

**Abu Dhabi National Takaful
Company PSC**

REVIEW REPORT AND INTERIM CONDENSED
FINANCIAL STATEMENTS

PERIOD ENDED 30 SEPTEMBER 2017 (UNAUDITED)

**REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS TO
THE BOARD OF DIRECTORS OF ABU DHABI NATIONAL TAKAFUL COMPANY PSC**

Introduction


We have reviewed the accompanying interim condensed financial statements of Abu Dhabi National Takaful Company PSC (the “Company”) as at 30 September 2017, comprising of the interim statement of financial position as at 30 September 2017 and the related interim income statement and interim statement of comprehensive income for the three-month and nine-month periods then ended and interim statements of changes in equity and cash flows for the nine-month period then ended and explanatory notes. Management is responsible for the preparation and fair 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:
Andre Kasparian
Partner
Ernst & Young
Registration No 365

9 November 2017
Abu Dhabi

Abu Dhabi National Takaful Company PSC

INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 September 2017

| | Notes | 30 September 2017 AED | 31 December 2016 AED |
|--|-------|-----------------------------|----------------------------|
| ASSETS | | | |
| Takaful Operations Assets | | | |
| Financial assets designated at fair value through income | 5 | 14,655,612 | 14,374,873 |
| Reinsurers' share of unearned contributions | | 213,067,743 | 165,634,015 |
| Prepaid expenses and other assets | | 6,792,544 | 5,776,711 |
| Reinsurers' share of outstanding claims | | 138,281,384 | 151,972,269 |
| Contributions and Re-Takaful balances receivables | | 18,136,854 | 12,597,789 |
| Bank deposits | 3 | 174,286,455 | 141,433,052 |
| Cash and bank accounts | 3 | <u>51,161,650</u> | <u>38,474,407</u> |
| Total Takaful Operations Assets | | 616,382,242 | 530,263,116 |
| Shareholders' assets | | | |
| Property and equipment | | 22,195,638 | 24,034,410 |
| Statutory deposits | 4 | 10,000,000 | 10,000,000 |
| Financial assets designated at fair value through income | 5 | 60,704,321 | 61,437,628 |
| Financial assets designated at fair value through other comprehensive income | 5 | 41,377,840 | 31,810,316 |
| Investments properties | 7 | 19,222,725 | 19,222,725 |
| Deferred policy acquisition costs | | 6,212,973 | 3,173,665 |
| Prepaid expenses and other assets | | 6,804,089 | 3,731,298 |
| Bank deposits | 3 | 152,333,520 | 124,533,849 |
| Cash and bank accounts | 3 | <u>4,170,896</u> | <u>3,550,011</u> |
| Total shareholders' assets | | 323,022,002 | 281,493,902 |
| TOTAL ASSETS | | 939,404,244 | 811,757,018 |
| Takaful Operations Liabilities | | | |
| Takaful payables | | 7,213,452 | 5,572,754 |
| Outstanding claims | | 174,526,443 | 194,616,480 |
| Retakaful payables | | 102,626,545 | 65,806,242 |
| Accrued expenses and other liabilities | | 8,242,692 | 10,315,788 |
| Unearned Re-Takaful commission income | | 4,300,979 | 4,115,763 |
| Unearned contributions | | <u>321,442,453</u> | <u>242,244,752</u> |
| Total Takaful Operations Liabilities | | 618,352,564 | 522,671,779 |
| Shareholders' liabilities | | | |
| Accrued expenses and other liabilities | | 7,880,293 | 11,808,380 |
| Provision for end of service benefits | | <u>6,813,227</u> | <u>6,354,357</u> |
| Total shareholders' liabilities | | 14,693,520 | 18,162,737 |
| Total liabilities | | 633,046,084 | 540,834,516 |
| Policyholders' fund | | | |
| Surplus (deficit) of Life policyholders takaful fund | | 4,634,893 | (4,118,605) |
| Deficit of General policyholders takaful fund | | (18,284,835) | (7,456,652) |
| Loan from shareholders | 9 | <u>18,284,835</u> | <u>11,575,257</u> |
| Total policyholders' fund | | 4,634,893 | - |
| Shareholders' equity | | | |
| Share capital | | 100,000,000 | 100,000,000 |
| Legal reserve | | 29,049,798 | 29,049,798 |
| General reserve | | 42,500,000 | 42,500,000 |
| Investment revaluation reserve | | 9,740,941 | 10,147,998 |
| Retained earnings | | <u>120,432,528</u> | <u>89,224,706</u> |
| Total shareholders' equity | | 301,723,267 | 270,922,502 |
| TOTAL LIABILITIES, POLICYHOLDERS' FUND AND SHAREHOLDERS' EQUITY | | 939,404,244 | 811,757,018 |

Khamis Buharoon
Chairman of the Board of Directors

Osama Abdeen
Chief Executive Officer

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

Abu Dhabi National Takaful Company PSC

INTERIM INCOME STATEMENT (UNAUDITED)

For the period ended 30 September 2017

| | | <i>Three months ended 30 September 2017 (Unaudited) AED</i> | <i>Three months ended 30 September 2016 (Unaudited) AED</i> | <i>Nine months ended 30 September 2017 (Unaudited) AED</i> | <i>Nine months ended 30 September 2016 (Unaudited) AED</i> |
|---|--------------|---|---|--|--|
| | <i>Notes</i> | | | | |
| Attributable to policyholders | | | | | |
| Gross contributions written | | 127,625,818 | 109,938,283 | 309,208,884 | 278,249,938 |
| Retakaful contributions accepted | | 32,858 | 131,747 | 119,927 | 275,274 |
| Retakaful contributions ceded | | <u>(66,660,691)</u> | <u>(59,313,497)</u> | <u>(159,833,682)</u> | <u>(150,258,267)</u> |
| Net written contributions | | 60,997,985 | 50,756,533 | 149,495,129 | 128,266,945 |
| Change in net unearned contribution provision | | <u>(29,258,196)</u> | <u>(16,990,626)</u> | <u>(31,763,971)</u> | <u>(21,361,810)</u> |
| Net earned contributions | | 31,739,789 | 33,765,907 | 117,731,158 | 106,905,135 |
| Commissions earned | | <u>2,805,441</u> | <u>2,606,092</u> | <u>9,937,905</u> | <u>13,257,943</u> |
| Gross Takaful Income | | <u>34,545,230</u> | <u>36,371,999</u> | <u>127,669,063</u> | <u>120,163,078</u> |
| Gross claims paid | | (27,164,658) | (20,356,582) | (97,282,005) | (75,030,556) |
| Retakaful share of accepted claims paid | | (255,498) | (62,334) | (1,147,400) | (689,975) |
| Retakaful share of ceded claims paid | | <u>16,794,226</u> | <u>12,261,766</u> | <u>69,140,922</u> | <u>49,064,382</u> |
| Net paid Claims | | <u>(10,625,930)</u> | <u>(8,157,150)</u> | <u>(29,288,483)</u> | <u>(26,656,149)</u> |
| Change in outstanding claims | | (7,892,528) | (9,916,122) | 16,942,115 | (24,600,406) |
| Change in retakaful share of outstanding claims | | 9,439,663 | 11,647,494 | (13,570,491) | 20,790,489 |
| Change in incurred but not reported claims reserve | | 176,757 | (1,688,698) | 5,550,942 | (8,067,994) |
| Change in retakaful share of incurred but not reported claims reserve | | (128,142) | 1,456,024 | (3,292,766) | 6,256,263 |
| Change in unallocated loss adjustment expense | | <u>(1,956,840)</u> | <u>(155,095)</u> | <u>(2,205,717)</u> | <u>(1,463,144)</u> |
| Net claims incurred | | <u>(10,987,020)</u> | <u>(6,813,547)</u> | <u>(25,864,400)</u> | <u>(33,740,941)</u> |
| Takaful income | | 23,558,210 | 29,558,452 | 101,804,663 | 86,422,137 |
| Takaful expenses | | - | (8,088,016) | - | (22,771,250) |
| Other income | | <u>(173,485)</u> | <u>181,483</u> | <u>850,352</u> | <u>329,736</u> |
| Takaful Operating Profit | | 23,384,725 | 21,651,919 | 102,655,015 | 63,980,623 |
| Policyholders' investment income | | 1,091,402 | 814,712 | 3,425,855 | 2,731,417 |
| Mudareb share | 10 | (327,427) | (244,413) | (1,027,763) | (819,426) |
| Wakalah fees | 10 | <u>(43,586,129)</u> | <u>(25,735,430)</u> | <u>(107,127,792)</u> | <u>(69,358,880)</u> |
| Deficit of takaful result for the period | | <u>(19,437,429)</u> | <u>(3,513,212)</u> | <u>(2,074,685)</u> | <u>(3,466,266)</u> |
| Attributable to shareholders | | | | | |
| Shareholders' investment and other income, net | | 2,532,406 | 1,808,191 | 7,007,151 | 7,355,495 |
| Mudareb share from policyholders | 10 | 327,427 | 244,413 | 1,027,763 | 819,426 |
| Takaful expense | | (5,602,274) | - | (29,661,550) | - |
| Wakalah fees from policyholders | 10 | 43,586,129 | 25,735,430 | 107,127,792 | 69,358,880 |
| General and administrative expenses | | (10,465,546) | (9,548,824) | (31,499,465) | (29,024,679) |
| Increase in provision of loan from shareholders | 9 | <u>(17,295,379)</u> | <u>(3,513,212)</u> | <u>(6,709,578)</u> | <u>(3,466,266)</u> |
| Net profit for the period | | <u>13,082,763</u> | <u>14,725,998</u> | <u>47,292,113</u> | <u>45,042,856</u> |
| Basic and diluted earnings per share | 11 | <u>0.13</u> | <u>0.15</u> | <u>0.47</u> | <u>0.45</u> |

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

INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the nine months period ended 30 September 2017

| | <i>Three months ended 30 September 2017 AED</i> | <i>Three months ended 30 September 2016 AED</i> | <i>Nine months ended 30 September 2017 AED</i> | <i>Nine months ended 30 September 2016 AED</i> |
|---|---|---|--|--|
| Net profit for the period | 13,082,763 | 14,725,998 | 47,292,113 | 45,042,856 |
| Other comprehensive income | | | | |
| Items that will not be reclassified subsequently to statement of income: | | | | |
| (Decrease) increase in fair value of investments at fair value through other comprehensive income, net | <u>(362,109)</u> | <u>161,061</u> | <u>(491,348)</u> | <u>1,133,011</u> |
| Other comprehensive (loss) income for the period | <u>(362,109)</u> | <u>161,061</u> | <u>(491,348)</u> | <u>1,133,011</u> |
| Total comprehensive income for the period | <u>12,720,654</u> | <u>14,887,059</u> | <u>46,800,765</u> | <u>46,175,867</u> |

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

Abu Dhabi National Takaful Company PSC

INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2017

| | <i>Share capital AED</i> | <i>Legal reserve AED</i> | <i>General reserve AED</i> | <i>Investment revaluation reserve AED</i> | <i>Retained earnings AED</i> | <i>Total AED</i> |
|---|----------------------------------|----------------------------------|------------------------------------|---|--------------------------------------|----------------------|
| Balance at 1 January 2016 | 100,000,000 | 24,209,407 | 42,500,000 | 7,842,492 | 66,395,373 | 240,947,272 |
| Loss on disposal of investments at fair value through other comprehensive income | - | - | - | 426,919 | (426,919) | - |
| Net profit for the period | - | - | - | - | 45,042,856 | 45,042,856 |
| Other comprehensive income | - | - | - | 1,133,011 | - | 1,133,011 |
| Total comprehensive income for the period | - | - | - | 1,133,011 | 45,042,856 | 46,175,867 |
| Dividends paid (notes 8) | - | - | - | - | (16,000,000) | (16,000,000) |
| Balance at 30 September 2016 | <u>100,000,000</u> | <u>24,209,407</u> | <u>42,500,000</u> | <u>9,402,422</u> | <u>95,011,310</u> | <u>271,123,139</u> |
| Balance at 1 January 2017 | 100,000,000 | 29,049,798 | 42,500,000 | 10,147,998 | 89,224,706 | 270,922,502 |
| Loss on disposal of investments at fair value through other comprehensive income | - | - | - | 84,291 | (84,291) | - |
| Net profit for the period | - | - | - | - | 47,292,113 | 47,292,113 |
| Other comprehensive loss | - | - | - | (491,348) | - | (491,348) |
| Total comprehensive (loss) income for the period | - | - | - | (491,348) | 47,292,113 | 46,800,765 |
| Dividends paid (notes 8) | - | - | - | - | (16,000,000) | (16,000,000) |
| Balance at 30 September 2017 | <u>100,000,000</u> | <u>29,049,798</u> | <u>42,500,000</u> | <u>9,740,941</u> | <u>120,432,528</u> | <u>301,723,267</u> |

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

Abu Dhabi National Takaful Company PSC

INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 September 2017

| | | <i>Nine months ended 30 September 2017 (Unaudited) AED</i> | <i>Nine months ended 30 September 2016 (Unaudited) AED</i> |
|---|--------------|--|--|
| | <i>Notes</i> | | |
| OPERATING ACTIVITIES | | | |
| Net profit for the period | | 47,292,113 | 45,042,856 |
| Adjustments for: | | | |
| Depreciation of property and equipment | | 2,393,155 | 2,058,436 |
| Movement of unearned contributions, net | | 31,763,973 | 21,361,811 |
| Investment and other income | | (10,433,006) | (10,077,413) |
| Net movement in provision for end of service benefits | | 458,870 | 889,548 |
| Movement in provision of loan from shareholders | | 6,709,578 | 3,466,266 |
| Surplus of life policyholders takaful fund | | 4,634,893 | - |
| Gain on disposal of property and equipment | | - | (9,499) |
| Operating profit before movements in working capital: | | 82,819,576 | 62,732,005 |
| Prepaid and other assets | | (4,088,624) | (25,182,554) |
| Contributions and re-takaful balances receivables | | (5,539,065) | (54,922,046) |
| Deferred policy acquisition costs | | (3,039,308) | (3,055,278) |
| Movement of outstanding claims, net | | (6,399,152) | 7,084,787 |
| Movement in provision of loan from shareholders | | (6,709,578) | (3,466,266) |
| Takaful payables | | 1,640,698 | (666,391) |
| Retakaful payables | | 36,820,303 | 24,702,774 |
| Accrued expenses and other liabilities | | (2,801,183) | 16,123,457 |
| Unearned re-takaful commission income | | 185,216 | 2,070,850 |
| Cash from operations | | 92,888,883 | 25,421,338 |
| Directors' remuneration paid | | (3,200,000) | (3,200,000) |
| Net cash from operating activities | | 89,688,883 | 22,221,338 |
| INVESTING ACTIVITIES | | | |
| Movement in investments | | (9,606,304) | (2,242,377) |
| Purchase of property and equipment | | (554,383) | (580,953) |
| Proceeds from disposal of property and equipment | | - | 9,500 |
| Investment and other income received | | 10,433,006 | 10,077,413 |
| Increase in term deposits | | (82,149,388) | (12,062,016) |
| Net cash used in investing activities | | (81,877,069) | (4,798,433) |
| FINANCING ACTIVITY | | | |
| Dividends paid | 8 | (16,000,000) | (16,000,000) |
| Net cash used in financing activity | | (16,000,000) | (16,000,000) |
| (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | | (8,188,186) | 1,422,905 |
| Cash and cash equivalents at 1 January | | 103,079,960 | 68,689,658 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD | 3 | 94,891,774 | 70,112,563 |

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

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2017 (Unaudited)

1 CORPORATE INFORMATION

Abu Dhabi National Takaful Company PSC (the “Company”) is a public shareholding company which was incorporated in Abu Dhabi, United Arab Emirates (“UAE”) on 16 November 2003. 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 of all classes 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 35335, Abu Dhabi, UAE.

The accompanying interim condensed financial statements of the Company for the period ended 30 September 2017 have been authorised for issue in accordance with a resolution of the Board of Directors on 9 November 2017.

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 30 September 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 securities and investment properties at fair value.

Effective 2017, the Company revised the presentation of its financial statements in accordance with Appendix 1 of the Financial Regulations for Takaful Insurance Companies issued by the Insurance Authority. The 2016 comparative figures were reclassified to conform to the current presentation.

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 revised presentation of financial statements (note 2 – basis of preparation) and 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.

Apart from IFRS 9 Financial Instruments, the Company has not early adopted any other standards, interpretations or amendments that have been issued but are not yet effective.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2017 (Unaudited)

3 CASH AND CASH EQUIVALENTS

| | <i>30 September 2017 (Unaudited) AED</i> | <i>31 December 2016 (Audited) AED</i> |
|--|--|---|
| Cash and bank accounts | 55,332,546 | 42,024,418 |
| Term deposits | <u>326,619,975</u> | <u>265,966,901</u> |
| Cash and bank balances | 381,952,521 | 307,991,319 |
| Less: term deposits with original maturity of more than three months | <u>(287,060,747)</u> | <u>(204,911,359)</u> |
| Cash and cash equivalents | <u>94,891,774</u> | <u>103,079,960</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 ranging from 1.65% to 3.15% per annum (31 December 2016: 0.8% to 3%).

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 10,000,000 which cannot be utilised without the consent of the UAE Insurance Authority. The statutory deposit is held with a commercial bank in the UAE, a related party (note 6).

5 INVESTMENTS

5(a) Investments at fair value through other comprehensive income

| | <i>30 September 2017 (Unaudited) AED</i> | <i>31 December 2016 (Audited) AED</i> |
|---------------------|--|---|
| Quoted securities | 20,477,729 | 21,100,198 |
| Unquoted securities | <u>20,900,111</u> | <u>10,710,118</u> |
| | <u>41,377,840</u> | <u>31,810,316</u> |

The geographical concentration of investments is as follows:

| | | |
|-------------|-------------------|-------------------|
| Within UAE | 25,458,858 | 26,300,356 |
| Outside UAE | <u>15,918,982</u> | <u>5,509,960</u> |
| | <u>41,377,840</u> | <u>31,810,316</u> |

Unquoted equity securities are valued primarily based on net assets of the investees where there are no recent transactions that could provide evidence of the current fair value.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2017 (Unaudited)

5 INVESTMENTS continued

5(b) Investments at fair value through income

| | <i>30 September 2017 (Unaudited) AED</i> | <i>31 December 2016 (Audited) AED</i> |
|--|--|---|
| Unquoted securities | <u>75,359,933</u> | <u>75,812,501</u> |
| The geographical concentration of investments is as follows: | | |
| Within UAE | 26,148,233 | 35,016,290 |
| Outside UAE | <u>49,211,700</u> | <u>40,796,211</u> |
| | <u>75,359,933</u> | <u>75,812,501</u> |
| Total investments | <u>116,737,773</u> | <u>107,622,817</u> |

6 RELATED PARTIES

Related parties comprise the shareholders, Directors and key management personnel of the Company and those entities in which they have a significant interest and the ability to control or exercise significant influence in financial and operational decisions. Details of significant transactions with related parties in the normal course of business are as follows:

| | <i>Three months ended 30 September 2017 (Unaudited) AED</i> | <i>Three months ended 30 September 2016 (Unaudited) AED</i> | <i>Nine months ended 30 September 2017 (Unaudited) AED</i> | <i>Nine months ended 30 September 2016 (Unaudited) AED</i> |
|---|---|---|--|--|
| Gross contributions written | <u>57,410,148</u> | <u>57,649,243</u> | <u>65,235,871</u> | <u>64,214,730</u> |
| Takaful expenses | <u>-</u> | <u>4,011,216</u> | <u>10,525,227</u> | <u>13,528,380</u> |
| Profit on term deposits | <u>68,528</u> | <u>72,044</u> | <u>68,528</u> | <u>72,044</u> |
| | | | <i>30 September 2017 (Unaudited) AED</i> | <i>31 December 2016 (Audited) AED</i> |
| Statutory deposit at period / year end (note 4) | | | <u>10,000,000</u> | <u>10,000,000</u> |

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2017 (Unaudited)

6 RELATED PARTIES continued

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

| | <i>Three months ended 30 September 2017 (Unaudited) AED</i> | <i>Three months ended 30 September 2016 (Unaudited) AED</i> | <i>Nine months ended 30 September 2017 (Unaudited) AED</i> | <i>Nine months ended 30 September 2016 (Unaudited) AED</i> |
|---------------------|---|---|--|--|
| Short-term benefits | <u>1,383,139</u> | <u>1,676,629</u> | <u>4,126,153</u> | <u>4,200,055</u> |
| Long-term benefits | <u>53,242</u> | <u>86,432</u> | <u>162,073</u> | <u>282,640</u> |

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

7 INVESTMENT PROPERTIES

| | <i>30 September 2017 (Unaudited) AED</i> | <i>31 December 2016 (Audited) AED</i> |
|-------------------------|--|---|
| At end of period / year | <u>19,222,725</u> | <u>19,222,725</u> |

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 investment properties were valued as at 31 December 2016 by an independent valuer which valued the properties at AED 19,222,725 using the sales comparison method utilizing the evidence of transactions and/or current asking prices of similar sites and applying some adjustments based on market research. Management believes that there have been no significant changes during the period ended 30 September 2017.

8 DIVIDENDS

For the year ended 31 December 2016, cash dividend of AED 16,000,000 at a rate of AED 0.16 per share was approved by shareholders on 10 April 2017 and it was paid in May 2017.

For the year ended 31 December 2015, cash dividend of AED 16,000,000 at a rate of AED 0.16 per share was approved by shareholders on 19 April 2016 and it was paid in May 2016.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2017 (Unaudited)

9 LOAN FROM SHAREHOLDERS

| | <i>30 September 2017 (Unaudited) AED</i> | <i>31 December 2016 (Audited) AED</i> |
|---|--|---|
| At beginning of the period / year | (11,575,257) | (15,033,820) |
| Net (deficit) surplus allocated to shareholders' loan | <u>(6,709,578)</u> | <u>3,458,563</u> |
| At end of the period / year | <u>(18,284,835)</u> | <u>(11,575,257)</u> |

10 MUDAREB SHARE AND WAKALAH FEES

The shareholders manage the policyholders' investment fund and charge 30% (2016: 30%) of investment income earned by policyholders' investment fund as mudareb share.

The shareholders manage the takaful operations for the policyholders and charge 35% of gross takaful contributions as wakalah fees.

- Marine hull, aviation and energy 35% (2016: 10%)
- Family Takaful 35% (2016: 30%)
- All other takaful classes 35% (2016: 20%).

Takaful expenses are charged in the income statement attributable to shareholders effective from 1 January 2017. Wakalah fees have been revised to cover Takaful expenses effective from 1 January 2017.

11 BASIC AND DILUTED EARNINGS PER SHARE

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

| | <i>Three months ended 30 September 2017 (Unaudited) AED</i> | <i>Three months ended 30 September 2016 (Unaudited) AED</i> | <i>Nine months ended 30 September 2017 (Unaudited) AED</i> | <i>Nine months ended 30 September 2016 (Unaudited) AED</i> |
|--|---|---|--|--|
| Net profit for the period (AED) | <u>13,082,763</u> | <u>14,725,998</u> | <u>47,292,113</u> | <u>45,042,856</u> |
| Ordinary shares in issue throughout the period | <u>100,000,000</u> | <u>100,000,000</u> | <u>100,000,000</u> | <u>100,000,000</u> |
| Basic and diluted earnings per share (AED) | <u>0.13</u> | <u>0.15</u> | <u>0.47</u> | <u>0.45</u> |

Abu Dhabi National Takaful Company PSC

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 30 September 2017 (Unaudited)

12 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.

Information regarding the Company's reportable segments is presented below:

Segment revenue and results

| | Three months ended 30 September 2017 (Unaudited) | | | Three months ended 30 September 2016 (Unaudited) | | | Nine months ended 30 September 2017 (Unaudited) | | | Nine months ended 30 September 2016 (Unaudited) | | |
|----------------------------------|---|--------------------|-------------------|---|--------------------|-------------------|--|--------------------|-------------------|--|--------------------|-------------------|
| | Underwriting AED | Investments AED | Total AED | Underwriting AED | Investments AED | Total AED | Underwriting AED | Investments AED | Total AED | Underwriting AED | Investments AED | Total AED |
| Direct revenue | 74,443,341 | 3,623,808 | 78,067,149 | 71,808,496 | 2,622,903 | 74,431,399 | 240,919,367 | 10,433,006 | 251,352,373 | 220,049,615 | 10,086,912 | 230,136,527 |
| Direct costs | (51,058,612) | - | (51,058,612) | (42,068,561) | - | (42,068,561) | (138,264,352) | - | (138,264,352) | (133,297,742) | - | (133,297,742) |
| Takaful expenses | (5,602,274) | - | (5,602,274) | (8,088,016) | - | (8,088,016) | (29,661,550) | - | (29,661,550) | (22,771,250) | - | (22,771,250) |
| Segment results | 17,782,455 | 3,623,808 | 21,406,263 | 21,651,919 | 2,622,903 | 24,274,822 | 72,993,465 | 10,433,006 | 83,426,471 | 63,980,623 | 10,086,912 | 74,067,535 |
| Unallocated costs | | | (8,323,500) | | | (9,548,824) | | | (36,134,358) | | | (29,024,679) |
| Net profit for the period | | | 13,082,763 | | | 14,725,998 | | | 47,292,113 | | | 45,042,856 |

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the period (30 September 2016: AED nil).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 September 2017 (Unaudited)

12 SEGMENT INFORMATION continued

The accounting policies of the reportable segments are the same as the Company's accounting policies used in the annual audited financial statements for the year ended 31 December 2016.

Segment assets and liabilities

| | 30 September 2017 (Unaudited) | | | 31 December 2016 (Audited) | | |
|-------------------------|-------------------------------|--------------------|--------------------|----------------------------|--------------------|--------------------|
| | Underwriting AED | Investments AED | Total AED | Underwriting AED | Investments AED | Total AED |
| Segment assets | 432,500,426 | 466,291,620 | 898,792,046 | 376,683,248 | 394,854,567 | 771,537,815 |
| Unallocated assets | | | <u>40,612,198</u> | | | <u>40,219,203</u> |
| Total assets | | | <u>939,404,244</u> | | | <u>811,757,018</u> |
| Segment liabilities | 617,700,126 | 652,438 | 618,352,564 | 516,179,892 | - | 516,179,892 |
| Unallocated liabilities | | | <u>14,693,520</u> | | | <u>24,654,624</u> |
| Total liabilities | | | <u>633,046,084</u> | | | <u>540,834,516</u> |
| Capital expenditure | - | 554,383 | <u>554,383</u> | - | 3,036,630 | <u>3,036,630</u> |

Gross takaful contributions revenue from underwriting departments

The following is an analysis of the Company's revenues classified by major underwriting departments.

| | Three months ended 30 September 2017 (Unaudited) | Three months ended 30 September 2016 (Unaudited) | Nine months ended 30 September 2017 (Unaudited) | Nine months ended 30 September 2016 (Unaudited) |
|---|--|--|---|---|
| Motor | 7,257,364 | 6,377,143 | 20,292,965 | 18,730,286 |
| Medical | 27,109,943 | 23,673,024 | 75,314,206 | 70,048,325 |
| Energy | 792,639 | 2,839,757 | 7,238,333 | 8,945,946 |
| Workmen's compensation and miscellaneous accidents | 6,506,966 | 8,288,598 | 26,072,157 | 26,733,022 |
| Fire | 8,439,434 | 6,238,343 | 23,070,676 | 18,639,674 |
| Engineering | 1,198,072 | 2,006,680 | 4,903,349 | 6,264,466 |
| Marine | 1,646,826 | 1,079,689 | 5,729,120 | 2,082,841 |
| Family takaful | <u>18,860,139</u> | <u>18,517,687</u> | <u>67,510,304</u> | <u>55,017,376</u> |
| | <u>71,811,383</u> | <u>69,020,921</u> | <u>230,131,110</u> | <u>206,461,936</u> |

13 CONTINGENT LIABILITIES AND COMMITMENTS

| | 30 September 2017 (Unaudited) AED | 31 December 2016 (Audited) AED |
|-----------------|--|---|
| Bank guarantees | <u>335,597</u> | <u>2,083,320</u> |

Bank guarantees were issued in the normal course of business.