	(21,345)	(10,830)
Movement in Term deposits	(2,637,503)	-
Fixed deposits, sukuk and dividend income received	<u>90,896</u>	<u>82,894</u>
Net cash (used in) from investing activities	<u>(2,567,952)</u>	<u>72,064</u>
<b>FINANCING ACTIVITY</b>		
Profit expense on Islamic financing	<u>(109,286)</u>	<u>(147,334)</u>
Net cash used in financing activity	<u>(109,286)</u>	<u>(147,334)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(4,611,778)</b>	<b>(3,861,618)</b>
Cash and cash equivalents at 1 January	<u>15,985,329</u>	<u>11,489,631</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>3</b> <u>11,373,551</u>	<u>7,628,013</u>

The attached notes 1 to 14 form part of these interim condensed financial statements.

# Methaq Takaful Insurance Company PSC

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2017 (Unaudited)

### 1 CORPORATE INFORMATION

Methaq Takaful Insurance Company PSC (the “Company”) is a public shareholding company registered with the Department of Planning and Economy, Abu Dhabi, United Arab Emirates (“UAE”) on 24 March 2008 with a trade license number 1142419. The Company is registered in accordance with the UAE Federal Law No. (8) of 1984 (as amended). The Federal Law No. (2) of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. (8) of 1984.

The Company carries out takaful and retakaful activities in accordance with the provisions of the UAE Federal Law No. (6) of 2007 regarding the Establishment of the Insurance Authority and Insurance Operations. The Company is domiciled and operates in the UAE and its registered address is P.O. Box 32774, Abu Dhabi, UAE. The Company is listed on the Abu Dhabi Securities Exchange.

The accompanying interim condensed financial statements of Methaq Takaful Insurance Company PSC for the period ended 31 March 2017 have been authorised for issue in accordance with a resolution of the Board of Directors on 11 May 2017.

### 2.1 FUNDAMENTAL ACCOUNTING CONCEPT

The Company accumulated losses amounted to AED 67,383,275 as of 31 March 2017. This factor indicates the existence of a material uncertainty that may cast a significant doubt about the Company’s ability to continue as a going concern. These interim condensed financial statements have been prepared under the going concern concept as the Directors and management consider these losses to be temporary and expect the Company to generate profits from future takaful operations.

### 2.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

#### *Basis of preparation*

The interim condensed financial statements of the Company have been prepared in accordance with IAS 34, Interim Financial Reporting.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards, and should be read in conjunction with the Company’s annual financial statements as at 31 December 2016. In addition, results for the period ended 31 March 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

The interim condensed financial statements are presented in UAE Dirhams (AED) being the functional and presentation currency of the Company.

These interim condensed financial statements have been prepared on the historical cost convention as modified for re-measurement of investment at fair value through other comprehensive income, investments at fair value through profit or loss and investment properties.



NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2017 (Unaudited)

**2.2 BASIS OF PREPARATION AND ACCOUNTING POLICIES** continued

*Significant accounting policies*

The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2016, except for the adoption of the following new interpretation and amendments to standards effective as of 1 January 2017:

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses

*Annual Improvements Cycle - 2014-2016:*

- Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The new standards and amendments to standards listed above had no significant impact on the Company's financial position or performance or disclosures.

**3 CASH AND CASH EQUIVALENTS**

	<i>31 March 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
Cash on hand	45,000	45,000
Current bank accounts	11,328,551	15,940,329
Term deposits	<u>2,971,526</u>	<u>334,023</u>
Cash and bank balances	14,345,077	16,319,352
Less: term deposits with original maturity of more than three months	<u>(2,971,526)</u>	<u>(334,023)</u>
Cash and cash equivalents	<u>11,373,551</u>	<u>15,985,329</u>

Term deposits represent deposits held with financial institutions in the UAE, are denominated in UAE dirhams and carry profit at the prevailing market rates of 2.4 % per annum (2016: 1.75%).

**4 STATUTORY DEPOSIT**

In accordance with the requirements of the Federal Law No. (6) of 2007 regarding the Establishment of the Insurance Authority and Insurance Operations, the Company maintains a bank deposit of AED 6,000,000 which cannot be utilised without the consent of the UAE Insurance Authority. The statutory deposit is held with a commercial bank in the UAE and bears interest at commercial rates.

# Methaq Takaful Insurance Company PSC

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2017 (Unaudited)

### 5 INVESTMENTS

	<i>31 March 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
<b>Investments at fair value through other comprehensive income</b>		
Unquoted UAE equity securities	<u>14,176,000</u>	<u>15,948,000</u>
<b>Investments at fair value through profit or loss</b>		
Quoted UAE equity securities	<u>1,866,055</u>	<u>2,529,012</u>

*Unquoted UAE equity securities represent the following:*

The Company has a participation in the private placement of Emirates Aqua Technologies Caviar Factory LLC (caviar farm) for 15,500,000 shares for a fair value of AED 14,176,000 (AED 0.91 per share) (2016: 15,500,000 shares for a fair value of AED 15,948,000 (AED 1.03 per share)).

	<i>31 March 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
<b>Investments at fair value through other comprehensive income</b>		
At the beginning of the period / year	15,948,000	17,720,000
Decrease in fair value	<u>(1,772,000)</u>	<u>(1,772,000)</u>
<b>At the end of the period / year</b>	<u>14,176,000</u>	<u>15,948,000</u>
<b>Investments at fair value through profit or loss</b>		
At the beginning of the period / year	2,529,012	2,218,499
(Decrease) increase in fair value	<u>(662,957)</u>	<u>310,513</u>
<b>At the end of the period / year</b>	<u>1,866,055</u>	<u>2,529,012</u>

### 6 INVESTMENT PROPERTIES

	<i>31 March 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
At the beginning of the period / year	162,360,000	152,135,625
Increase in fair value	<u>-</u>	<u>10,224,375</u>
<b>At the end of the period / year</b>	<u>162,360,000</u>	<u>162,360,000</u>

Investment properties is comprised of:

- A building, located in Abu Dhabi, purchased in 2010 and held for long term rental yields. As at year end, the investment property was registered and held in trust in the name of another party, for and on behalf of the Company and was not yet transferred to the Company. Management is still in the process of formalising the necessary registration procedures to transfer the title to the Company's name.
- A plot of land in Abu Dhabi that is held in the name of a related party, for and on behalf of the Company.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2017 (Unaudited)

**6 INVESTMENT PROPERTIES** continued

Investment properties are stated at fair value which represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The fair value of the investment properties at 31 December 2016 are determined by independent valuers using the income and comparable methods. Management believes that fair value has not changed significantly during the period.

The rental income for the period amounted to AED 296,946 (31 March 2016: AED 317,079) and building expenses amounted to AED 52,506 (31 March 2016: AED 47,048).

**7 RELATED PARTIES**

Related parties comprise shareholders, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties. The Company maintains significant balances with these related parties as follows:

	<i>31 March 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
Takaful receivables due from related parties	5,193,536	5,106,219
Less: allowance for doubtful balances due from related parties	<u>(4,965,275)</u>	<u>(4,965,275)</u>
	<u>228,261</u>	<u>140,944</u>
Other receivables due from related parties	2,744,090	2,744,090
Less: allowance for doubtful balances due from related parties	<u>(1,894,090)</u>	<u>(1,894,090)</u>
	<u>850,000</u>	<u>850,000</u>

The Company entered into the following significant transactions with related parties in the ordinary course of business at terms and conditions agreed upon between the parties.

	<i>Three months ended 31 March 2017 (Unaudited) AED</i>	<i>Three months ended 31 March 2016 (Unaudited) (Restated) AED</i>
<b>Related party transactions</b>		
Gross takaful contributions	<u>1,478,352</u>	<u>1,301,475</u>
Claims paid	<u>382,424</u>	<u>366,359</u>
Directors fees	<u>150,000</u>	<u>45,000</u>

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2017 (Unaudited)

## 7 RELATED PARTIES continued

The remuneration of key management personnel during the period was as follows:

	<i>Three months ended 31 March 2017 (Unaudited) AED</i>	<i>Three months ended 31 March 2016 (Unaudited) (Restated) AED</i>
Short-term benefits	<u>1,218,000</u>	<u>1,198,000</u>
Long-term benefits	<u>30,057</u>	<u>40,000</u>

The remuneration of key management personnel is based on the remuneration agreed in their employment contracts as approved by the Board of Directors.

## 8 POLICYHOLDERS' FUND

	<i>31 March 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
<b>Policyholders' fund</b>		
Opening balance	(165,552,785)	(148,372,712)
Surplus (deficit) for the period / year	<u>1,346,049</u>	<u>(17,180,073)</u>
Closing balance	<u>(164,206,736)</u>	<u>(165,552,785)</u>
<b>Loan from shareholders to policyholders</b>		
At 1 January	165,552,785	148,372,712
Net movement during the period / year	<u>(1,346,049)</u>	<u>17,180,073</u>
Loan from shareholders	164,206,736	165,552,785
Less: allowance for loan to policyholders	<u>(164,206,736)</u>	<u>(165,552,785)</u>
Loan to policyholders, net	<u>-</u>	<u>-</u>

The deficit in the policyholders' fund is financed by the shareholders through a Qard Hasan loan.

The Shareholders have funded the deficit in the policyholders' fund in accordance with the Company's policy through a Qard Hassan (free of finance charge) of AED 164,206,736 as of 31 March 2017 (year ended 31 December 2016: AED 165,552,785) with no repayment terms. During the period, Qard Hassan with a nominal value of AED 1,346,049 (31 March 2016 - restated: AED 11,576,348) was recovered/ impaired and the recovery/ allowance of the same amount was recognized/ charged to the statement of income attributable to shareholders.

Although recoverability of the remaining loan balance is uncertain, management expects to recover it from future profits from takaful operations.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2017 (Unaudited)

**9 NET EARNED CONTRIBUTIONS**

	<i>Three months ended 31 March 2017 (Unaudited) AED</i>	<i>Three months ended 31 March 2016 (Unaudited) (Restated) AED</i>
<b>Gross takaful contributions revenue</b>		
Gross contributions written	76,604,785	66,236,421
Change in unearned contributions provision	<u>(11,477,558)</u>	<u>(15,135,826)</u>
	<u>65,127,227</u>	<u>51,100,595</u>
<b>Retakaful contributions ceded</b>		
Retakaful contributions	(7,558,518)	(8,167,453)
Change in contributions ceded provision	<u>(2,008,309)</u>	<u>(148,691)</u>
	<u>(9,566,827)</u>	<u>(8,316,144)</u>
<b>Net contributions earned</b>	<u>55,560,400</u>	<u>42,784,451</u>

**10 BASIC AND DILUTED EARNINGS (LOSS) PER SHARE**

Basic earnings (loss) per share is calculated by dividing the profit (loss) for the period by the weighted average number of shares outstanding during the period as follows:

	<i>Three months ended 31 March 2017 (Unaudited)</i>	<i>Three months ended 31 March 2016 (Unaudited) (Restated)</i>
Profit (loss) for the period (AED)	<u>5,575,260</u>	<u>(5,451,089)</u>
Ordinary shares in issue throughout the period	<u>150,000,000</u>	<u>150,000,000</u>
Basic and diluted earnings (loss) per share (AED)	<u>0.04</u>	<u>(0.04)</u>

The Company has not issued any instruments which would have a dilutive impact on earnings (loss) per share when converted or exercised.

**11 SEASONALITY OF RESULTS**

No income of a seasonal nature was recorded in the interim statement of income for the three-month periods ended 31 March 2017 and 2016.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2017 (Unaudited)

**12 CONTINGENT LIABILITIES**

	<i>31 March 2017 (Unaudited) AED</i>	<i>31 December 2016 (Audited) AED</i>
Bank guarantees	<u>6,300,000</u>	<u>6,300,000</u>

Bank guarantees were issued in the normal course of business.

**13 SEGMENT INFORMATION**

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. All operating segments used by management meet the definition of a reportable segment under IFRS 8.

The Company is organised into two business segments, shareholders and policyholders. Shareholders' segment comprises investment and cash management for the Company's own account in addition to management of the policyholders' fund. The policyholders' segment comprises the takaful business undertaken by the Company. These segments are the basis on which the Company reports its primary segment information.

The Company's underwriting business is based entirely within the United Arab Emirates. Retakaful treaties are arranged with companies based primarily in the GCC or in Europe and USA. The investments of the Company are held in the United Arab Emirates.

The policyholders' segment is further organised into three main product lines consistent with the reports used by the Board. These include:

- Motor: Covers damage to motor cars and related property and injuries or deaths of persons
- Medical: Covers groups of individuals for medical treatment
- Others: Covers insurance of engineering, property, marine and personal, general and third party accidents

Details of the three takaful product lines of the policyholders' segment are shown in Note 13.2.

# Methaq Takaful Insurance Company PSC

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2017 (Unaudited)

### 13 SEGMENT INFORMATION continued

#### 13.1 Business segments

	31 March 2017 (Unaudited)			31 March 2016 (Unaudited) (Restated)		
	Policy holders AED	Shareholders AED	Total AED	Policy holders AED	Shareholders AED	Total AED
Net underwriting income	15,596,602	-	15,596,602	577,312	-	577,312
Wakala fees	(14,250,553)	14,250,553	-	(12,153,660)	12,153,660	-
	1,346,049	14,250,553	15,596,602	(1,576,348)	12,153,660	577,312
Investment income	-	(327,621)	(327,621)	-	729,711	729,711
Increase (decrease) in allowance for loan to Policyholders' Fund	-	1,346,049	1,346,049	-	(11,576,348)	(11,576,348)
General and administrative expenses	-	(9,693,721)	(9,693,721)	-	(6,758,112)	(6,758,112)
Net profit (loss) for the period	1,346,049	5,575,260	6,921,309	(11,576,348)	(5,451,089)	(17,027,437)
	31 March 2017 (Unaudited)			31 December 2016 (Audited)		
	Policy holders AED	Shareholders AED	Total AED	Policy holders AED	Shareholders AED	Total AED
Total assets	327,116,512	100,922,695	428,039,207	315,093,805	96,018,784	411,112,589

Revenue reported above represents revenue generated from external customers and third parties. There were no inter -segment revenues in the three month period ended 31 March 2017 (31 March 2016: AED nil). The accounting policies of the reportable segments are the same as the Company's accounting policies as described in the annual financial statements for the year ended 31 December 2016.

# Methaq Takaful Insurance Company PSC

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

### 13 SEGMENT INFORMATION continued

#### 13.2 Product lines

	Three month period ended 31 March 2017 (Unaudited)				Three month period ended 31 March 2016 (Unaudited) (Restated)			
	Motor AED	Medical AED	Others AED	Total AED	Motor AED	Medical AED	Others AED	Total AED
Gross takaful contributions revenue	55,291,525	9,043,927	791,775	65,127,227	44,597,950	5,941,622	561,023	51,100,595
Retakaful contributions ceded	<u>(8,751,334)</u>	<u>(326,167)</u>	<u>(489,326)</u>	<u>(9,566,827)</u>	<u>(7,319,783)</u>	<u>(571,451)</u>	<u>(424,910)</u>	<u>(8,316,144)</u>
Net earned contributions	46,540,191	8,717,760	302,449	55,560,400	37,278,167	5,370,171	136,113	42,784,451
Retakaful commission income	<u>1,326,937</u>	<u>-</u>	<u>118,061</u>	<u>1,444,998</u>	<u>1,155,555</u>	<u>-</u>	<u>77,302</u>	<u>1,232,857</u>
<b>Total takaful income</b>	<u>47,867,128</u>	<u>8,717,760</u>	<u>420,510</u>	<u>57,005,398</u>	<u>38,433,722</u>	<u>5,370,171</u>	<u>213,415</u>	<u>44,017,308</u>
Gross claims incurred	(37,737,159)	(9,811,809)	(27,028)	(47,575,996)	(35,348,789)	(7,295,075)	(160,090)	(42,803,954)
Retakaful share of claims incurred	<u>10,344,298</u>	<u>1,863,379</u>	<u>(81,792)</u>	<u>12,125,885</u>	<u>4,285,491</u>	<u>1,554,639</u>	<u>74,865</u>	<u>5,914,995</u>
Net claims incurred	(27,392,861)	(7,948,430)	(108,820)	(35,450,111)	(31,063,298)	(5,740,436)	(85,225)	(36,888,959)
Expenses for acquisition of takaful contracts	<u>(5,929,704)</u>	<u>59,900</u>	<u>(88,881)</u>	<u>(5,958,685)</u>	<u>(6,438,541)</u>	<u>(51,935)</u>	<u>(60,561)</u>	<u>(6,551,037)</u>
<b>Total takaful expenses</b>	<u>(33,322,565)</u>	<u>(7,888,530)</u>	<u>(197,701)</u>	<u>(41,408,796)</u>	<u>(37,501,839)</u>	<u>(5,792,371)</u>	<u>(145,786)</u>	<u>(43,439,996)</u>
<b>Net takaful income for the period</b>	<u>14,544,563</u>	<u>829,230</u>	<u>222,809</u>	<u>15,596,602</u>	<u>931,883</u>	<u>(422,200)</u>	<u>67,629</u>	<u>577,312</u>



# Methaq Takaful Insurance Company PSC

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2017 (Unaudited)

### 13 SEGMENT INFORMATION continued

#### 13.3 Primary segment information

For operating purposes, the Company is organised into two main business segments:

- Underwriting of takaful business incorporating all classes of takaful including fire, marine, motor, general accident, engineering, energy and family takaful. This business is conducted fully within the UAE.
- Investments incorporating investments in UAE marketable equity securities, short-term investments with banks and other securities.

#### Gross Takaful contributions revenue from underwriting departments

The following is an analysis of the Company's gross contributions written by major underwriting departments.

	<i>Three months ended 31 March 2017 (Unaudited) AED</i>	<i>Three months ended 31 March 2016 (Unaudited) (Restated) AED</i>
Motor	46,011,104	40,565,146
Medical	29,128,474	24,752,565
Miscellaneous accidents	519,250	77,652
Fire	546,863	414,710
Engineering	129,133	172,627
Marine and aviation	14,260	29,061
Liability	<u>255,702</u>	<u>224,660</u>
	<u>76,604,786</u>	<u>66,236,421</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 March 2017 (Unaudited)

**14 EFFECTS OF CHANGES IN ACCOUNTING POLICIES**

On 1 January 2016, the Company changed its accounting policies for allocated and unallocated loss adjustment expenses (ALAE/ULAE), for recognising unearned contributions reserve, deferred acquisition costs and unearned retakaful commission. The change in accounting policies have been accounted for retrospectively in accordance with IAS 8 and, accordingly the financial statements for the prior year have been restated. The impact of the adjustments on the interim condensed financial statements for the three months ended 31 March 2016 is as follows:

***Impact on statement of income***

	<i>Three months ended 31 March 2016 AED</i>
<b>Attributable to policyholders</b>	
Decrease in net earned contributions	(7,145,649)
Increase in retakaful commission income	224,454
Increase in total takaful expenses	<u>(309,877)</u>
Decrease in takaful results for the period	<u>(7,231,072)</u>
<b>Attributable to shareholders</b>	
Increase in allowance for loan to policyholders' fund	<u>7,231,072</u>
Decrease in profit for the period	<u>(7,231,072)</u>