

Dar Al Takaful PJSC
Dubai - United Arab Emirates

Condensed interim consolidated financial statements
(Unaudited)

For the period ended 30 September 2019

**Grant Thornton
United Arab Emirates**
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**Review report of the independent auditor
To the shareholders of Dar Al Takaful PJSC**

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Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Dar Al Takaful PJSC (the “Group”) as at 30 September 2019, the related condensed interim consolidated income statement, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows for the nine months period then ended. Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

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

Other matter

The condensed interim consolidated financial statements of the Group for the nine months period ended 30 September 2018 and the consolidated financial statements for the year ended 31 December 2018 were reviewed and audited by another auditor whose review report dated 13 November 2018 and audit report dated 24 March 2019 expressed an unmodified conclusion and unqualified opinion respectively.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim Financial Reporting”.



GRANT THORNTON
Farouk Mohamed
Registration No: 86
Dubai, 11 November 2019



Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)

Condensed interim consolidated statement of financial position
As at 30 September 2019

	Notes	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
ASSETS			
Takaful operations' assets			
Available-for-sale investments	4	3,371,358	3,732,941
Held to maturity	4	2,001,297	2,001,297
Deferred policy cost		16,784,396	12,508,753
Retakaful contract assets:			
Unearned contribution		52,068,908	44,279,489
Claims reported unsettled		30,922,972	27,444,310
Claims incurred but not reported		21,228,773	26,393,258
Contribution deficiency reserve		1,101,019	-
Takaful and other receivables	5	123,288,973	104,645,106
Prepayments and other receivables		4,194,608	2,362,308
Wakala deposits	6	101,196,278	70,000,000
Investment properties	7	20,645,209	21,526,800
Cash and cash equivalents	8	17,447,240	17,236,387
Total takaful operations' assets		394,251,031	332,130,649
Shareholders' assets			
Property and equipment		9,344,459	12,531,960
Intangible assets		1,504,711	472,725
Investment properties	7	26,191,016	27,309,425
Available-for-sale investments	4	7,518,873	7,981,406
Held to maturity	4	8,722,890	8,722,890
Restricted deposit	9	6,000,000	6,000,000
Wakala deposits	6	53,019,569	52,897,903
Due from policyholders	10	12,251,901	2,508,962
Prepayments and other receivables		5,387,458	6,248,216
Cash and cash equivalents	8	4,485,573	7,801,736
Total shareholders' assets		134,426,450	132,475,223
Total assets		528,677,481	464,605,872

The notes from 1 to 21 form an integral part of these condensed interim consolidated financial statements.

Dar Al Takaful PJSC

Condensed interim consolidated financial statements (Unaudited)

Condensed interim consolidated statement of financial position
As at 30 September 2019 (continued)

	Notes	(Unaudited) 30 September 2019 AED	(Audited) 31 December 2018 AED
LIABILITIES, POLICYHOLDERS' FUND AND EQUITY			
Takaful operations' liabilities and policyholders' fund			
Takaful operations' liabilities			
Deferred discount		2,452,672	2,076,443
Takaful contract liabilities:			
Unearned contribution		164,230,600	117,773,745
Claims reported unsettled		59,590,943	51,028,719
Claims incurred but not reported		34,904,425	44,308,033
Unallocated loss adjustment expenses		2,254,842	1,632,599
Contribution deficiency reserve		1,365,815	474,433
Takaful payables	11	117,277,039	112,469,795
Due to shareholders	10	12,251,901	2,508,962
Total takaful operations' liabilities		394,328,237	332,272,729
Takaful operations' deficit			
Qard Hassan against deficit in policyholders' fund		(56,996,022)	(21,019,209)
Less: Provision against Qard Hassan to policyholders' fund		56,996,022	21,019,209
Available-for-sale investments reserve		(77,208)	(142,080)
Total deficit from takaful operations		(77,208)	(142,080)
Total takaful operations' liabilities and deficit		394,251,029	332,130,649
Shareholders' liabilities and equity			
Shareholders' liabilities			
Other liabilities		8,757,615	9,634,362
Total shareholders' liabilities		8,757,615	9,634,362
Shareholders' equity			
Share capital	12	150,000,000	150,000,000
Statutory reserve	13	2,727,473	2,727,473
Accumulated losses		(27,058,636)	(29,936,235)
Available-for-sale investments reserve		-	49,623
Total shareholders' equity		125,668,837	122,840,861
Total shareholders' liabilities and equity		134,426,452	132,475,223
Total liabilities, policyholders' fund and equity		528,677,481	464,605,872

The condensed interim consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 11 November 2019.

Shahab Ahmed Lutfi
Vice Chairman


A.R. Srinivasan
Chief Executive Officer

The notes from 1 to 21 form an integral part of these condensed interim consolidated financial statements.

Dar Al Takaful PJSC

Condensed interim consolidated financial statements (Unaudited)

Condensed interim consolidated income statement

For the period ended 30 September 2019

	(Unaudited) Three months period ended 30 September 2019 AED	(Unaudited) Three months period ended 30 September 2018 AED	(Unaudited) Nine months period ended 30 September 2019 AED	(Unaudited) Nine months period ended 30 September 2018 AED
Attributable to policyholders				
Takaful income				
Gross takaful contribution	110,354,054	80,534,663	270,915,175	236,048,666
Accepted business	189,399	99,812	478,801	190,975
Retakaful share of ceded business	(26,941,334)	(37,959,062)	(114,849,120)	(106,047,615)
Net takaful contribution	83,602,119	42,675,413	156,544,856	130,192,026
Net transfer to unearned contribution reserves	(40,057,414)	1,297,222	(38,667,436)	10,415,563
Net takaful contribution earned	43,544,705	43,972,635	117,877,420	140,607,589
Discount earned	1,527,939	1,545,727	4,596,456	4,652,735
Policy fees and other income	38,269	49,687	72,846	87,406
Total underwriting income	45,110,913	45,568,049	122,546,722	145,347,730
Takaful expenses				
Gross claims paid	(49,945,758)	(56,976,584)	(136,509,494)	(182,111,815)
Retakaful share of ceded business claims	25,083,730	30,694,825	71,375,704	101,308,727
Net claims paid	(24,862,028)	(26,281,759)	(65,133,790)	(80,803,088)
Change in provision for outstanding claims	1,412,421	(1,200,320)	(8,562,220)	4,492,120
Change in retakaful share of outstanding claims	(1,019,536)	4,185,149	3,478,664	2,593,048
Change in incurred but not reported claims	1,220,270	(52,796)	4,239,123	(2,013,985)
Change in unallocated loss adjustment expenses reserve	6,096	33,357	(622,242)	(44,925)
Changes in the provision for contribution deficiency reserve	1,963,131	48,722	209,637	233,052
Net takaful claims incurred	(21,279,646)	(23,267,647)	(66,390,828)	(75,543,778)
Excess of loss of takaful contribution	(466,984)	(595,549)	(1,545,436)	(1,832,638)
Total takaful income	23,364,283	21,704,853	54,610,458	67,971,314
Wakala fees	(37,588,845)	(24,190,344)	(92,279,473)	(70,871,892)
Mudarib's fee	(465,772)	(649,243)	(1,289,714)	(1,451,358)
Investment and other income	521,800	1,386,011	2,981,916	2,940,843
Loss for the period attributable to policyholders	(14,168,534)	(1,748,723)	(35,976,813)	(1,411,093)

The notes from 1 to 21 form an integral part of these condensed interim consolidated financial statements.

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)

Condensed interim consolidated income statement
For the period ended 30 September 2019 (continued)

	(Unaudited) Three months period ended 30 September 2019 AED	(Unaudited) Three months period ended 30 September 2018 AED	(Unaudited) Nine months period ended 30 September 2019 AED	(Unaudited) Nine months period ended 30 September 2018 AED
Attributable to shareholders				
Wakala fees from policyholders (note 16)	37,588,845	24,190,344	92,279,473	70,871,892
Mudarib's fee (note 16)	465,772	649,243	1,289,714	1,451,358
Investment loss	(2,907,178)	(738,093)	(1,392,763)	(1,473,805)
General and administrative expenses	(9,360,146)	(10,547,862)	(27,291,591)	(31,171,437)
Policy acquisition cost	(9,399,705)	(8,474,527)	(24,855,086)	(29,138,348)
Other underwriting expenses	(466,569)	(354,118)	(1,175,335)	(1,044,260)
Income for the period before Qard Hassan	15,921,019	4,724,987	38,854,412	9,495,400
Provision against of Qard Hassan to Policyholders	(14,168,534)	(1,748,723)	(35,976,813)	(1,411,093)
Profit for the period attributable to Shareholders	1,752,485	2,976,264	2,877,599	8,084,307
Earnings per share				
Basic and diluted (note 14)	0.012	0.020	0.019	0.054

The notes from 1 to 21 form an integral part of these condensed interim consolidated financial statements.

Dar Al Takaful PJSC

Condensed interim consolidated financial statements (Unaudited)

**Condensed interim consolidated statement of comprehensive income
For the period ended 30 September 2019**

	(Unaudited) Three months period ended 30 September 2019 AED	(Unaudited) Three months period ended 30 September 2018 AED	(Unaudited) Nine months period ended 30 September 2019 AED	(Unaudited) Nine months period ended 30 September 2018 AED
Attributable to policyholders				
Loss for the period	(14,168,534)	(1,748,723)	(35,976,813)	(1,411,093)
Other comprehensive income				
<i>Items that maybe reclassified subsequently to profit or loss</i>				
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	-	-	142,080	-
Unrealised gain/(loss) on available-for-sale investments	9,941	(29,478)	(77,208)	(29,478)
Other comprehensive income/(loss) for the period	9,941	(29,478)	64,872	(29,478)
Total comprehensive loss for the period attributable to policyholders	(14,158,593)	(1,778,201)	(35,911,941)	(1,440,571)
Attributable to shareholders				
Profit for the period	1,752,485	2,976,264	2,877,599	8,084,307
Other comprehensive income				
<i>Items that maybe reclassified subsequently to profit or loss</i>				
Reclassification adjustments relating to available-for-sale financial assets disposed of during the period	-	-	(49,623)	-
Unrealised gain on available-for-sale investments	-	464,479	-	34,160
Other comprehensive income/(loss) for the period	-	464,479	(49,623)	34,160
Total comprehensive income for the period attributable to shareholders	1,752,485	3,440,743	2,827,976	8,118,467

The notes from 1 to 21 form an integral part of these condensed interim consolidated financial statements.

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)

Condensed interim consolidated statement of changes in equity
For the period ended 30 September 2019

	Share capital AED	Statutory reserve AED	Accumulated losses AED	Available-for-sale investments reserve AED	Total AED
As at 1 January 2018 (Audited)	150,000,000	2,056,023	(35,979,284)	15,463	116,092,202
Profit for the period	-	-	8,084,307	-	8,084,307
Other comprehensive income for the period	-	-	-	34,160	34,160
Total comprehensive income for the period	-	-	8,084,307	34,160	8,118,467
As at 30th September 2018 (Unaudited)	150,000,000	2,056,023	(27,894,977)	49,623	124,210,669
As at 1 January 2019 (Audited)	150,000,000	2,727,473	(29,936,235)	49,623	122,840,861
Profit for the period	-	-	2,877,599	-	2,877,599
Other comprehensive loss for the period	-	-	-	(49,623)	(49,623)
Total comprehensive income for the period	-	-	2,877,599	(49,623)	2,827,976
As at 30th September 2019 (Unaudited)	150,000,000	2,727,473	(27,058,636)	-	125,668,837

The notes from 1 to 21 form an integral part of these condensed interim consolidated financial statements.

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)

Condensed interim consolidated statement of cash flows
For the period ended 30 September 2019

	(Unaudited) Nine months period ended 30 September 2019 AED	(Unaudited) Nine months period ended 30 September 2018 AED
Cash flows from operating activities		
Profit for the period	2,877,599	8,084,307
Adjustments for:		
Depreciation of property and equipment	945,336	1,425,319
Amortisation of intangible assets	254,442	160,125
Impairment of property and equipment	1,300,000	-
Change in the fair value of investment properties	2,000,000	-
Change in the fair value of financial assets	15,246	24,479
Realised loss on sale of financial assets carried at FVTPL	161,226	3,738,202
Realised loss on sale of available-for-sale investments	33,893	-
Income from wakala deposits	(4,199,643)	(2,241,408)
Income from sukuk investments	(629,295)	(834,918)
Rental income	(1,522,749)	(1,691,339)
Provision for doubtful receivables	735,866	1,821,352
Provision for employees' end of service benefits	326,103	617,427
Operating cash flows before changes in working capital	2,298,024	11,103,546
(Increase)/decrease in takaful and other receivables	(19,379,733)	8,301,129
(Increase)/decrease in retakaful assets	(6,103,596)	13,985,944
Increase in prepayments and other receivables	(971,542)	(677,033)
Increase/(decrease) in takaful contract liabilities	46,028,077	(29,660,817)
Increase/(decrease) in takaful payables	4,807,244	(5,459,660)
Decrease in other liabilities	(841,647)	(1,836,805)
(Increase)/decrease in deferred policy cost	(4,275,643)	2,797,516
Increase in deferred discount	376,229	360,140
Cash generated from/(used in) operations	21,937,413	(1,086,040)
Employee's end of service benefits paid	(361,203)	(140,690)
Net cash generated from/(used in) operating activities	21,576,210	(1,226,730)
Cash flows from investing activities		
Purchase of property and equipment	(288,982)	(1,304,809)
Transfer of capital work in progress to intangible assets	1,231,147	-
Purchase of intangible assets	(1,286,428)	(109,521)
Additions of investments in securities	-	(14,132,144)
Proceeds from sale of investment securities	629,000	22,427,193
Income received on wakala deposits	4,199,643	2,241,408
Rental income received	1,522,749	1,691,339
Income received from sukuk	629,295	834,918
Wakala deposits (made)/encashed	(31,317,944)	2,919,163
Net cash (used in)/generated from investing activities	(24,681,520)	14,567,547
Net change in cash and cash equivalents	(3,105,310)	13,340,817
Cash and cash equivalents, beginning of period	25,038,123	18,105,674
Cash and cash equivalents, end of period (note 8)	21,932,813	31,446,491

The notes from 1 to 21 form an integral part of these condensed interim consolidated financial statements.

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)
Notes to the condensed interim consolidated financial statements
For the period ended 30 September 2019

1 Legal status and activities

Dar Al Takaful PJSC (the “Company”) was incorporated as a public joint stock company. The Company carries out general takaful (insurance), retakaful (reinsurance) and investments in accordance with the teachings of Islamic Shari’a and within the provisions of U.A.E. Federal Law no. 6 of 2007 relating to takaful companies and takaful agents and the Memorandum and Articles of Association of the Company. The address of the Company is P.O. Box 235353, Dubai, United Arab Emirates.

The Company obtained its commercial license on 23 July 2008 and commenced operations on 1 September 2008.

The Company mainly issues short term takaful contracts in connection with non-life takaful such as motor, marine, fire, engineering, medical and general accident risks (collectively known as general takaful). The Company also invests its funds in investment securities.

The Company with its subsidiary are together referred to as the “Group” in these condensed interim consolidated financial statements. At 30 September 2019, the Company had the following subsidiary:

Name of subsidiary	Proportion of ownership interest		Country of incorporation	Principal activities
	30 September 2019	31 December 2018		
Auto Crew Workshop LLC	100%	100%	UAE	Auto mechanical repairing workshop

2 Basis of preparation

The condensed consolidated financial statements are for the nine months period ended 30 September 2019 and are presented in United Arab Emirate Dirham (AED), which is also the functional currency of the Company. These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ and do not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2018. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2019.

The Group has not early adopted any version of IFRS 9 and the activities of the Group are predominantly connected with insurance on 30 September 2019 therefore the Group has opted for the temporary exemption from the application of IFRS 9 and defer the implementation date of IFRS 9 until 31 December 2021.

Basis of consolidation

The condensed consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 30 September 2019.

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; and
- the ability to use its power over the investee to affect its returns.

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)
Notes to the condensed interim consolidated financial statements
For the period ended 30 September 2019

2 Basis of preparation (continued)

Basis of consolidation (continued)

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 Significant accounting policies

These condensed interim consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual financial statements for the year ended 31 December 2018. Certain amendments to accounting standards and annual improvements, as disclosed in the Company's most recent annual financial statements for the year ended 31 December 2018, are applicable on the Company but do not have any material impact on these condensed interim consolidated financial statements.

Interim reporting

The accounting policies used in the preparation of the condensed interim consolidated financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2018 except for the changes in the accounting policies implemented by management from 1 January 2019.

Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumption that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may substantially be different.

Classification of properties

In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property. In making its judgment, management has considered the detailed criteria and related guidance set out in IAS 40 - Investment Property, with regards to the intended use of the property.

Outstanding claims and technical provisions

The estimation of ultimate liability arising from the claims made under takaful contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting period.

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)
Notes to the condensed interim consolidated financial statements
For the period ended 30 September 2019

3 Significant accounting policies (continued)

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

Outstanding claims and technical provisions (continued)

Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on internal and external actuarial assessment, taking into account the historical data of the claims reported and settlement pattern. Such method takes into account the best estimates of the future contractual cash flows estimated based on the historical data. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

Impairment losses on Takaful receivables

The Company reviews its Takaful receivables on a regular basis to assess whether a provision for impairment should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant Takaful receivables, the Company also makes a collective impairment provision against Takaful receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for Takaful receivables within each grade and is adjusted to reflect current economic changes.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of Takaful contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the statement of income.

Valuation of unquoted equity instruments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, management estimates the fair value of these instruments using expected cash flows discounted at current rates for similar instruments or other valuation models.

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)
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4 Investment in securities

Available-for-sale investments

Available-for-sale investments comprise the following:

	30 September 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Quoted equity securities in U.A.E.	-	499,531
Quoted debt securities in U.A.E.	2,371,358	2,448,565
Unquoted equity securities in U.A.E.	7,518,873	7,766,251
Unquoted debt securities in U.A.E.	1,000,000	1,000,000
	10,890,231	11,714,347
Attributable to:		
Policyholders	3,371,358	3,732,941
Shareholders	7,518,873	7,981,406
	10,890,231	11,714,347

Held to maturity

Financial assets held to maturity comprise the following:

	30 September 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Quoted debt securities inside U.A.E.	1,998,174	1,998,174
Quoted debt securities outside U.A.E.	5,051,013	5,051,013
Unquoted debt securities outside U.A.E.	3,675,000	3,675,000
	10,724,187	10,724,187
Attributable to:		
Policyholders	2,001,297	2,001,297
Shareholders	8,722,890	8,722,890
	10,724,187	10,724,187

5 Takaful and other receivables

	30 September 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Contributions receivable	128,253,718	103,308,078
Receivable from retakaful and other takaful companies	1,467,652	5,377,797
Other receivables	4,733,181	6,388,943
	134,454,551	115,074,818
Less: Provision for doubtful receivables	(11,165,578)	(10,429,712)
	123,288,973	104,645,106

Dar Al Takaful PJSC
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6 Wakala deposits

Statutory deposit represents a Wakala deposit under lien against the guarantees issued in favour of Insurance Authority of U.A.E. in accordance with Article 42 of United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations.

7 Investment properties

Investment properties comprise of buildings which are located in United Arab Emirates.

Management estimates that there has been a reduction in the fair value of investment properties during the nine months period ended 30 September 2019 amounting to AED 2 million. The carrying value of the investment properties as at 30 September 2019 is AED 46.8 million. (31 December 2018: AED 48.8 million).

Investment properties are classified as Level 3 in the fair value hierarchy as at 30 September 2019 (31 December 2018: Level 3).

8 Cash and cash equivalents

	30 September 2019 (Unaudited) AED	31 December 2018 (Audited) AED	30 September 2018 (Unaudited) AED
Cash on hand	151,417	155,632	167,581
Bank balances:			
Current accounts	19,458,397	21,537,900	29,470,730
Call accounts	2,322,999	3,344,591	1,808,180
	<u>21,932,813</u>	<u>25,038,123</u>	<u>31,446,491</u>
Attributable to:			
Policyholders	17,447,240	17,236,387	20,320,967
Shareholders	4,485,573	7,801,736	11,125,524
	<u>21,932,813</u>	<u>25,038,123</u>	<u>31,446,491</u>

9 Restricted deposit

Deposits held as restricted deposits are maintained in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of U.A.E. and are not available to finance the day to day operations of the Group.

10 Due from policyholders/due to shareholders

The balance consists of the net of Wakala fees balances that is due to the shareholders from the policyholders amounting to AED 12.3 million (31 December 2018: AED 2.5 million).

11 Takaful payables

	30 September 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Due to takaful companies, garages and other third parties	70,703,000	81,691,112
Due to retakaful companies	44,546,121	28,715,454
Other payables	2,027,918	2,063,229
	<u>117,277,039</u>	<u>112,469,795</u>

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12 Share capital

	30 September 2019 (Unaudited) AED	31 December 2018 (Audited) AED
Issued and fully paid:		
150,000,000 ordinary shares of AED 1 each (31 December 2018: 150,000,000 ordinary shares)	150,000,000	150,000,000

13 Statutory reserve

In accordance with U.A.E. Law No. (2) of 2015, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law. No transfer to the statutory reserve has been made during the Nine months period ended 30 September 2019 (nine months period ended 30 September 2018: Nil), as this will be based on the audited results for the year.

14 Earnings per share

Earnings per share are calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period as follows:

	Three months period ended 30 September 2019 (Unaudited)	Three months period ended 30 September 2018 (Unaudited)	Nine months period ended 30 September 2019 (Unaudited)	Nine months period ended 30 September 2018 (Unaudited)
Profit for the period attributable to shareholders (in AED)	1,752,485	2,976,264	2,877,599	8,084,307
Number of ordinary shares outstanding (shares)	150,000,000	150,000,000	150,000,000	150,000,000
Basic and diluted earnings per share (in AED)	0.012	0.020	0.019	0.054

Diluted earnings per share as of 30 September 2019 and 30 September 2018 are equivalent to basic earnings per share as the Group did not issue any new instrument that would impact earnings per share when executed.

15 Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24: *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. Transactions with such related parties are made on substantially the same terms, as those prevailing at the same time for comparable transactions with external customers and parties.

a) Balances with related parties

Balances with related parties included in the condensed interim consolidated statement of financial position are as follows:

	30 September 2019 (Unaudited) AED	31 December 2018 (Audited) AED
<i>Takaful and other receivables</i>		
Major shareholders	204,077	572,498
<i>Wakala deposits</i>		
Major shareholders	30,000,000	30,000,000

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15 Related party transactions (continued)

a) **Balances with related parties (continued)**

	30 September 2019 (Unaudited) AED	31 December 2018 (Audited) AED
<i>Takaful and other payables</i>		
Major shareholders	56,955	282,656

b) **Transactions with related parties**

Transactions with related parties included in the condensed consolidated statement of income are as follows:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2019 AED (Unaudited)	2018 AED (Unaudited)	2019 AED (Unaudited)	2018 AED (Unaudited)
<i>Contributions written</i>				
Major shareholders	3,655,220	3,448,175	5,994,483	7,458,022
Other related parties	455,524	350,348	16,325,865	6,594,164
	<u>4,110,744</u>	<u>3,798,523</u>	<u>22,320,348</u>	<u>14,052,186</u>
<i>Management charges paid</i>				
Major shareholders	66,000	66,000	198,000	198,000

c) **Compensation of key management personnel**

	Three month period ended 30 September		Nine month period ended 30 September	
	2019 AED (Unaudited)	2018 AED (Unaudited)	2019 AED (Unaudited)	2018 AED (Unaudited)
Short-term benefits	848,880	1,447,977	2,480,640	4,035,057
Employees' end of service benefits	29,057	74,968	86,224	223,071
	<u>877,937</u>	<u>1,522,945</u>	<u>2,566,864</u>	<u>4,258,12</u>

16 Wakala and Mudarib's fees

Wakala fees

Wakala fees for the period ended 30 September 2019 amounted to AED 92.3 million (30 September 2018: AED 70.9 million). The fees are calculated at maximum rate of 34% of gross takaful contributions. Wakala fee is charged to the statement of income when incurred.

Mudarib's fee

The shareholders also manage the policyholders' investment funds and charge Mudarib's fee. Mudarib's fee is charged at 35% of realised investment income. Mudarib's fees for the period ended 30 September 2019 amounted to AED 1.3 million (30 September 2018: AED 1.5 million).

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17 Commitments and guarantees

Commitments

The Group has the following commitments at the reporting date:

	30 September 2019 AED (Unaudited)	31 December 2018 AED (Audited)
Software development	<u>183,500</u>	<u>330,480</u>

Guarantees

As at 30 September 2019, the Group has outstanding bank guarantees amounting AED 350,020 (31 December 2018: AED 425,020).

18 Segment information

For management purposes the Group is organised into three business segments, general takaful, employee benefits and investments. The general takaful segment comprises the takaful business undertaken by the Group on behalf of the policyholders. Investments comprise investment and cash management for the Group'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 Wakala fees, Mudarib's share and Qard Hassan, no other inter-segment transactions occurred during the period. If any other transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation as shown on the next page.

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18 Segment information (continued)

Nine-month period ended 30 September 2019 (Unaudited)

	General takaful AED	Employee benefits AED	Investments AED	Total AED
Attributable to policyholders				
Takaful income				
Gross contribution written	257,622,198	13,292,977	-	270,915,175
Accepted business	478,801	-	-	478,801
Retakaful share of ceded business	(102,307,183)	(12,541,937)	-	(114,849,120)
Net takaful contributions	155,793,816	751,040	-	156,544,856
Net transfer to unearned contributions reserve	(38,602,515)	(64,921)	-	(38,667,436)
Net takaful contributions earned	117,191,301	686,119	-	117,877,420
Discount earned	4,405,966	190,490	-	4,596,456
Policy fee	72,846	-	-	72,846
Total takaful Income	121,670,113	876,609	-	122,546,722
Takaful expenses				
Gross claims paid	(129,794,271)	(6,715,223)	-	(136,509,494)
Retakaful share of ceded business paid	64,933,807	6,441,897	-	71,375,704
Net takaful claims paid	(64,860,464)	(273,326)	-	(65,133,790)
Provision for outstanding claims	(6,193,935)	(2,368,285)	-	(8,562,220)
Retakaful share of outstanding claims	1,244,228	2,234,436	-	3,478,664
Change in incurred but not reported claims	4,430,517	(191,394)	-	4,239,123
Change in unallocated loss adjustment expenses reserve	(421,569)	(200,673)	-	(622,242)
Changes in the provision for contribution deficiency reserve	387,524	(177,887)	-	209,637
Net claims incurred	(65,413,699)	(977,129)	-	(66,390,828)
Excess of loss of takaful contribution	(1,545,436)	-	-	(1,545,436)
Total takaful income	54,710,978	(100,520)	-	54,610,458
Wakala (fees)/income	(87,759,861)	(4,519,612)	92,279,473	-
Mudarib's (fee)/income	(1,289,714)	-	1,289,714	-
Policy acquisition cost	-	-	(24,855,086)	(24,855,086)
Other underwriting expenses	-	-	(1,175,335)	(1,175,335)
General and administrative expenses	-	-	(27,291,591)	(27,291,591)
Investment and other income/(loss)	2,981,916	-	(1,392,763)	1,589,153
(Loss)/profit for the period	(31,356,681)	(4,620,132)	38,854,412	2,877,599

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18 Segment information (continued)

Nine-month period ended 30 September 2018 (Unaudited)

	General takaful AED	Employee benefits AED	Investments AED	Total AED
Attributable to policyholders				
Takaful income				
Gross contribution written	225,414,223	10,634,443	-	236,048,666
Accepted business	190,975	-	-	190,975
Retakaful share of ceded business	(96,121,351)	(9,926,264)	-	(106,047,615)
Net takaful contributions	129,483,847	708,179	-	130,192,026
Net transfer to unearned contributions reserve	10,529,797	(114,234)	-	10,415,563
Net takaful contributions earned	140,013,644	593,945	-	140,607,589
Discount earned	4,652,735	-	-	4,652,735
Policy fee	87,406	-	-	87,406
Total takaful Income	144,753,785	593,945	-	145,347,730
Takaful expenses				
Gross claims paid	(178,096,949)	(4,014,866)	-	(182,111,815)
Retakaful share of ceded business paid	97,432,300	3,876,427	-	101,308,727
Net takaful claims paid	(80,664,649)	(138,439)	-	(80,803,088)
Provision for outstanding claims	11,212,708	(6,720,588)	-	4,492,120
Retakaful share of outstanding claims	(3,919,315)	6,512,363	-	2,593,048
Change in incurred but not reported claims	(2,013,985)	-	-	(2,013,985)
Change in unallocated loss adjustment expenses reserve	(44,925)	-	-	(44,925)
Changes in the provision for contribution deficiency reserve	233,052	-	-	233,052
Net claims incurred	(75,197,114)	(346,664)	-	(75,543,778)
Excess of loss of takaful contribution	(1,832,638)	-	-	(1,832,638)
Total takaful income	67,724,033	247,281	-	67,971,314
Wakala (fees)/income	(67,681,558)	(3,190,334)	70,871,892	-
Mudarib's (fee)/income	(1,451,358)	-	1,451,358	-
Policy acquisition cost	-	-	(29,138,348)	(29,138,348)
Other underwriting expenses	-	-	(1,044,260)	(1,044,260)
General and administrative expenses	-	-	(31,171,437)	(31,171,437)
Investment and other income/(loss)	2,940,843	-	(1,473,805)	1,467,038
Profit/(loss) for the period	1,531,960	(2,943,053)	9,495,400	8,084,307

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18 Segment information (continued)

The following tables demonstrate other information related to each business segments:

	Takaful AED	Investment AED	Total AED
30 September 2019 (Unaudited)			
Total assets	394,251,031	134,426,450	528,677,481
Total liabilities	394,328,237	8,757,615	403,085,852
31 December 2018 (Audited)			
Total assets	332,130,649	132,475,223	464,605,872
Total liabilities	332,272,729	9,634,362	341,907,091

19 Fair value measurements

Financial assets measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets;
- Level 2 – 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 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
30 September 2019 (Unaudited)				
Available-for-sale investments	2,371,358	-	8,518,873	10,890,231
31 December 2018 (Audited)				
Available-for-sale investments	2,948,096	-	8,766,251	11,714,347

20 Fatwa and Shari'a Supervisory Board

The Group's business activities are subject to the supervision of its Fatwa and Sharia'a Supervisory Board consisting of three members appointed by the Shareholders. The Fatwa and Sharia'a Supervisory Board perform a supervisory role in order to determine whether the operations of the Company are conducted in accordance with Sharia'a rules and principles.

According to the Group's Fatwa and Sharia'a Supervisory Board, the Group is required to identify any income deemed to be derived from transactions not acceptable under Islamic Sharia'a principles, as interpreted by Fatwa and Sharia'a Supervisory Board, and to set aside such amount in a separate account for Shareholders who may resolve to pay the same for local charitable causes and activities.

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21 Comparatives

Comparative figures have been reclassified in order to conform to current period's presentation and improve the quality of information presented. However, there is no effect on previously reported total assets, total equity, total liabilities and profit for the year.