

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

Condensed Interim Financial Statements
(Unaudited)

For the period ended 30 September 2020



Grant Thornton

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**Review report of the independent auditor
To the shareholders of Arabian Scandinavian Insurance Company (PLC) -
Takaful - ASCANA Insurance**

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 30 September 2020, 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 nine months period then ended and other explanatory notes. 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 these 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

GRANT THORNTON

Farouk Mohamed

Registration No: 86

Dubai, 2 November 2020



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

Condensed interim statement of financial position
As at 30 September 2020

	Notes	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
ASSETS			
Takaful operations' assets			
Cash and bank balances	4	59,690	72,121
Takaful and retakaful receivables	5	24,859	16,068
Retakaful contract assets			
Unearned contribution	6	9,147	8,807
Claims reported unsettled	6	34,402	8,187
Claims incurred but not reported	6	3,549	4,616
Additional unexpired risk reserve	6	240	-
Prepayments and other receivables		2,316	9,498
Due from related parties	7	2,712	5,897
Deferred policy acquisition cost		6,747	8,161
Total takaful operations' assets		143,662	133,355
Shareholders' assets			
Cash and bank balances	4	165,870	151,458
Statutory deposits	8	10,000	10,000
Prepayments and other receivables		7,022	2,049
Due from policyholders	9	23,214	33,336
Financial assets measured at fair value through other comprehensive income (FVTOCI)	10	1,939	1,939
Financial assets measured at fair value through profit and loss (FVTPL)	10	515	515
Investment properties	11	165,994	165,994
Property and equipment		2,126	2,304
Total shareholders' assets		376,680	367,595
Total assets		520,342	500,950


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 (continued)
As at 30 September 2020

	Notes	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
LIABILITIES, POLICYHOLDERS' FUND AND EQUITY			
Takaful operations' liabilities and policyholders' fund			
Takaful operations' liabilities			
Takaful and retakaful payables	12	38,233	44,404
Takaful contract liabilities			
Unearned contribution	6	57,322	68,032
Claims reported unsettled	6	40,933	18,324
Claims incurred but not reported	6	15,053	21,429
Unallocated loss adjustments expense reserve	6	2,682	2,261
Additional unexpired risk reserve	6	2,901	6,335
Other liabilities		4,761	5,023
Due to related parties	7	3	6
Due to shareholders	9	23,214	33,336
Deferred discount		2,054	1,963
Total takaful operations' liabilities		187,156	201,113
Policyholders' fund			
Deficit in policyholders' fund		(43,494)	(67,758)
Qard Hassan from shareholders		43,494	67,758
Total policyholders' fund		-	-
Liabilities and policyholders' fund		187,156	201,113
Shareholders' liabilities and equity			
Shareholders' liabilities			
Provision for employees' end of service indemnity		2,565	2,473
Other liabilities		9,001	7,145
Lease liabilities		678	1,074
Due to related parties	7	37	37
Total shareholders' liabilities		12,281	10,729
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		53,753	21,956
Total shareholders' equity		320,905	289,108
Total shareholders' liabilities and equity		333,186	299,837
Total liabilities, policyholders' fund and equity		520,342	500,950

The condensed interim financial statements were authorised for issue in accordance with a resolution of the Directors on 2 November 2020.


Mr. Khalid Ahmad Alkazim
Chief Executive Officer

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 30 September 2020

	Three months period ended 30 September 2020 (Unaudited) AED'000	Three months period ended 30 September 2019 (Unaudited) AED'000	Nine months period ended 30 September 2020 (Unaudited) AED'000	Nine months period ended 30 September 2019 (Unaudited) AED'000
Attributable to policyholders				
Takaful income				
Gross takaful contribution	23,623	34,899	88,611	112,422
Retakaful share of accepted business	(16)	(37)	(93)	(90)
Retakaful share of ceded business	(6,476)	(5,712)	(22,184)	(24,190)
Net takaful contribution	17,131	29,150	66,334	88,142
Net transfer to unearned contribution reserves	8,123	781	14,722	(574)
Net takaful contribution earned	25,254	29,931	81,056	87,568
Commission earned	1,070	1,400	4,158	4,166
Policy fees and other income	-	3	-	14
Total underwriting income	26,324	31,334	85,214	91,748
Takaful expenses				
Gross claims paid	(20,671)	(28,080)	(64,687)	(87,516)
Retakaful share of accepted business claims	-	(196)	-	784
Retakaful share of ceded business claims	8,389	9,380	20,824	27,470
Net claims paid	(12,282)	(18,896)	(43,863)	(59,262)
Provision for takaful contract liabilities	(25,118)	2,090	(22,609)	5,974
Retakaful share of claims reported unsettled	22,275	(1,974)	26,215	(3,719)
Decrease in claims incurred but not reported – net	4,316	1,122	5,309	4,180
(Increase)/decrease in unallocated loss adjustments expenses – net	(626)	133	(421)	(49)
Net takaful claims incurred	(11,435)	(17,525)	(35,369)	(52,876)
Other takaful expenses	(32)	-	(111)	-
Total takaful expenses	(11,467)	(17,525)	(35,480)	(52,876)
Net takaful income	14,857	13,809	49,734	38,872
Investment income (note 17)	158	680	1,109	2,024
Other income	120	-	337	222
Wakala fees (note 16)	(7,087)	(10,470)	(26,583)	(33,727)
Mudarib fees (note 16)	(48)	(204)	(333)	(607)
Profit for the period attributable to policyholders	8,000	3,815	24,264	6,784

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 (continued)
For the period ended 30 September 2020

	Three months period ended 30 September 2020 (Unaudited) AED'000	Three months period ended 30 September 2019 (Unaudited) AED'000	Nine months period ended 30 September 2020 (Unaudited) AED'000	Nine months period ended 30 September 2019 (Unaudited) AED'000
Attributable to shareholders				
Investment income (note 17)	2,836	4,219	9,072	12,459
Other income	1	2	2	4
Wakala fees from policyholders (note 16)	7,087	10,470	26,583	33,727
Mudarib's fee (note 16)	48	204	333	607
Policy acquisition cost	(3,755)	(4,671)	(12,443)	(13,616)
General and administrative expenses	(5,137)	(6,491)	(16,014)	(22,449)
Income for the period before Qard Hassan	1,080	3,733	7,533	10,732
Recovery against Qard Hassan to policyholders	8,000	3,815	24,264	6,784
Profit for the period attributable to shareholders	9,080	7,548	31,797	17,516
Earnings per share (AED)				
Basic and diluted (note 18)	0.06	0.05	0.21	0.11

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 30 September 2020

	Three months period ended 30 September 2020 (Unaudited) AED'000	Three months period ended 30 September 2019 (Unaudited) AED'000	Nine months period ended 30 September 2020 (Unaudited) AED'000	Nine months period ended 30 September 2019 (Unaudited) AED'000
Attributable to shareholders				
Profit for the period	9,080	7,548	31,797	17,516
Other comprehensive income	-	-	-	-
Total comprehensive income for the period attributable to shareholders	9,080	7,548	31,797	17,516

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 30 September 2020

	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 2019 (Audited)	154,000	63,572	50,064	(484)	43,725	310,877
Profit for the period	-	-	-	-	17,516	17,516
Total comprehensive income for the period	-	-	-	-	17,516	17,516
<i>Transactions with owners</i>						
Dividend paid (note 19)	-	-	-	-	(15,400)	(15,400)
As at 30 September 2019 (Unaudited)	154,000	63,572	50,064	(484)	45,841	312,993
As at 1 January 2020 (Audited)	154,000	63,572	50,064	(484)	21,956	289,108
Profit for the period	-	-	-	-	31,797	31,797
Total comprehensive income for the period	-	-	-	-	31,797	31,797
As at 30 September 2020 (Unaudited)	154,000	63,572	50,064	(484)	53,753	320,905

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 30 September 2020

	Nine months period ended 30 September 2020 (Unaudited) AED'000	Nine months period ended 30 September 2019 (Unaudited) AED'000
Cash flows from operating activities		
Profit for the period	31,797	17,516
Adjustments for:		
Depreciation of property and equipment	343	254
Expected credit losses	111	-
Realised loss on sale of financial assets at FVTPL	(386)	38
Other investment income	(6,840)	(11,576)
Dividend income from financial investments at FVTPL and FVTOCI	(249)	(551)
Profit on wakala deposits	(3,321)	(2,394)
Provision for employees' end of service indemnity	90	184
Operating cash flows before changes in working capital	21,545	3,471
(Increase)/decrease in retakaful contract assets	(25,728)	5,037
(Increase)/decrease in takaful and retakaful receivables	(8,901)	7,021
Decrease/(increase) in due from related parties	3,185	(588)
Decrease/(increase) in prepayments and other receivables	2,209	(3,321)
Decrease/(increase) in deferred policy acquisition costs	1,414	(801)
(Decrease)/increase in takaful contract liabilities	2,510	(10,848)
Decrease in takaful and retakaful payables	(6,171)	(4,753)
Increase in deferred discount	91	90
Increase in other liabilities	2,560	480
(Decrease)/increase in due to related parties	(3)	51
Cash used in operations	(7,289)	(4,161)
Employees' end of service indemnity paid	-	(72)
Zakat paid	(966)	(1,000)
Net cash used in operating activities	(8,255)	(5,233)
Cash flows from investing activities		
Purchase of property and equipment	(165)	(670)
Purchase of investments in securities	(12,653)	(1,374)
Proceeds from sale of investments in securities	13,039	28,759
Rental income received	6,840	11,576
Profit received on wakala deposit	3,321	2,394
Dividend received	249	551
Movement in wakala deposits with maturity over 3 months	88,224	(12,000)
Net cash generated from investing activities	98,855	29,236
Cash flows from financing activities		
Lease liability payment	(395)	-
Dividend paid (note 19)	-	(15,400)
Net cash used in financing activities	(395)	(15,400)
Net change in cash and cash equivalents	90,205	8,603
Cash and cash equivalents, beginning of period	81,579	36,477
Cash and cash equivalents, end of period (note 20)	171,784	45,080

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 30 September 2020

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 regulation 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 nine months period ended 30 September 2020 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 2019. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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 2019. 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 2019, 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 2019 except for the changes in the accounting policies implemented by management from 1 January 2020.

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 30 September 2020

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 30 September 2020

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

	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Cash on hand	25	70
Bank balances:		
Wakala deposits	198,880	142,000
Current accounts	26,655	81,509
	<u>225,560</u>	<u>223,579</u>
Attributable to:		
Policyholders	59,690	72,121
Shareholders	165,870	151,458
	<u>225,560</u>	<u>223,579</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 30 September 2020

5 Takaful and retakaful receivables

	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Takaful receivable	27,737	16,413
Receivables from takaful companies	3,256	4,109
Receivables from retakaful companies	242	1,811
	<u>31,235</u>	<u>22,333</u>
Less: Expected credit losses	(6,376)	(6,265)
	<u>24,859</u>	<u>16,068</u>

	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Inside UAE:		
Takaful receivable	27,564	16,413
Receivables from takaful companies	3,256	4,109
Receivables from retakaful companies	241	169
	<u>31,061</u>	<u>20,691</u>
Less: Expected credit losses	(6,376)	(6,265)
	<u>24,685</u>	<u>14,426</u>

	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Outside UAE:		
Receivables from retakaful companies	174	1,642

The ageing for takaful receivables is as follows:

	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Inside UAE - Takaful receivable		
0 - 30 days	2,827	4,301
31 - 90 days	6,939	2,903
91 - 180 days	6,231	4,224
181 - 270 days	6,485	1,650
271 - 360 days	2,571	1,916
More than 360 days	6,009	5,697
	<u>31,062</u>	<u>20,691</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 30 September 2020

5 Takaful and retakaful receivables (continued)

	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Outside UAE - Receivables from retakaful companies		
0 - 30 days	170	1,254
31 - 90 days	1	-
91 - 180 days	-	314
181 - 360 days	-	1
More than 360 days	2	73
	<u>173</u>	<u>1,642</u>

6 Takaful contract liabilities and retakaful contract assets

	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Gross		
Takaful contract liabilities:		
Unearned contribution	57,322	68,032
Claims reported unsettled	40,933	18,324
Claims incurred but not reported	15,053	21,429
Unallocated loss adjustments expense reserve	2,682	2,261
Additional unexpired risk reserve	2,901	6,335
Total takaful contract liabilities, gross	<u>118,891</u>	<u>116,381</u>
Recoverable from retakaful		
Retakaful contract assets:		
Unearned contribution	9,147	8,807
Claims reported unsettled	34,402	8,187
Claims incurred but not reported	3,549	4,616
Additional unexpired risk reserve	240	-
Total retakaful share of takaful liabilities	<u>47,338</u>	<u>21,610</u>
Net		
Unearned contribution	48,175	59,225
Claims reported unsettled	6,531	10,137
Claims incurred but not reported	11,504	16,813
Unallocated loss adjustments expense reserve	2,682	2,261
Additional unexpired risk reserve	2,661	6,335
	<u>71,553</u>	<u>94,771</u>

7 Related parties

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 30 September 2020

7 Related parties (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

	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Due from related parties:		
Al Redah Insurance Brokers (LLC), Dubai	7,364	10,536
Other	106	119
	<u>7,470</u>	<u>10,655</u>
Less: Expected credit losses	(4,758)	(4,758)
	<u>2,712</u>	<u>5,897</u>

All due from related parties are attributable to policyholders.

Due to related parties:

Other	<u>40</u>	<u>43</u>
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Due to related parties are attributable as follows:

	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Shareholders	37	37
Policyholders	3	6
	<u>40</u>	<u>43</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised 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:

	Three months period ended 30 September 2020 (Unaudited) AED'000	Three months period ended 30 September 2019 (Unaudited) AED'000	Nine months period ended 30 September 2020 (Unaudited) AED'000	Nine months period ended 30 September 2019 (Unaudited) AED'000
Gross contribution written for related parties	198	185	1,162	1,177
Management expenses (net)	59	73	957	978
Contribution written through a related party broker	1,436	2,895	6,488	10,066
Policy acquisition costs	198	383	853	1,302
Claims paid - net	6	80	46	551
Claims paid through related party broker	29	(13)	106	48

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

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7 Related parties (continued)

c) **Board of Directors and key management personnel compensation**

	Three months period ended 30 September 2020 (Unaudited) AED'000	Three months period ended 30 September 2019 (Unaudited) AED'000	Nine months period ended 30 September 2020 (Unaudited) AED'000	Nine months period ended 30 September 2019 (Unaudited) AED'000
Short-term benefits	150	572	450	1,215
Long-term benefits	111	212	300	613
Board of Directors' remuneration	-	-	-	1,050

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 23.21 million (31 December 2019: AED 33.34 million).

10 Other financial assets

	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Financial assets measured at fair value through other comprehensive income (FVTOCI)		
Unquoted UAE equity securities	1,939	1,939
Financial assets measured at fair value through profit and loss (FVTPL)		
Unquoted UAE equity securities	515	515

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 to shareholders.

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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)	
	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Fair value, at the beginning of the period/year	1,939	1,939	515	27,938
Purchased during the period/year	-	-	12,653	3,853
Sold during the period/year	-	-	(12,653)	(31,276)
Fair value, at the end of the period/year	1,939	1,939	515	515

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 nine months period ended 30 September 2020.

Investment properties are classified as Level 3 in the fair value hierarchy as at 30 September 2020 (31 December 2019: Level 3).

Investment property amounting to AED 6.7 million (31 December 2019: AED 6.7 million) is registered in the name of related parties in trust and for the benefit of the Company.

12 Takaful and retakaful payables

	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Payable arising from takaful activities	11,508	12,340
Due to takaful companies	13,678	14,989
Due to retakaful companies	13,047	17,075
	38,233	44,404
Inside UAE:		
Payable arising from takaful activities	11,509	12,340
Due to takaful companies	13,678	14,989
Due to retakaful companies	111	1,187
	25,298	28,516

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12 Takaful and retakaful payables (continued)

	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Outside UAE:		
Due to retakaful companies	<u>12,935</u>	<u>15,888</u>

13 Share capital

At 30 September 2020, authorised, issued and fully paid share capital comprised 154,000,000 shares of AED 1 each (31 December 2019: 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 nine months period ended 30 September 2020 (nine months period ended 30 September 2019: 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 utilised 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 utilised 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 30 September 2020 and 31 December 2019.

16 Wakala and Mudarib's fees

Wakala fees

Wakala fees for the period ended 30 September 2020 amounted to AED 26.58 million (30 September 2019: AED 33.73 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 30 September 2020 amounted to AED 0.333 million (30 September 2019: AED 0.607 million).

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17 Investment income

	Three months period ended 30 September 2020 (Unaudited) AED'000	Three months period ended 30 September 2019 (Unaudited) AED'000	Nine months period ended 30 September 2020 (Unaudited) AED'000	Nine months period ended 30 September 2019 (Unaudited) AED'000
Gain/(loss) on disposal of financial investments at FVTPL	46	135	386	(38)
Unrealised gain on financial investments at FVTPL	40	223	-	-
Dividends from financial investments at FVTPL	-	-	249	551
Income from investment properties	2,124	3,984	6,840	12,777
Income from wakala deposit	992	914	3,321	2,394
Expenses allocated to investment	(208)	(357)	(615)	(1,201)
	2,994	4,899	10,181	14,483
Attributable to:				
Policyholders	158	680	1,109	2,024
Shareholders	2,836	4,219	9,072	12,459
	2,994	4,899	10,181	14,483

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:

	Three months period ended 30 September 2020 (Unaudited)	Three months period ended 30 September 2019 (Unaudited)	Nine months period ended 30 September 2020 (Unaudited)	Nine months period ended 30 September 2019 (Unaudited)
Profit for the period attributable to shareholders (in AED'000)	9,080	7,548	31,797	17,516
Number of ordinary shares outstanding (shares)	154,000,000	154,000,000	154,000,000	154,000,000
Basic and diluted earnings per share (in AED)	0.06	0.05	0.21	0.11

Diluted earnings per share as of 30 September 2019 and 30 September 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 12 April 2020, the shareholders decided not to distribute any dividend for the year 2019. (2019: cash dividend of 10% of share capital, AED 10 fils per share, amounting to AED 15.4 million for the year 2018). The shareholders also decided not to pay any remuneration to the Board of Directors' for the year 2019 (2019: a remuneration of AED 1.050 million was paid).

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20 Cash and cash equivalents

	30 September 2020 (Unaudited) AED'000	31 December 2019 (Unaudited) AED'000
Cash and bank balances	225,560	122,389
Wakala deposits with maturity over 3 months	(53,776)	(90,000)
	<u>171,784</u>	<u>32,389</u>

21 Commitments and contingent liabilities

	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Letters of guarantee	<u>10,392</u>	<u>10,347</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, Mudarib 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	
	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000	30 September 2020 (Unaudited) AED'000	31 December 2019 (Audited) AED'000
Segment assets	143,662	133,355	376,680	367,595	520,342	500,950
Segment liabilities	187,156	201,113	12,281	10,729	199,437	211,842
	Takaful		Investment		Total	
	Nine months period ended 30 September 2020 (Unaudited) AED'000		Nine months period ended 30 September 2020 (Unaudited) AED'000		Nine months period ended 30 September 2020 (Unaudited) AED'000	
Capital expenditure	-	-	165	670	165	670
Depreciation	-	-	343	254	343	254

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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 2019.

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
30 September 2020					
<i>Financial assets at FVTOCI</i>					
Investment in unquoted securities	(a)	-	-	1939	1939
<i>Financial assets at FVTPL</i>					
Investment in unquoted securities	(a)	-	-	515	515
		-	-	2,454	2,454
31 December 2019					
<i>Financial assets at FVTOCI</i>					
Investment in unquoted securities	(a)	-	-	1,939	1,939
<i>Financial assets at FVTPL</i>					
Investment in unquoted securities	(a)	-	-	515	515
		-	-	2,454	2,454

(a) The Company holds investments in unquoted securities of three entities as at 30 September 2020 (31 December 2019: 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 30 September 2020. 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 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 Company's Fatwa and Sharia'a Supervisory Board, the Company 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.

25 Seasonality of results and events effecting the operations

The Company's investment income is dependent on market conditions, its investment activities and declaration of profits by investee companies, which are of a seasonal nature. Further, the Company is continuing to monitor the impact of COVID-19 on its financial performance. To date, there has been no significant impact on the credit risk or instances of default. Accordingly, results for the period ended 30 September 2020 are not comparable to those relating to the comparative period, and are not indicative of the results that might be expected for the year ending 31 December 2020.