

**Methaq Takaful Insurance  
Company PSC**

REVIEW REPORT AND INTERIM CONDENSED  
FINANCIAL STATEMENTS

30 JUNE 2016 (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 30 June 2016, comprising of the interim statement of financial position as at 30 June 2016 and the related interim income statement and interim statement of comprehensive income for the three month and six month periods then ended and the related interim statement of changes in equity and interim statement of cash flows for the six-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.



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

11 August 2016  
Abu Dhabi

# Methaq Takaful Insurance Company PSC


## INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2016

	Notes	30 June 2016 (Unaudited) AED	31 December 2015 (Audited) AED
<b>ASSETS</b>			
Cash and bank balances	3	6,523,443	11,823,654
Statutory deposit	4	6,000,000	6,000,000
Investments at fair value through other comprehensive income	5	17,720,000	17,720,000
Investments at fair value through profit or loss	5	2,423,083	2,218,499
Retakaful contract assets		20,530,383	15,794,323
Takaful and other receivables		161,629,861	135,357,218
Deferred acquisition costs		9,916,113	13,346,004
Furniture and equipment		2,306,149	2,741,715
Investment properties	6	<u>152,135,625</u>	<u>152,135,625</u>
<b>TOTAL ASSETS</b>		<b><u>379,184,657</u></b>	<b><u>357,137,038</u></b>
<b>SHAREHOLDERS' EQUITY, POLICYHOLDERS' FUND AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		150,000,000	150,000,000
Legal reserve		1,957,081	1,957,081
General reserve		1,700,807	1,700,807
Accumulated losses		<u>(73,239,712)</u>	<u>(73,627,964)</u>
<b>Total shareholders' equity</b>		<b><u>80,418,176</u></b>	<b><u>80,029,924</u></b>
<b>Policyholders' fund</b>			
Deficit of policyholders' fund	8	(151,198,530)	(140,714,742)
Loan from shareholders	8	<u>151,198,530</u>	<u>140,714,742</u>
<b>Total policyholders' fund</b>		<b><u>-</u></b>	<b><u>-</u></b>
<b>Liabilities</b>			
Provision for employees' end of service benefits		1,677,073	1,382,518
Takaful contract liabilities		204,670,846	189,069,460
Retakaful and other liabilities		71,946,968	69,348,889
Islamic financing arrangement		6,000,000	6,857,143
Unearned retakaful commission		3,874,662	1,876,554
Retakaful deposits retained		<u>10,596,932</u>	<u>8,572,550</u>
<b>Total liabilities</b>		<b><u>298,766,481</u></b>	<b><u>277,107,114</u></b>
<b>TOTAL SHAREHOLDERS' EQUITY, POLICYHOLDERS' FUND AND LIABILITIES</b>		<b><u>379,184,657</u></b>	<b><u>357,137,038</u></b>

  
Vice Chairman



  
Managing Director

The attached notes 1 to 13 form part of these interim condensed financial statements.



# Methaq Takaful Insurance Company PSC

## INTERIM STATEMENT OF INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2016

	Notes	Three months ended 30 June 2016 (Unaudited) AED	Three months ended 30 June 2015 (Unaudited) AED	Six months ended 30 June 2016 (Unaudited) AED	Six months ended 30 June 2015 (Unaudited) AED
<b>Attributable to policyholders</b>					
Gross takaful contributions revenue	9	56,427,089	51,059,383	113,233,364	102,559,994
Retakaful contributions ceded	9	<u>(7,630,787)</u>	<u>(4,479,165)</u>	<u>(14,506,962)</u>	<u>(8,625,998)</u>
<b>Net earned contributions</b>	9	<b>48,796,302</b>	<b>46,580,218</b>	<b>98,726,402</b>	<b>93,933,996</b>
Retakaful commission income		<u>1,125,316</u>	<u>733,421</u>	<u>2,133,719</u>	<u>1,288,677</u>
<b>Total takaful income</b>		<b><u>49,921,618</u></b>	<b><u>47,313,639</u></b>	<b><u>100,860,121</u></b>	<b><u>95,222,673</u></b>
Gross claims incurred		<u>(43,685,844)</u>	<u>(30,893,966)</u>	<u>(85,422,002)</u>	<u>(67,113,692)</u>
Retakaful share of claims incurred		<u>5,550,914</u>	<u>2,071,764</u>	<u>11,465,909</u>	<u>6,185,163</u>
<b>Net claims incurred</b>		<b><u>(38,134,930)</u></b>	<b><u>(28,822,202)</u></b>	<b><u>(73,956,093)</u></b>	<b><u>(60,928,529)</u></b>
Expenses for acquisition of takaful contracts		<u>(6,357,833)</u>	<u>(6,491,786)</u>	<u>(13,666,789)</u>	<u>(12,835,811)</u>
<b>Total takaful expenses</b>		<b><u>(44,492,763)</u></b>	<b><u>(35,313,988)</u></b>	<b><u>(87,622,882)</u></b>	<b><u>(73,764,340)</u></b>
<b>Net takaful income</b>		<b>5,428,855</b>	<b>11,999,651</b>	<b>13,237,239</b>	<b>21,458,333</b>
Wakala fees		<u>(11,567,367)</u>	<u>(12,840,390)</u>	<u>(23,721,027)</u>	<u>(26,454,672)</u>
<b>Deficit of takaful results for the period</b>		<b><u>(6,138,512)</u></b>	<b><u>(840,739)</u></b>	<b><u>(10,483,788)</u></b>	<b><u>(4,996,339)</u></b>
<b>Attributable to shareholders</b>					
Shareholders' investment and other income		106,015	143,600	188,909	266,922
Wakala fees from policyholders		11,567,367	12,840,390	23,721,027	26,454,672
Net Rental income from investment property		245,803	261,420	515,834	482,207
Profit on sale of investments at fair value through profit or loss		-	142,337	-	142,337
Change in fair value of investments at fair value through profit or loss		<u>(172,203)</u>	338,065	204,584	<u>(537,848)</u>
Increase in allowance for loan to policyholders' fund		<u>(6,138,512)</u>	<u>(4,221,043)</u>	<u>(10,483,788)</u>	<u>(11,756,953)</u>
Profit expense on Islamic financing		<u>(135,797)</u>	<u>(172,631)</u>	<u>(283,131)</u>	<u>(354,774)</u>
General and administrative expenses		<u>(6,864,405)</u>	<u>(7,254,089)</u>	<u>(13,475,183)</u>	<u>(14,366,008)</u>
<b>(Loss) profit for the period</b>		<b><u>(1,391,732)</u></b>	<b><u>2,078,049</u></b>	<b><u>388,252</u></b>	<b><u>330,555</u></b>
<b>Basic and diluted (loss) earnings per share</b>	10	<b><u>(0.009)</u></b>	<b><u>0.014</u></b>	<b><u>0.003</u></b>	<b><u>0.002</u></b>

The attached notes 1 to 13 form part of these interim condensed financial statements.

## Methaq Takaful Insurance Company PSC

### INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 June 2016

	<i>Three months ended 30 June 2016 (Unaudited) AED</i>	<i>Three months ended 30 June 2015 (Unaudited) AED</i>	<i>Six months ended 30 June 2016 (Unaudited) AED</i>	<i>Six months ended 30 June 2015 (Unaudited) AED</i>
<b>(Loss) profit for the period</b>	<b>(1,391,732)</b>	<b>2,078,049</b>	<b>388,252</b>	<b>330,555</b>
Other comprehensive income for the period	—	—	—	—
<b>Total comprehensive (loss) income for the period</b>	<b><u>(1,391,732)</u></b>	<b><u>2,078,049</u></b>	<b><u>388,252</u></b>	<b><u>330,555</u></b>

The attached notes 1 to 13 form part of these interim condensed financial statements.

# Methaq Takaful Insurance Company PSC

## INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2016

	<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 2015	150,000,000	1,957,081	1,700,807	8,080,000	(70,112,748)	91,625,140
Total comprehensive income for the period	-	-	-	-	330,555	330,555
Balance at 30 June 2015 (Unaudited)	<u>150,000,000</u>	<u>1,957,081</u>	<u>1,700,807</u>	<u>8,080,000</u>	<u>(69,782,193)</u>	<u>91,955,695</u>
Balance at 1 January 2016	150,000,000	1,957,081	1,700,807	-	(73,627,964)	80,029,924
Total comprehensive income for the period	-	-	-	-	388,252	388,252
Balance at 30 June 2016 (Unaudited)	<u>150,000,000</u>	<u>1,957,081</u>	<u>1,700,807</u>	<u>-</u>	<u>(73,239,712)</u>	<u>80,418,176</u>

The attached notes 1 to 13 form part of these interim condensed financial statements.

# Methaq Takaful Insurance Company PSC

## INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2016

	<i>Six months ended 30 June 2016 (Unaudited) AED</i>	<i>Six months ended 30 June 2015 (Unaudited) AED</i>
	<i>Note</i>	
<b>OPERATING ACTIVITIES</b>		
Profit for the period	388,252	330,555
Deficit of takaful result for the period	(10,483,788)	(4,996,339)
Adjustments for:		
Depreciation of furniture and equipment	518,774	410,334
Profit on sale of investments		
at fair value through profit or loss	-	(142,337)
Fair value change on investments		
at fair value through profit or loss	(204,584)	537,848
Fixed deposits, sukuk and dividend income	(188,909)	(266,922)
Allowance for loan to policyholders' fund	10,483,788	11,756,953
Profit expense on Islamic financing	283,131	354,774
End of service benefits	<u>330,697</u>	<u>196,752</u>
	1,127,361	8,181,618
Movements in working capital:		
Takaful and other receivables	(26,272,643)	(18,783,296)
Deferred acquisition cost	3,429,891	(4,455,179)
Retakaful contract assets	(4,736,060)	(5,269,062)
Takaful contract liabilities	15,601,386	21,784,504
Retakaful and other liabilities	2,598,079	(5,695,318)
Unearned retakaful commission	1,998,108	667,969
Retakaful deposits retained	<u>2,024,382</u>	<u>1,459,844</u>
Cash used in operations	(4,229,496)	(2,108,920)
End of service benefits paid	<u>(36,142)</u>	<u>(68,928)</u>
Net cash used in operating activities	<u>(4,265,638)</u>	<u>(2,177,848)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment	(83,208)	(1,376,251)
Purchase of investments at fair value		
through profit or loss	-	(1,123,766)
Sales proceeds from investments at		
fair value through profit or loss	-	1,125,197
Shareholders' investment and other income	<u>188,909</u>	<u>266,922</u>
Net cash from (used in) investing activities	<u>105,701</u>	<u>(1,107,898)</u>
<b>FINANCING ACTIVITIES</b>		
Profit expense on Islamic financing	(283,131)	(354,774)
Islamic financing arrangement repayments	<u>(857,143)</u>	<u>(857,143)</u>
Net cash used in financing activities	<u>(1,140,274)</u>	<u>(1,211,917)</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(5,300,211)</b>	<b>(4,497,663)</b>
Cash and cash equivalents at 1 January	<u>11,489,631</u>	<u>10,209,449</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>3</b> <u>6,189,420</u>	<u>5,711,786</u>

The attached notes 1 to 13 form part of these interim condensed financial statements.

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2016 (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 is currently assessing the impact of the new law.

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 30 June 2016 have been authorised for issue in accordance with a resolution of the Board of Directors on 11 August 2016.

### 2.1 FUNDAMENTAL ACCOUNTING CONCEPT

the Company accumulated losses amounted to AED 73,239,712 as of 30 June 2016. 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 2015. In addition, results for the period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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 securities and investment properties at fair value.



## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2016 (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 2015, except for the adoption of the following new interpretation and amendments to standards effective as of 1 January 2016:

*Amendments to standards and new standards effective 1 January 2016:*

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests;
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation;
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants;
- Amendments to IAS 27: Equity Method in Separate Financial Statements;
- Annual Improvements 2012-2014 Cycle.
- Amendments to IAS 1 Disclosure Initiative; and
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception.

The 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>30 June 2016 (Unaudited) AED</i>	<i>31 December 2015 (Audited) AED</i>
Cash on hand	45,000	45,000
Current bank accounts	6,144,420	11,444,631
Term deposits	<u>334,023</u>	<u>334,023</u>
Cash and bank balances	6,523,443	11,823,654
Less: term deposits with original maturity of more than three months	<u>(334,023)</u>	<u>(334,023)</u>
Cash and cash equivalents	<u>6,189,420</u>	<u>11,489,631</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 1.75% per annum (2015: 1.75%).

# Methaq Takaful Insurance Company PSC

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

### 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 profit at commercial rates.

### 5 INVESTMENTS

	<i>30 June 2016 (Unaudited) AED</i>	<i>31 December 2015 (Audited) AED</i>
<b>Investments at fair value through other comprehensive income</b>		
Unquoted UAE equity securities	<u>17,720,000</u>	<u>17,720,000</u>
<b>Investments at fair value through profit or loss</b>		
Quoted UAE equity securities	<u>2,423,083</u>	<u>2,218,499</u>
	<u>2,423,083</u>	<u>2,218,499</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 17,720,000 (AED 1.14 per share) (2015: 15,500,000 shares for a fair value of AED 17,720,000 (AED 1.14 per share)).

	<i>30 June 2016 (Unaudited) AED</i>	<i>31 December 2015 (Audited) AED</i>
<b>Investments at fair value through other comprehensive income</b>		
At the beginning of the period / year	17,720,000	25,800,000
Decrease in fair value	<u>-</u>	<u>(8,080,000)</u>
<b>At the end of the period / year</b>	<u>17,720,000</u>	<u>17,720,000</u>
<b>Investments at fair value through profit or loss</b>		
At the beginning of the period / year	2,218,499	7,236,641
Purchases during the period / year	-	985,511
Sales during the period / year	-	(3,982,859)
Increase (decrease) in fair value	<u>204,584</u>	<u>(2,020,794)</u>
<b>At the end of the period / year</b>	<u>2,423,083</u>	<u>2,218,499</u>

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

**6 INVESTMENT PROPERTIES**

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.

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 2015 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 634,161 (30 June 2015: AED 592,082) and building expenses amounted to AED 118,327 (30 June 2015: AED 109,875).

	<i>30 June 2016 (Unaudited) AED</i>	<i>31 December 2015 (Audited) AED</i>
At the beginning of the period / year	152,135,625	144,150,000
Increase in fair value	<u>-</u>	<u>7,985,625</u>
At the end of the period / year	<u>152,135,625</u>	<u>152,135,625</u>

**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>30 June 2016 (Unaudited) AED</i>	<i>31 December 2015 (Audited) AED</i>
Takaful receivables due from related parties	<u>2,244,386</u>	<u>1,984,248</u>
Other receivables due from related parties	2,776,089	2,776,089
Less: allowance for doubtful balances due from related parties	<u>(1,551,122)</u>	<u>(1,551,122)</u>
	<u>1,224,967</u>	<u>1,224,967</u>

# Methaq Takaful Insurance Company PSC

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

### 7 RELATED PARTIES continued

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 30 June 2016 (Unaudited) AED</i>	<i>Three months ended 30 June 2015 (Unaudited) AED</i>	<i>Six months ended 30 June 2016 (Unaudited) AED</i>	<i>Six months ended 30 June 2015 (Unaudited) AED</i>
<b>Related party transactions</b>				
Gross takaful contributions	<u>14,855</u>	<u>129,443</u>	<u>1,316,330</u>	<u>1,491,701</u>
Claims paid	<u>382,071</u>	<u>189,105</u>	<u>748,430</u>	<u>1,829,862</u>
Directors fees	<u>42,000</u>	<u>2,000</u>	<u>87,000</u>	<u>84,000</u>

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

	<i>Three months ended 30 June 2016 (Unaudited) AED</i>	<i>Three months ended 30 June 2015 (Unaudited) AED</i>	<i>Six months ended 30 June 2016 (Unaudited) AED</i>	<i>Six months ended 30 June 2015 (Unaudited) AED</i>
Short-term benefits	<u>1,198,000</u>	<u>1,038,000</u>	<u>2,396,000</u>	<u>2,076,000</u>
Long-term benefits	<u>23,976</u>	<u>25,338</u>	<u>63,976</u>	<u>320,803</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>30 June 2016 (Unaudited) AED</i>	<i>31 December 2015 (Audited) AED</i>
<b>Policyholders' fund</b>		
Opening balance	(140,714,742)	(124,851,120)
Deficit for the period / year	<u>(10,483,788)</u>	<u>(15,863,622)</u>
Closing balance	<u>(151,198,530)</u>	<u>(140,714,742)</u>
<b>Loan from shareholders to policyholders</b>		
At 1 January	140,714,742	124,851,120
Net movement during the period / year	<u>10,483,788</u>	<u>15,863,622</u>
Loan from shareholders	151,198,530	140,714,742
Less: allowance for loan to policyholders	<u>(151,198,530)</u>	<u>(140,714,742)</u>
Loan to policyholders, net	<u>=</u>	<u>=</u>

# Methaq Takaful Insurance Company PSC

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

### 8 POLICYHOLDERS' FUND continued

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 151,198,530 as of 30 June 2016 (year ended 31 December 2015: AED 140,714,742) with no repayment terms. During the period, Qard Hassan with a nominal value of AED 10,483,788 (30 June 2015: AED 11,756,953) was impaired and the allowance of the same amount was 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.

### 9 NET EARNED CONTRIBUTIONS

	<i>Three months ended 30 June 2016 (Unaudited) AED</i>	<i>Three months ended 30 June 2015 (Unaudited) AED</i>	<i>Six months ended 30 June 2016 (Unaudited) AED</i>	<i>Six months ended 30 June 2015 (Unaudited) AED</i>
<b>Gross takaful contributions revenue</b>				
Gross contributions written	57,062,207	64,163,664	123,298,628	137,106,792
Change in unearned contributions provision	<u>(635,118)</u>	<u>(13,104,281)</u>	<u>(10,065,264)</u>	<u>(34,546,798)</u>
	<u>56,427,089</u>	<u>51,059,383</u>	<u>113,233,364</u>	<u>102,559,994</u>
<b>Retakaful contributions ceded</b>				
Retakaful contributions	(10,890,338)	(7,770,775)	(19,057,791)	(12,934,413)
Change in contributions ceded provision	<u>3,259,551</u>	<u>3,291,610</u>	<u>4,550,829</u>	<u>4,308,415</u>
	<u>(7,630,787)</u>	<u>(4,479,165)</u>	<u>(14,506,962)</u>	<u>(8,625,998)</u>
<b>Net earned contributions</b>	<u>48,796,302</u>	<u>46,580,218</u>	<u>98,726,402</u>	<u>93,933,996</u>

### 10 BASIC AND DILUTED (LOSS) / EARNINGS PER SHARE

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

	<i>Three months ended 30 June 2016 (Unaudited)</i>	<i>Three months ended 30 June 2015 (Unaudited)</i>	<i>Six months ended 30 June 2016 (Unaudited)</i>	<i>Six months ended 30 June 2015 (Unaudited)</i>
(Loss) profit for the period (AED)	<u>(1,391,732)</u>	<u>2,078,049</u>	<u>388,252</u>	<u>330,555</u>
Ordinary shares in issue throughout the period (shares)	<u>150,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>	<u>150,000,000</u>
Basic and diluted (loss) earnings per share (AED)	<u>(0.009)</u>	<u>0.014</u>	<u>0.003</u>	<u>0.002</u>

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

11 SEASONALITY OF RESULTS

No income of a seasonal nature was recorded in the interim income statement for the six-month periods ended 30 June 2016 and 2015.

12 CONTINGENT LIABILITIES

	<i>30 June 2016 (Unaudited) AED</i>	<i>31 December 2015 (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

30 June 2016 (Unaudited)

### 13 SEGMENT INFORMATION continued

#### 13.1 Business segments

	Three months ended 30 June 2016 (Unaudited)			Three months ended 30 June 2015 (Unaudited)			Six months ended 30 June 2016 (Unaudited)			Six months ended 30 June 2015 (Unaudited)		
	Policyholders AED	Shareholders AED	Total AED	Policyholders AED	Shareholders AED	Total AED	Policyholders AED	Shareholders AED	Total AED	Policyholders AED	Shareholders AED	Total AED
Net takaful income (loss) for the period	5,428,855	-	5,428,855	11,999,651	-	11,999,651	13,237,239	-	13,237,239	21,458,333	-	21,458,333
Waikata fees	(11,567,367)	11,567,367	-	(12,840,390)	12,840,390	-	(25,721,027)	25,721,027	-	(26,559,672)	26,559,672	-
	(6,138,512)	11,567,367	5,428,855	(840,739)	12,840,390	11,999,651	(10,483,788)	25,721,027	13,237,239	(4,996,339)	26,454,672	21,458,333
Investment and other income	-	106,015	106,015	-	143,600	143,600	-	188,909	188,909	-	266,922	266,922
Rental income from investments property	-	245,803	245,803	-	261,420	261,420	-	515,834	515,834	-	482,207	482,207
Profit on sale of investments at fair value through profit or loss	-	-	-	-	142,337	142,337	-	-	-	-	132,337	132,337
Change in fair value of investments at FVTPL	-	(172,203)	(172,203)	-	338,065	338,065	-	204,584	204,584	-	(537,848)	(537,848)
Profit expense on Islamic financing	-	(135,797)	(135,797)	-	(172,631)	(172,631)	-	(283,131)	(283,131)	-	(354,774)	(354,774)
Increase in allowance for loan to policyholders' fund	-	(6,138,512)	(6,138,512)	-	(4,221,043)	(4,221,043)	-	(10,483,788)	(10,483,788)	-	(11,756,953)	(11,756,953)
General and administrative expenses	-	16,854,405	(6,864,405)	-	(7,254,039)	(7,254,039)	-	(13,475,183)	(13,475,183)	-	(11,366,008)	(11,366,008)
	(6,138,512)	(1,391,732)	(7,530,244)	(840,739)	(2,078,949)	(2,919,688)	(10,483,788)	(388,257)	(10,095,536)	(4,996,339)	(330,555)	(4,665,784)
(Loss) profit for the period												
	30 June 2016 (Unaudited)			31 December 2015 (Audited)			30 June 2015 (Unaudited)			31 December 2014 (Audited)		
	Policyholders AED	Shareholders AED	Total AED	Policyholders AED	Shareholders AED	Total AED	Policyholders AED	Shareholders AED	Total AED	Policyholders AED	Shareholders AED	Total AED
Total assets	183,408,298	195,726,359	379,134,657	162,854,752	194,282,286	357,137,038	162,854,752	194,282,286	357,137,038	162,854,752	194,282,286	357,137,038

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the three month and six-month periods ended 30 June 2016 (30 June 2015: 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 2015.

# Methaq Takaful Insurance Company PSC

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2016 (Unaudited)

### 13 SEGMENT INFORMATION continued

#### 13.2 Product lines

	Three months ended 30 June 2016 (Unaudited)				Three months ended 30 June 2015 (Unaudited)				Six months ended 30 June 2016 (Unaudited)				Six months ended 30 June 2015 (Unaudited)			
	Minor AED	Medical AED	Others AED	Total AED	Minor AED	Medical AED	Others AED	Total AED	Minor AED	Medical AED	Others AED	Total AED	Minor AED	Medical AED	Others AED	Total AED
Gross takaful contribution revenue	48,584,596	7,150,577	691,916	56,427,089	42,119,050	7,868,370	1,074,063	51,059,383	99,215,906	12,346,620	1,960,808	113,313,354	83,004,333	15,263,652	2,292,009	102,559,994
Retainable contributions ceded	(16,831,601)	(3,133,320)	(475,855)	(17,430,776)	(2,657,211)	(1,628,308)	(723,450)	(4,998,969)	(12,813,623)	(734,956)	(218,721)	(13,486,620)	(5,567,163)	(2,338,026)	(1,720,229)	(18,625,418)
Net earned contributions	41,742,995	6,017,247	216,060	47,976,302	39,461,839	6,239,766	350,613	45,992,218	86,402,283	11,611,224	1,742,087	99,776,402	77,437,170	12,925,626	571,210	93,933,996
Takaful commission income	1,032,015	—	53,292	1,085,307	603,758	—	129,557	733,315	1,953,814	—	179,265	2,133,079	1,010,920	—	277,707	1,288,627
Total takaful income	48,775,011	6,017,247	269,352	55,061,610	40,065,355	6,369,526	480,170	46,915,051	89,355,907	11,611,224	1,921,352	101,908,476	78,448,090	12,925,626	848,917	95,272,633
Gross claims incurred	(13,623,525)	(7,281,317)	(181,002)	(21,085,844)	(23,462,999)	(5,431,007)	—	(28,893,966)	(78,082,244)	(15,044,637)	(795,131)	(96,471,002)	(54,753,282)	(12,347,511)	(10,899)	(67,113,691)
Reinsured share of claims incurred	5,921,813	1,772,823	(138,453)	7,556,183	1,720,085	—	341,622	2,061,707	3,819,252	2,572,432	(10,829)	11,245,222	3,672,258	32,421	483,720	8,185,163
Net claims incurred	(8,701,712)	(5,508,494)	(219,455)	(13,429,661)	(21,742,914)	(5,431,007)	341,622	(26,832,259)	(74,262,992)	(12,472,205)	(11,940,950)	(85,228,780)	(51,081,024)	(12,315,090)	(1,412,179)	(58,928,528)
Expenses for acquisition of takaful contracts	(18,166,448)	(1,526,286)	(25,256)	(19,717,990)	(16,320,282)	(780,923)	(91,563)	(17,192,768)	(13,243,763)	(83,682)	(1,930,211)	(15,257,656)	(12,242,012)	(108,167)	(1,900,234)	(14,350,413)
Total takaful expenses	(38,968,163)	(7,034,770)	(244,711)	(46,247,644)	(38,063,803)	(6,211,930)	249,714	(44,015,989)	(87,506,756)	(12,555,887)	(2,921,764)	(100,410,933)	(63,323,236)	(12,423,257)	(2,782,413)	(73,528,910)
Net takaful income (loss) for the period	5,806,848	(1,017,523)	(145,359)	4,643,966	1,901,552	1,157,596	630,954	11,996,651	14,112,155	(1,844,563)	88,495	13,237,220	19,824,348	307,229	1,127,456	21,424,713



# Methaq Takaful Insurance Company PSC

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 June 2016 (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 30 June 2016 (Unaudited) AED</i>	<i>Three months ended 30 June 2015 (Unaudited) AED</i>	<i>Six months ended 30 June 2016 (Unaudited) AED</i>	<i>Six months ended 30 June 2015 (Unaudited) AED</i>
Motor	52,590,088	60,237,509	93,155,234	108,911,439
Medical	3,905,640	3,491,541	28,658,205	26,759,446
Workmen's compensation and miscellaneous accidents	40,237	41,291	117,889	107,806
Fire	133,042	66,145	547,752	628,076
Engineering	126,512	70,668	299,139	216,064
Marine and aviation	-	121,349	29,061	121,349
Liability	<u>266,688</u>	<u>135,161</u>	<u>491,348</u>	<u>362,612</u>
	<u>57,062,207</u>	<u>64,163,664</u>	<u>123,298,628</u>	<u>137,106,792</u>