

**Arabian Scandinavian Insurance Company (PLC) -
Takaful - ASCANA Insurance**

Condensed interim Financial Statements
(Unaudited)

For the period ended 31 March 2019

**Grant Thornton
United Arab Emirates**
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**Review report of the independent auditor
To the shareholders of Arabian Scandinavian Insurance Company (PLC) -
Takaful - ASCANA Insurance**

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Introduction

We have reviewed the accompanying condensed interim statement of financial position of Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance (the "Company") as at 31 March 2019, the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim statement of cash flows for the three months period then ended. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed interim 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim 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, 14 May 2019**



Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Condensed interim statement of financial position
As at 31st March 2019

	Notes	(Unaudited) 31 March 2019 AED'000	(Audited) 31 December 2018 AED'000
ASSETS			
Takaful operations' assets			
Cash and bank balances	4	94,433	97,497
Takaful and retakaful receivables	5	26,773	28,112
Retakaful contract assets			
Unearned contribution	6	12,955	12,196
Claims reported unsettled	6	13,883	14,291
Claims incurred but not reported	6	6,118	5,684
Additional unexpired risk reserve	6	730	498
Prepayments and other receivables		9,883	7,992
Due from related parties	7	12,068	10,721
Deferred policy acquisition cost		8,141	7,843
Total takaful operations' assets		184,984	184,834
Shareholders' assets			
Cash and bank balances	4	30,307	18,980
Statutory deposits	8	10,000	10,000
Prepayments and other receivables		2,866	3,668
Due from policyholders	9	59,968	58,499
Other financial assets measured at fair value through other comprehensive income (FVTOCI)	10	1,939	1,939
Other financial assets measured at fair value through profit and loss (FVTPL)	10	22,903	27,938
Investment properties	11	269,356	269,356
Property and equipment		729	809
Total shareholders' assets		398,068	391,189
Total assets		583,052	576,023

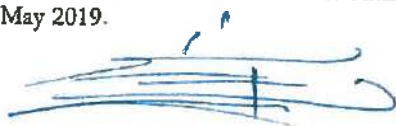
The notes from 1 to 25 form an integral part of these condensed interim financial statements.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Condensed interim statement of financial position
As at 31 March 2019 (continued)

	Notes	(Unaudited) 31 March 2019 AED'000	(Audited) 31 December 2018 AED'000
LIABILITIES, POLICYHOLDERS' FUND AND EQUITY			
Takaful operations' liabilities and policyholders' fund			
Takaful operations' liabilities			
Takaful and retakaful payables	12	51,960	55,116
Takaful contract liabilities			
Unearned contribution	6	78,515	76,732
Claims reported unsettled	6	23,158	24,319
Claims incurred but not reported	6	27,147	29,623
Unallocated loss adjustments expense reserve	6	1,936	1,671
Additional unexpired risk reserve	6	1,932	1,821
Other liabilities			
Due to related parties	7	-	1
Due to shareholders	9	59,968	58,499
Deferred discount		2,891	2,267
Total takaful operations' liabilities		253,245	255,954
Policyholders' fund			
Deficit in policyholders' fund		(68,261)	(71,120)
Qard Hassan from shareholders		68,261	71,120
Total policyholders' fund		-	-
Liabilities and policyholders' fund		253,245	255,954
Shareholders' liabilities and equity			
Shareholders' liabilities			
Provision for employees' end of service indemnity		2,414	2,353
Other liabilities		7,497	6,839
Total shareholders' liabilities		9,911	9,192
Shareholders' equity			
Share capital	13	154,000	154,000
Statutory reserve	14	63,572	63,572
Voluntary reserve	15	50,064	50,064
Investments revaluation reserve - FVTOCI		(484)	(484)
Retained earnings		52,744	43,725
Total shareholders' equity		319,896	310,877
Total shareholders' liabilities and equity		329,807	320,069
Total liabilities, policyholders' fund and equity		583,052	576,023

The condensed interim financial statements were authorised for issue in accordance with a resolution of the Directors on 14 May 2019.



Managing Director

The notes from 1 to 25 form an integral part of these condensed interim financial statements.

**Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)**

**Condensed interim income statement
For the period ended 31 March 2019**

	(Unaudited) Three months period ended 31 March 2019 AED'000	(Unaudited) Three months period ended 31 March 2018 AED'000
Attributable to policyholders		
Takaful income		
Gross takaful contribution	41,145	53,242
Retakaful share of accepted business	(47)	(47)
Retakaful share of ceded business	(10,850)	(18,680)
Net takaful contribution	30,248	34,515
Net transfer to unearned contribution reserves	(902)	8,131
Net takaful contribution earned	29,346	42,646
Commission earned	1,245	1,377
Policy fees and other income	11	8
Total underwriting income	30,602	44,031
Takaful expenses		
Gross claims paid	(30,736)	(43,085)
Retakaful share of accepted business claims	290	191
Retakaful share of ceded business claims	11,140	17,667
Net claims paid	(19,306)	(25,227)
Provision/(reversal of) for takaful contract liabilities	1,161	(5,514)
Retakaful share of claims reported unsettled	(408)	(733)
Decrease in claims incurred but not reported – net	2,909	2,477
Increase in unallocated loss adjustments expenses – net	(265)	(4)
Total takaful expenses	(15,909)	(29,001)
Net takaful income	14,693	15,030
Investment income (note 17)	661	743
Other income	46	16
Wakala fees (note 16)	(12,343)	(15,972)
Mudarib fees (note 16)	(198)	(223)
Profit/(loss) for the period attributable to policyholders	2,859	(406)

The notes from 1 to 25 form an integral part of these condensed interim financial statements.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Condensed interim income statement
For the period ended 31 March 2019 (continued)

	(Unaudited) Three months period ended 31 March 2019 AED'000	(Unaudited) Three months period ended 31 March 2018 AED'000
Attributable to shareholders		
Investment income (note 17)	4,296	5,435
Other income	1	1
Wakala fees from policyholders (note 16)	12,343	15,972
Mudarib's fee (note 16)	198	223
Policy acquisition cost	(4,552)	(6,444)
General and administrative expenses	(6,126)	(6,887)
Income for the period before Qard Hassan	6,160	8,300
Provision against Qard Hassan to policyholders	2,859	(406)
Profit for the period attributable to shareholders	9,019	7,894
Earnings per share (AED)		
Basic and diluted (note 18)	0.059	0.051

The notes from 1 to 25 form an integral part of these condensed interim financial statements.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Condensed interim statement of comprehensive income
For the period ended 31 March 2019

	(Unaudited) Three months period ended 31 March 2019 AED'000	(Unaudited) Three months period ended 31 March 2018 AED'000
Attributable to shareholders		
Profit for the period	9,019	7,894
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Net fair value gain on investments at FVTOCI	-	-
Total comprehensive income for the period attributable to shareholders	9,019	7,894

The notes from 1 to 25 form an integral part of these condensed interim financial statements.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Condensed interim statement of changes in equity
For the period ended 31 March 2019

	Share capital AED'000	Statutory reserve AED'000	Voluntary reserve AED'000	Investment revaluation reserve - FVTOCI AED'000	Retained earnings AED'000	Total AED'000
As at 1 January 2018 (Audited)	154,000	61,488	50,064	(484)	29,594	294,662
Profit for the period	-	-	-	-	7,894	7,894
Total comprehensive loss for the period	-	-	-	-	7,894	7,894
As at 31st March 2018 (Unaudited)	154,000	61,488	50,064	(484)	37,488	302,556
As at 1 January 2019 (Audited)	154,000	63,572	50,064	(484)	43,725	310,877
Profit for the period	-	-	-	-	9,019	9,019
Total comprehensive income for the period	-	-	-	-	9,019	9,019
As at 31st March 2019 (Unaudited)	154,000	63,572	50,064	(484)	52,744	319,896

The notes from 1 to 25 form an integral part of these condensed interim financial statements.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Condensed interim statement of cash flows
For the period ended 31 March 2018

	(Unaudited) Three months period ended 31 March 2019 AED'000	(Audited) Three months period ended 31 March 2018 AED'000
Cash flows from operating activities		
Profit for the period	9,019	7,894
Adjustments for:		
Depreciation of property and equipment	80	51
Unrealised loss on financial assets at FVTPL	375	325
Realised loss/(gain) on sale of financial assets at FVTPL	2	(276)
Other investment income	(4,074)	(4,873)
Dividends income from financial investments at FVTPL and FVTOCI	(536)	(623)
Provision for doubtful debts	-	1,156
Profit on wakala deposits	(724)	(731)
Provision for employees' end of service indemnity	61	58
Operating cash flows before changes in working capital	4,203	2,981
Increase in retakaful contract assets	(1,017)	(5,664)
Decrease/(increase) in takaful and retakaful receivables	1,339	(10,456)
Increase in due from related parties	(1,347)	(1,268)
Increase in prepayments and other receivables	(1,089)	(4,599)
(Increase)/decrease in deferred policy acquisition costs	(298)	472
(Decrease)/increase in takaful contract liabilities	(1,478)	1,309
(Decrease)/increase in takaful and retakaful payables	(3,156)	11,346
Increase in deferred discount	624	915
Increase in other liabilities	491	734
(Decrease)/increase in due to related parties	(1)	6
Net cash used in operating activities	(1,729)	(4,224)
Cash flows from investing activities		
Purchase of property and equipment	-	(49)
Purchase of investments in securities	-	(14,289)
Proceeds from sale of investments in securities	4,658	21,674
Rental income received	4,074	4,873
Profit received on wakala deposit	724	731
Dividend received	536	623
Net cash generated from investing activities	9,992	13,563
Net change in cash and cash equivalents	8,263	9,339
Cash and cash equivalents, beginning of period	36,477	21,083
Cash and cash equivalents, end of period (note 20)	44,740	30,422

The notes from 1 to 25 form an integral part of these condensed interim financial statements.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements For the period ended 31 March 2019

1 Legal status and activities

Arabian Scandinavian Insurance Company PLC - Takaful - ASCANA Insurance (the "Company") is a public shareholding company and was registered in 1992 under U.A.E. Federal Law No. (2) of 2015 relating to commercial companies in U.A.E. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E under registration number 6. The address of the Company's registered office is P.O. Box 1993, Dubai, United Arab Emirates.

The Shareholders Extraordinary General Assembly Meeting held on 19 March 2014 approved conversion of the Company's business from conventional insurance to Takaful insurance. The Board of Directors appointed a Fatwa and Sharia'a Supervisory Board for overseeing the compliance with Sharia'a.

The Company started issuing short term takaful contracts from 1 February 2015 in connection with life and non-life takaful such as motor, marine, fire, engineering, medical and general accident risks (collectively known as general takaful) and the name of the Company was changed to Arabian Scandinavian Insurance Company PLC - Takaful ASCANA Insurance. The Company only operates in U.A.E., through its Dubai and Abu Dhabi offices.

2 General information and basis of preparation

The condensed interim financial statements are for the three months period ended 31 March 2019 and are presented in United Arab Emirate Dirham (AED), which is also the functional currency of the Company. These condensed interim 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.

3 Significant accounting policies

These condensed interim 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 financial statements.

Interim reporting

The accounting policies used in the preparation of the condensed consolidated interim 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 investments

Management designates at the time of acquisition of securities whether these should be classified as at FVTOCI or FVTPL. In judging whether investments in securities are as at FVTOCI or FVTPL, Management has considered the detailed criteria for determination of such classification as set out in IFRS 9 - Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

**Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)**

**Notes to the condensed interim financial statements
For the period ended 31 March 2019**

3 Significant accounting policies (continued)

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

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. 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.

**Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)**

**Notes to the condensed interim financial statements
For the period ended 31 March 2019**

3 Significant accounting policies (continued)

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

Inputs, assumptions and techniques used for expected credit losses ("ECL") calculation – IFRS9 Methodology

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Company while determining the impact assessment, are:

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Company compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Company's existing risk management processes.

The measurement of ECL for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment.

The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

When measuring ECL, the Company must consider the maximum contractual period over which the Company is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Company is exposed to credit risk and where the credit losses would not be mitigated by management actions.

4 Cash and bank balances

	31 March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Cash on hand	97	70
Bank balances:		
Wakala deposits	80,000	80,000
Current accounts	44,643	36,407
	124,740	116,477
Attributable to:		
Policyholders	30,307	18,980
Shareholders	94,433	97,497
	124,740	116,477

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 31 March 2019

5 Takaful and retakaful receivables

	31 March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Takaful receivable	24,714	24,072
Receivables from takaful companies	4,830	4,309
Receivables from retakaful companies	2,961	5,463
	<u>32,505</u>	<u>33,844</u>
Less: Provisions for doubtful receivables	(5,732)	(5,732)
	<u>26,773</u>	<u>28,112</u>

	31 March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Inside UAE:		
Takaful receivable	24,715	24,072
Receivables from takaful companies	4,830	4,309
Receivables from retakaful companies	1,823	1,344
	<u>31,368</u>	<u>29,725</u>
Less: Provisions for doubtful receivables	(5,732)	(5,732)
	<u>25,636</u>	<u>23,993</u>

	31 March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Outside UAE:		
Receivables from retakaful companies	1,137	4,119

Inside UAE - Takaful receivable	31 March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Less than 30 days	9,056	6,368
30 - 90 days	5,220	6,875
91 - 180 days	6,071	6,496
181 - 270 days	3,999	2,932
271 - 360 days	2,288	5,280
More than 360 days	4,734	1,774
	<u>31,368</u>	<u>29,725</u>

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 31 March 2019

5 Takaful and retakaful receivables (continued)

Outside UAE - Receivables from retakaful companies	31 March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
0 - 30 days	146	93
91 - 180 days	505	366
181 - 270 days	408	463
271 - 360 days	5	-
More than 360 days	73	3,197
	<u>1,137</u>	<u>4,119</u>

6 Takaful contract liabilities and retakaful contract assets

	31 March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Gross		
Takaful contract liabilities:		
Unearned contribution	78,515	76,732
Claims reported unsettled	23,158	24,319
Claims incurred but not reported	27,147	29,623
Unallocated loss adjustments expense reserve	1,936	1,671
Additional unexpired risk reserve	1,932	1,821
Total takaful contract liabilities, gross	<u>132,688</u>	<u>134,166</u>
Recoverable from retakaful		
Retakaful contract assets:		
Unearned contribution	12,955	12,196
Claims reported unsettled	13,883	14,291
Claims incurred but not reported	6,118	5,684
Additional unexpired risk reserve	730	498
Total retakaful share of takaful liabilities	<u>33,686</u>	<u>32,669</u>
Net		
Unearned contribution	65,560	64,536
Claims reported unsettled	9,275	10,028
Claims incurred but not reported	21,029	23,939
Unallocated loss adjustments expense reserve	1,936	1,671
Additional unexpired risk reserve	1,202	1,323
	<u>99,002</u>	<u>101,497</u>

7 Related party transactions

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard 24. Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. The management decides on the terms and conditions of the transactions with related parties

**Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)**

**Notes to the condensed interim financial statements
For the period ended 31 March 2019**

7 Related party transactions (continued)

Related parties represent directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

a) Related party balances

	31 March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Due from related parties:		
Al Redah Insurance Brokers (LLC), Dubai	12,042	10,704
Other	26	17
	<u>12,068</u>	<u>10,721</u>
Due to related parties:		
Other	-	1
	<u>-</u>	<u>1</u>

All due from related parties are attributable to policy holders.

Due to related parties are attributable as follows:

	31 March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Shareholders	-	-
Policyholders	-	1
	<u>-</u>	<u>1</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the year for bad or doubtful debts in respect of the amounts owed by related parties.

b) Transactions with related parties

During the period, the Company entered into following transactions with related parties:

	(Unaudited) Three months period ended 31 March 2019 AED'000	(Unaudited) Three months period ended 31 March 2018 AED'000
Gross contribution written for related parties	706	257
Management expenses (net)	858	995
Contribution written through a related party broker	4,695	5,977
Policy acquisition costs	603	765
Claims paid - net	463	2
Claims paid through related party broker	-	12
	<u>-</u>	<u>12</u>

Transactions with related parties were carried out on terms agreed with the management.

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
Condensed interim financial statements (Unaudited)

Notes to the condensed interim financial statements
For the period ended 31 March 2019

7 Related party transactions (continued)

c) Board of Directors and key management personnel compensation

	(Unaudited) Three months period ended 31 March 2019 AED'000	(Unaudited) Three months period ended 31 March 2018 AED'000
Short-term benefits	332	322
Long-term benefits	68	68

8 Statutory 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.

9 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 60 million (31 December 2018: AED 58.5 million).

10 Other financial assets

	31 March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Other financial assets measured at fair value through other comprehensive income (FVTOCI)		
Unquoted UAE equity securities	1,939	1,939
Other financial assets measured at fair value through profit and loss (FVTPL)		
Quoted UAE equity securities	22,388	27,423
Unquoted UAE equity securities	515	515
	<u>22,903</u>	<u>27,938</u>

All other financial assets measured at fair value through other comprehensive income (FVTOCI) are attributable to Shareholders.

Other financial assets measured at fair value through profit and loss (FVTPL) are attributable as follows:

	31 March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Shareholders	22,903	27,938
Policyholders	-	-
	<u>22,903</u>	<u>27,938</u>

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance
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10 Other financial assets (continued)

The movement in other financial assets are as follows:

	At fair value through other comprehensive income (FVTOCI)		At fair value through profit or loss (FVTPL)	
	31 March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000	31 March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Fair value, at the beginning of the period/year	1,939	1,939	27,938	43,053
Purchased during the period/year	-	-	-	27,265
Sold during the period/year	-	-	(4,660)	(41,725)
Change in fair value	-	-	(375)	(655)
Fair value, at the end of the period/year	1,939	1,939	22,903	27,938

11 Investment properties

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

Management estimates that there has been no change in the fair value of investment properties during the three months period ended 31 March 2019.

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

Investment property amounting to AED 6.7 million (31 December 2018: AED 6.7 million) is registered in the name of related parties on trust and for the benefit of the Company.

12 Takaful and retakaful payables

	31 March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Payable arising from takaful activities	11,296	14,310
Due to takaful companies	16,777	17,899
Due to retakaful companies	23,887	22,907
	51,960	55,116
Inside UAE:		
Payable arising from takaful activities	11,296	14,310
Due to takaful companies	16,777	17,899
Due to re takaful companies	1,042	2,601
	29,115	34,810

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12 Takaful and retakaful payables (continued)

	31 March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Outside UAE:		
Due to retakaful companies	<u>22,845</u>	<u>20,306</u>

13 Share capital

At 31 March 2019, authorised, issued and fully paid share capital comprised 154,000,000 shares of AED 1 each (31 December 2018: 154,000,000 shares of AED 1 each).

14 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 have been made during the three months period ended 31 March 2019 (three months period ended 31 March 2018: Nil), as this will be based on the audited results for the year.

15 Voluntary reserve

The Company had set up the voluntary reserve by transferring 10% of annual profit as per the clause in the earlier Articles of Association which required at least 10% of the Company's annual profit must be transferred to voluntary reserve until it is suspended by an Ordinary General Meeting upon recommendations of the Board of Directors or when the reserve reaches 50% of the paid up capital of Company and this reserve can be utilized for purposes determined by the General meeting up on recommendation of the Board of Directors.

During 2016, the Company had amended its Articles of Association and the clause related to voluntary reserve states that a voluntary purpose reserve can be created upon a recommendation of the Board of Directors and this reserve cannot be utilized for any other purpose unless approved by the General meeting. As per the above amendment, no transfer to voluntary reserve is made for the period ended 31st March 2019 and 31 December 2018.

16 Wakala and Mudarib's fees

Wakala fees

Wakala fees for the period ended 31 March 2019 amounted to AED 12.3 million (31 March 2018: AED 15.9 million). The fees are calculated at maximum rate of 30% 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 30% of realised investment income. Mudarib's fees for the period ended 31 March 2019 amounted to AED 0.198 million (31 March 2018: AED 0.223million).

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17 Investment income

	(Unaudited) Three months period ended 31 March 2019 AED'000	(Unaudited) Three months period ended 31 March 2018 AED'000
Profit on disposal of financial investments at FVTPL	(2)	276
Unrealised loss on financial investments at FVTPL	(375)	(325)
Dividends from financial investments at FVTPL	536	623
Income from investment properties	4,074	4,873
Income from Wakala Deposit	724	731
	<u>4,957</u>	<u>6,178</u>
Attributable to:		
Policyholders	661	743
Shareholders	4,296	5,435
	<u>4,957</u>	<u>6,178</u>

18 Earnings per share

Earnings per share are calculated by dividing the profit for the period attributable to shareholders by the number of ordinary shares outstanding as of the end of the period as follows:

	(Unaudited) Three months period ended 31 March 2019 AED'000	(Unaudited) Three months period ended 31 March 2018 AED'000
Profit for the period attributable to shareholders (in AED'000)	9,019	7,894
Number of ordinary shares outstanding (shares)	154,000,000	154,000,000
Basic and diluted earnings per share (in AED)	<u>0.059</u>	<u>0.051</u>

Diluted earnings per share as of 31 March 2019 and 31 March 2018 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

19 Dividends

At the Annual General Meeting held on 15 April 2019, the shareholders approved a cash dividend of 10% of share capital, AED 10 fils per share, amounting to AED 15.4 million for the year 2018. (2017: cash dividend of 3% of share capital, AED 3 fils per share, amounting to AED 4.62 million for the year 2017). The shareholders also approved the Board of Directors' remuneration for 2018 of AED 0.4 million (2017: AED 0.4 million).

20 Cash and cash equivalents

	31 March 2019 (Unaudited)	31 March 2018 (Audited)
Cash and bank balances	124,740	130,422
Wakala deposits with maturity over 3 months	(80,000)	(100,000)
	<u>44,740</u>	<u>30,422</u>

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21 Commitments and contingent liabilities

	31 March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Letters of guarantee	<u>10,509</u>	<u>10,470</u>

22 Segment information

For management purposes, the Company is organised into two business segments; takaful management and investment. The takaful segment comprises the takaful business undertaken by the Company on behalf of policyholders. Investment comprises investment and cash management for the Company's own account.

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

Except for Wakala fees 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.

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22 Segment information (continued)

Other information

	Takaful		Investment		Total	
	31st March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000	31st March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000	31st March 2019 (Unaudited) AED'000	31 December 2018 (Audited) AED'000
Segment assets	184,984	184,834	398,068	391,189	583,052	576,023
Segment liabilities	253,245	255,954	9,911	9,192	263,156	265,146

	Takaful		Investment		Total	
	Three months period ended 31 March 2019 (Unaudited) AED'000	Three months period ended 31 March 2018 (Unaudited) AED'000	Three months period ended 31 March 2019 (Unaudited) AED'000	Three months period ended 31 March 2018 (Unaudited) AED'000	Three months period ended 31 March 2019 (Unaudited) AED'000	Three months period ended 31 March 2018 (Unaudited) AED'000
Capital expenditure	-	-	-	49	-	49
Depreciation	80	-	80	51	-	51

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23 Fair value measurements

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

Fair value of financial instruments carried at amortised cost

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

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

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2018.

Fair value measurements recognised in the condensed statement of financial position

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

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

		Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 March 2019					
<i>Financial assets at FVTOCI</i>					
Investment in unquoted securities	(b)	-	-	1,939	1,939
<i>Financial assets at FVTPL</i>					
Investment in quoted securities	(a)	22,388	-	-	22,388
Investment in unquoted securities	(b)	-	-	515	515
		22,388	-	2,454	24,842
31 December 2018					
<i>Financial assets at FVTOCI</i>					
Investment in unquoted securities	(b)		-	1,939	1,939
<i>Financial assets at FVTPL</i>					
Investment in quoted securities	(a)	27,423	-	-	27,423
Investment in unquoted securities	(b)	-	-	515	515
		27,423	-	2,454	29,877

(a) Fair values have been determined by reference to their quoted prices at the reporting date.

(b) The Company holds investments in unquoted securities of three entities as at 31 March 2019 (31 December 2018: three entities). These investments are fair valued based on Net Asset Value Techniques using observable market data. Management believes that there is no significant deterioration in the value of these unquoted investments during the period ended 31 March 2019. All the unquoted securities fall under level 3 of fair value hierarchy therefore use of estimate is significant.

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24 Fatwa and Shari'a Supervisory Board

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

According to the Company's Fatwa and Shari'a Supervisory Board, the Company is required to identify any income deemed to be derived from transactions not acceptable under Islamic Shari'a principles, as interpreted by Fatwa and Shari'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.

25 Approval of condensed financial statements

The condensed financial statements were approved by the Board of Directors and authorised for issue on 14 May 2019.