

Dar Al Takaful (PJSC)

Condensed interim consolidated financial statements
(Unaudited)

For the period ended 31 March 2022

**Grant Thornton Audit
and Accounting Limited
(Dubai Branch)**

The Offices 5
Level 3
Office No 303
One Central, DWTC
Dubai, UAE
P.O. Box 1620

**Review Report of the Independent Auditor
To the Shareholders of Dar Al Takaful (PJSC)**

T +971 4 388 9925
F +971 4 388 9915

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Dar Al Takaful (PJSC) (the "Group") as at 31 March 2022 and the related condensed interim consolidated income statement and condensed interim consolidated statement of comprehensive income for the three-month period then ended, condensed interim consolidated statement of changes in equity, condensed interim consolidated statement of cash flows for the three-month period then ended and other related explanatory notes. Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

GRANT THORNTON

GRANT THORNTON
Osama El-Bakry
Registration No. 935
Dubai, 13 May 2022



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

Condensed interim consolidated statement of financial position
As at 31 March 2022

	Notes	(Unaudited) 31 March 2022 AED	(Audited) 31 December 2021 AED
ASSETS			
Takaful operations' assets			
Investments at fair value through profit or loss	4	424,839,649	450,903,939
Held to maturity investments	4	7,457,712	7,463,927
Due from shareholders	10	16,894,017	22,177,660
Retakaful contract assets:			
Unearned contribution		93,915,567	93,538,098
Claims reported unsettled		137,170,026	132,720,696
Claims incurred but not reported		17,752,495	16,730,904
Mathematical reserve		8,849,848	9,677,780
Takaful and other receivables	5	239,492,747	274,984,447
Prepayments and other receivables		3,129,417	3,961,933
Wakala deposits	6	198,800,000	188,699,947
Cash and cash equivalents	8	15,927,961	15,772,579
Total takaful operations' assets		1,164,229,439	1,216,631,910
Shareholders' assets			
Property and equipment		15,210,790	15,929,248
Intangible assets		86,943,707	89,137,673
Investment properties	7	39,681,950	39,681,950
Deferred policy cost		23,576,665	22,145,067
Available-for-sale investments	4	6,943,000	6,943,000
Investments at fair value through profit or loss	4	52,841,798	50,932,661
Held to maturity investments	4	14,514,517	14,550,835
Restricted deposits	9	16,000,000	16,000,000
Wakala deposits	6	72,216,700	81,609,404
Prepayments and other receivables		13,168,720	11,422,822
Cash and cash equivalents	8	16,661,146	18,065,918
Total shareholders' assets		357,758,993	366,418,578
Total assets		1,521,988,432	1,583,050,488

The notes from 1 to 23 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated statement of financial position
As at 31 March 2022 (continued)

	Notes	(Unaudited) 31 March 2022 AED	(Audited) 31 December 2021 AED
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations' liabilities			
Deferred discount		9,218,951	7,532,033
Takaful contract liabilities:			
Unearned contribution		221,937,556	229,240,775
Claims reported unsettled		218,049,771	226,225,519
Claims incurred but not reported		31,175,594	31,356,752
Unallocated loss adjustment expenses		5,296,433	5,583,010
Unexpired risk reserve		759,863	1,506,941
Mathematical reserve		11,752,674	12,719,254
Takaful payables	11	241,525,775	250,250,306
Investment contracts liabilities		424,839,649	450,903,939
Total takaful operations' liabilities		1,164,556,266	1,215,318,529
Takaful operations' deficit			
Qard Hassan against deficit in policyholders' fund		(231,349,485)	(229,137,864)
Less: Provision against Qard Hassan to policyholders' fund		231,349,485	229,137,864
Total deficit from takaful operations		-	-
Total takaful operations' liabilities and deficit		1,164,556,266	1,215,318,529
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Other liabilities	12	75,578,636	79,479,502
Bonus reserves, net		4,672,108	4,589,623
Due to policyholders	10	16,894,017	22,177,660
Murabaha payable	13	102,350,000	109,250,000
Total shareholders' liabilities		199,494,761	215,496,785
Shareholders' equity			
Share capital	14	150,000,000	150,000,000
Statutory reserve	15	7,640,367	7,640,367
Retakaful reserve	15	2,073,033	2,073,033
Accumulated losses		(1,775,995)	(7,478,226)
Total shareholders' equity		157,937,405	152,235,174
Total shareholders' liabilities and equity		357,432,166	367,731,959
Total liabilities, policyholders' fund and equity		1,521,988,432	1,583,050,488

The condensed interim consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 13 May 2022.

Director

Director

The notes from 1 to 23 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated income statement
For the period ended 31 March 2022

	(Unaudited) Three-month period ended Notes 31 March 2022 AED	(Unaudited) Three-month period ended 31 March 2021 AED
Attributable to policyholders		
Takaful income		
Gross takaful contribution	150,898,609	202,785,309
Accepted business	-	24,630
Retakaful share of ceded business	<u>(69,269,309)</u>	<u>(89,319,146)</u>
Net takaful contribution	81,629,300	113,490,793
Change in unearned contribution reserves	8,297,270	(5,705,619)
Change in contribution deficiency reserve	<u>747,078</u>	<u>1,638,380</u>
Net takaful contribution earned	90,673,648	109,423,554
Discount earned	5,362,831	4,777,021
Total underwriting income	<u>96,036,479</u>	<u>114,200,575</u>
Takaful expenses		
Gross claims paid	(110,417,579)	(116,548,210)
Retakaful share of ceded business claims	<u>48,586,826</u>	<u>43,587,009</u>
Net takaful claims paid	(61,830,753)	(72,961,201)
Change in provision for outstanding claims	8,177,301	24,603,139
Change in retakaful share of outstanding claims	4,450,420	(19,207,693)
Change in incurred but not reported claims	1,202,748	2,040,020
Change in unallocated loss adjustment expenses reserve	286,578	436,954
Change in investment contracts and mathematical reserves	6,221,362	(23,435,350)
Net gain on assets held at fair value through profit or loss	<u>(12,061,857)</u>	<u>13,575,478</u>
Net takaful claims incurred	(53,554,201)	(74,948,653)
Excess of loss of takaful contribution	(1,351,451)	(1,352,638)
Other takaful expenses	<u>(3,473,357)</u>	<u>(1,052,774)</u>
Total takaful expenses	<u>(58,379,009)</u>	<u>(77,354,065)</u>
Net takaful income	37,657,470	36,846,510
Wakala fees	18 (40,254,393)	(44,460,177)
Mudarib's fee	18 (1,616)	(219,127)
Investment and other income	<u>386,918</u>	<u>731,048</u>
Deficit for the period attributable to policyholders	<u>(2,211,621)</u>	<u>(7,101,746)</u>

The notes from 1 to 23 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated income statement
For the period ended 31 March 2022 (continued)

		(Unaudited) Three-month period ended 31 March 2022 AED	(Unaudited) Three-month period ended 31 March 2021 AED
Attributable to shareholders			
Wakala fees from policyholders	18	40,254,393	44,460,177
Mudarib's fee	18	1,616	219,127
Investment and other income		8,551,341	3,024,799
General and administrative expenses		(17,338,569)	(18,389,927)
Policy acquisition cost		(21,729,354)	(11,422,852)
Change in bonus reserve		(315,955)	(1,072,960)
Other underwriting expenses		(737,456)	(994,529)
Finance cost		(772,164)	(1,463,583)
Income for the period before Qard Hassan		7,913,852	14,360,252
Provision against Qard Hassan to policyholders		(2,211,621)	(7,101,746)
Profit for the period attributable to shareholders		5,702,231	7,258,506
Earnings per share (AED)			
Basic and diluted	16	0.038	0.048

The notes from 1 to 23 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated statement of comprehensive income
For the period ended 31 March 2022

	(Unaudited) Three-month period ended 31 March 2022 AED	(Unaudited) Three-month period ended 31 March 2021 AED
Attributable to policyholders		
Loss for the period	(2,211,621)	(7,101,746)
Other comprehensive income for the period	-	-
Total comprehensive loss for the period attributable to policyholders	(2,211,621)	(7,101,746)
Attributable to shareholders		
Profit for the period	5,702,231	7,258,506
Other comprehensive income for the period	-	-
Total comprehensive income for the period attributable to shareholders	5,702,231	7,258,506

The notes from 1 to 23 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated statement of changes in equity
For the period ended 31 March 2022

	Share capital AED	Statutory reserve AED	Retakaful reserve AED	Accumulated losses AED	Total AED
As at 1 January 2021 (Audited)	150,000,000	5,482,374	642,503	(10,689,629)	145,435,248
Profit for the period	-	-	-	7,258,506	7,258,506
Total comprehensive income for the period	-	-	-	7,258,506	7,258,506
Dividend paid (note 23)	-	-	-	(4,905,000)	(4,905,000)
As at 31 March 2021 (Unaudited)	150,000,000	5,482,374	642,503	(8,336,123)	147,788,754
As at 1 January 2022 (Audited)	150,000,000	7,640,367	2,073,033	(7,478,226)	152,235,174
Profit for the period	-	-	-	5,702,231	5,702,231
Total comprehensive income for the period	-	-	-	5,702,231	5,702,231
As at 31 March 2022 (Unaudited)	150,000,000	7,640,367	2,073,033	(1,775,995)	157,937,405

The notes from 1 to 23 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated statement of cash flows
For the period ended 31 March 2022

	(Unaudited) Three-month period ended 31 March 2022 AED	(Unaudited) Three-month period ended 31 March 2021 AED
Cash flows from operating activities		
Profit for the period	5,702,231	7,258,506
Adjustments for:		
Depreciation of property and equipment	1,099,534	1,108,130
Amortisation of intangibles	2,217,066	2,079,885
Unrealised gain on financial assets at FVTPL	(4,402,395)	-
Realised gain on financial assets at FVTPL	(750,125)	-
Income from dividends	(359,089)	-
Income from wakala deposits	(540,709)	(1,160,733)
Income from sukuk investments	(506,378)	(175,690)
Amortisation of held to maturity	42,533	-
Finance cost	772,164	-
Rental income	(239,761)	(157,960)
Provision for doubtful receivables	17,178	(1,178,908)
Provision for employees' end of service benefits	365,845	908,809
Operating cash flows before changes in working capital	3,418,094	8,682,039
Change in takaful and other receivables	35,474,522	(36,999,634)
Change in retakaful assets	(5,020,458)	(11,603,150)
Change in prepayments and other receivables	(496,363)	(985,568)
Change in takaful contract liabilities	(16,693,780)	7,634,179
Change in takaful payables	(8,724,531)	24,924,400
Change in other liabilities	(2,867,092)	(5,944,737)
Change in deferred policy cost	(1,431,598)	(9,520,436)
Change in gross mathematical reserves	(966,580)	690,606
Change in bonus reserves	82,485	644,304
Change in deferred discount	1,686,918	4,466,447
Cash generated from / (used in) operations	4,461,617	(18,011,550)
Employee's end of service benefits paid	(471,093)	(1,260,125)
Net cash generated from / (used in) operating activities	3,990,524	(19,271,675)
Cash flows from investing activities		
Purchase of property and equipment	(381,076)	(1,286,848)
Purchase of intangibles	(23,100)	-
Additions of investments carried at FVTPL	578,528	-
Income received on wakala deposits	204,544	1,160,733
Rental income received	497,317	157,960
Proceeds from sale of investment securities	2,664,855	-
Dividend received	359,089	-
Finance costs paid	(772,164)	-
Income received from sukuk	167,968	175,690
Wakala deposits (made) / matured during the period	(707,349)	99,734,378
Net cash generated from investing activities	2,588,612	99,941,913

The notes from 1 to 23 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated statement of cash flows
For the period ended 31 March 2022 (continued)

	(Unaudited) Three-month period ended 31 March 2022 AED	(Unaudited) Three-month period ended 31 March 2022 AED
Cash flows from financing activities		
Settlement of from murabaha facility	(6,900,000)	(102,875,000)
Payment of lease liabilities	(928,526)	(845,427)
Net cash used in financing activities	(7,828,526)	(103,720,427)
Net change in cash and cash equivalents	(1,249,390)	(23,050,189)
Cash and cash equivalents, beginning of period	33,838,497	132,303,606
Cash and cash equivalents, end of period (note 8)	32,589,107	109,253,417

The notes from 1 to 23 form an integral part of these condensed interim consolidated financial statements.

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

Notes to the condensed interim consolidated financial statements
For the period ended 31 March 2022

1 Legal status and activities

Dar Al Takaful (PJSC) (the “Company”) was incorporated as a public joint stock company. The Company carries out general takaful (insurance), retakaful (reinsurance) and investments in accordance with the teachings of Islamic Shari’a and within the provisions of U.A.E. Federal Law no. 6 of 2007 relating to takaful companies and takaful agents and the Memorandum and Articles of Association of the Company. The address of the Company is P.O. Box 235353, Dubai, United Arab Emirates. The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021.

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

Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from 2 January 2021. The Company shall apply and adjust their status in accordance with the provisions thereof no later than one year from the date on which this Decree-Law takes effect.

The Federal Decree-Law No. 24 of 2020 which amends certain provisions of the U.A.E Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organisation of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector became under the supervision and authority of the Central Bank of the UAE.

Federal Law by Decree No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 with an effective date of 2 January 2022 and will entirely replace Federal Law No. 2 of 2015 (as amended) on Commercial Companies, as amended. The Group has twelve months from the effective date to comply with the provisions of the New Companies Law.

Although the Company holds valid license to issue short term takaful contracts in connection with non-life takaful (motor, marine, fire, engineering, medical and general accident risks), the Company ceased to issue new contracts as at 27 July 2020. The Company now plans to engage in investment activities while continuing to complete the term of already issued contracts and managing its related risks. The Company also invests its funds in investment securities.

The Company with its subsidiaries is together referred to as the “Group” in these condensed interim consolidated financial statements. Set out below are the details of the principal subsidiaries held directly by the Company, in UAE which the country of their incorporation and principal place of business:

Name of subsidiary	Proportion of ownership interest		Principal activities
	31 March 2022	31 December 2021	
Noor Takaful Family PJSC	100%	100%	Family takaful and retakaful activities
Noor Takaful General PJSC	100%	100%	General takaful and retakaful activities

2 Basis of preparation

The condensed interim consolidated financial statements are for the three-month period ended 31 March 2022 and are presented in United Arab Emirate Dirham (AED), which is also the functional currency of the Group. These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ and do not include all of the information required in annual financial statements in accordance with IFRS and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2021. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

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

Notes to the condensed interim consolidated financial statements
For the period ended 31 March 2022

2 Basis of preparation (continued)

The Group has not early adopted any version of IFRS 9 and the activities of the Group are predominantly connected with insurance on 31 March 2022 therefore the Group have opted for the temporary exemption from the application of IFRS 9 and defer the implementation date of IFRS 9 until 1 January 2023.

New standards, interpretations and amendments

The accounting policies, critical accounting judgments and key source of estimation used in the preparation of these condensed interim financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2021, except for application of new standards effective as of 1 January 2022 as several amendments and interpretations apply for the first time in 2022. However, these amendments and interpretations do not have material impact on the condensed interim financial statements of the Group.

The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

Basis of consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2022.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee
- rights arising from other contractual arrangements
- the Group's voting rights and potential voting rights

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

3 Significant accounting policies

Critical accounting estimates and judgments in applying accounting policies

The Group 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.

Outstanding claims, IBNR, ULAE and UPR

The estimation of the ultimate liability (outstanding claims, IBNR and ULAE) arising from claims and UPR made under takaful contracts is the Group's most critical accounting estimate.

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

Notes to the condensed interim consolidated financial statements
For the period ended 31 March 2022

3 Significant accounting policies (continued)

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

Outstanding claims, IBNR, ULAE and UPR (continued)

These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in the income statement. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends (including actuarial calculations), is an appropriate basis for predicting future events.

Classification of investment properties and related fair value judgement

The Group makes judgement to determine whether a property qualifies as investment property. Fair value of investment property is estimated by an independent professional valuer, considering the market comparable approach. This estimate was made considering market rent and average rental yield. Fair value was dependent on market factors and availability of information.

Fair value of unquoted securities

Fair value of unquoted securities has been determined by the management based on Net Assets Value Techniques using observable market data of comparable public entities, certain discount factors and unobservable financial data of respective non-public investees. Actual results may substantially be different.

Provision for doubtful debts

The Group reviews its Takaful receivables on a regular basis to assess whether a provision for impairment should be recorded in the consolidated income statement. 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 Group 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.

Long term takaful contracts

Estimates for takaful risk under long term takaful contracts are made with reference to external actuarial calculations and are based on standard industry and national mortality tables.

Fair value of financial assets at fair value through profit or loss

The fair value of unquoted financial assets carried at fair value through profit or loss is based on the periodic valuations by fund managers and represents the net asset value of the funds at the date of valuation and the fair value of quoted financial assets securities carried at fair value through profit or loss is based on quoted prices in active markets.

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

Notes to the condensed interim consolidated financial statements
For the period ended 31 March 2022

4 Investment in securities

Available-for-sale investments

Available-for-sale investments comprise the following:

	(Unaudited) 31 March 2022 AED	(Audited) 31 December 2021 AED
Unquoted equity securities in U.A.E.	5,943,000	5,943,000
Unquoted debt securities in U.A.E.	1,000,000	1,000,000
	<u>6,943,000</u>	<u>6,943,000</u>

All available-for-sale investments are located inside U.A.E and are attributable to shareholders.

Investments at fair value through profit or loss

Investments at fair value through profit or loss comprises the following:

	(Unaudited) 31 March 2022 AED	(Audited) 31 December 2021 AED
Investment in mutual funds	424,839,649	450,903,939
Investment in equity securities	52,841,798	50,932,661
	<u>477,681,447</u>	<u>501,836,600</u>
Quoted securities inside UAE	52,841,798	50,932,661
Unquoted securities inside U.A.E.	26,348,414	28,421,912
Unquoted securities outside U.A.E.	398,491,235	422,482,027
	<u>477,681,447</u>	<u>501,836,600</u>
Attributable to:		
Policyholders	424,839,649	450,903,939
Shareholders	52,841,798	50,932,661
	<u>477,681,447</u>	<u>501,836,600</u>

Held to maturity investments

Financial assets held to maturity comprises the following:

	(Unaudited) 31 March 2022 AED	(Audited) 31 December 2021 AED
Quoted debt securities inside U.A.E.	3,788,874	3,801,648
Unquoted debt securities inside U.A.E.	5,615,643	5,626,638
Quoted debt securities outside U.A.E.	8,891,170	8,909,086
Unquoted debt securities outside U.A.E.	3,676,542	3,677,390
	<u>21,972,229</u>	<u>22,014,762</u>
Attributable to:		
Policyholders	7,457,712	7,463,927
Shareholders	14,514,517	14,550,835
	<u>21,972,229</u>	<u>22,014,762</u>

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

Notes to the condensed interim consolidated financial statements
For the period ended 31 March 2022

4 Investment in securities (continued)

The movement in investment in securities is as follows:

31 March 2022 (Unaudited)	Available- for-sale investments AED	Investments at fair value through profit or loss AED	Held to maturity investments AED	Total AED
At 1 January 2022	6,943,000	501,836,600	22,014,762	530,794,362
Addition during the period	-	8,631,034	-	8,631,034
Disposal during the period	-	(25,876,850)	-	(25,876,850)
Amortisation of premiums	-	-	(42,533)	(42,533)
Fair value gain recorded in the consolidated income statement	-	(6,909,337)	-	(6,909,337)
At 31 March 2022	<u>6,943,000</u>	<u>477,681,447</u>	<u>21,972,229</u>	<u>506,596,676</u>
31 December 2021 (Audited)				
At 1 January 2021	6,943,000	429,885,226	22,112,966	458,941,192
Amortisation of premiums	-	-	(98,204)	(98,204)
Addition during the year	-	133,631,055	-	133,631,055
Disposal during the year	-	(133,844,804)	-	(133,844,804)
Fair value (loss)/gain recorded in the consolidated income statement	-	72,165,123	-	72,165,123
At 31 December 2021	<u>6,943,000</u>	<u>501,836,600</u>	<u>22,014,762</u>	<u>530,794,362</u>

5 Takaful and other receivables

	(Unaudited) 31 March 2022 AED	(Audited) 31 December 2021 AED
Contributions receivable	190,322,034	212,854,547
Receivable from retakaful and other takaful companies	64,073,438	77,048,267
Other receivables	3,817,110	3,784,289
	<u>258,212,582</u>	<u>293,687,103</u>
Less: Provisions for doubtful receivables	(18,719,835)	(18,702,656)
	<u>239,492,747</u>	<u>274,984,447</u>

6 Wakala deposits

Statutory deposit represents a Wakala deposit under lien against the guarantees issued in favour of Central Bank of UAE (formerly, the UAE Insurance Authority) in accordance with Article 42 of United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007, concerning the establishment Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates (formerly, the UAE Insurance Authority) and Organisation of its Operations. Wakala deposits worth AED 40 million are hypothecated against Murabaha facility (note 13).

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

Notes to the condensed interim consolidated financial statements
For the period ended 31 March 2022

7 Investment properties

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

Management estimates that there has been no change in the fair value of investment properties during the three-month period ended 31 March 2022. The carrying value of the investment properties as at 31 March 2022 is AED 40 million (31 December 2021: AED 40 million).

Investment properties are classified as Level 3 in the fair value hierarchy as at 31 March 2022 (31 December 2021: Level 3).

8 Cash and cash equivalents

	(Unaudited) 31 March 2022 AED	(Audited) 31 December 2021 AED	(Unaudited) 31 March 2021 AED
Cash on hand	146,599	146,600	115,288
Bank balances:			
Current accounts	32,362,612	32,625,222	108,996,889
Call accounts	79,896	1,066,675	141,240
	<u>32,589,107</u>	<u>33,838,497</u>	<u>109,253,417</u>
Attributable to:			
Policyholders	15,927,961	15,772,579	70,898,836
Shareholders	16,661,146	18,065,918	38,354,581
	<u>32,589,107</u>	<u>33,838,497</u>	<u>109,253,417</u>

9 Restricted deposit

Deposits held as restricted deposits are maintained in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007 concerning the formation of Central Bank of United Arab Emirates (formerly, the UAE Insurance Authority) and are not available to finance the day-to-day operations of the Group.

10 Due from / to shareholder and policyholders

The balance consists of the net of wakala fees balances that is due from the shareholders to the policyholders amounting to AED 16.9 million (31 December 2021: AED 22.2 million).

11 Takaful payables

	(Unaudited) 31 March 2022 AED	(Audited) 31 December 2021 AED
Due to takaful companies, garages and other third parties	73,498,259	84,440,363
Due to retakaful companies	140,090,823	140,227,499
Other payables	27,936,693	25,582,444
	<u>241,525,775</u>	<u>250,250,306</u>

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

Notes to the condensed interim consolidated financial statements
For the period ended 31 March 2022

12 Other liabilities

	(Unaudited) 31 March 2022 AED	(Audited) 31 December 2021 AED
Accrued expenses and other payables	17,945,210	19,851,931
Acquisition cost payable	30,347,573	35,363,763
Employees' end of service benefits	6,262,988	6,368,235
Lease liabilities	8,261,730	9,101,161
Accrued leave salary	736,063	736,063
Other payable	12,025,072	8,058,349
	<u>75,578,636</u>	<u>79,479,502</u>

13 Murabaha payable

The Group entered into a Murabaha facility of AED 215 million with a bank on 27 February 2020 held at amortised cost. The facility was obtained for the purpose of acquiring Noor Takaful Family PJSC ("NTF") and Noor Takaful General PJSC ("NTG"). The facility includes two tranches as given below:

Tranche A consist of AED 100 million carrying flexible funding cost of 3 months EIBOR plus 2.25% having a maturity period of 12 months from the date of acquisition of NTF and NTG. Full amount of Tranch A is repaid during the year ended 31 December 2021.

Tranche B consist of AED 115 million carrying flexible funding cost of 3 months EIBOR plus 2.9% having a maturity period of 5 years ending 30 September 2025.

Other Murabaha arrangements are as follows:

Pledged collateral

- Registered mortgage over investment properties and other real estate properties valued up to AED 45 million;
- Pledge over wakala deposits worth at least AED 40 million;
- Pledge over the shares of target entities i.e. NTF and NTG;
- Marketable securities (equities and sukuk) worth AED 15 million;
- A profit service reserve account will be maintained by the Company with bank that holds 6 months of profit service for Tranche B at all the times;
- All proceeds from the operating target entities shall be deposited into a dividend account that the Group maintains with the bank; and
- Pledge over profit service reserve account and dividend account maintained with the bank;

Financial covenants

- A minimum capital requirement of AED 300 million so long as the 3 licenses are outstanding and AED 200 million post cancellation of Company's license;
- A minimum solvency coverage ratio of 100%;
- A minimum consolidated Liquid Assets Cover (cash plus marketable securities) of 100%; and
- Compliance with minimum guaranteed fund and net admissible assets requirements.

Other covenants

- Company to complete re-organisation within 12 months from the completion of acquisition;
- Operating accounts of the Company and the targets (NTF and NTG) to move to the bank within 6 months from the completion of acquisition; and
- Company to shift 100% wakala deposits of the Company to specified bank within 6 months from the completion of acquisition.

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

Notes to the condensed interim consolidated financial statements
For the period ended 31 March 2022

14 Share capital

	(Unaudited) 31 March 2022 AED	(Audited) 31 December 2021 AED
Issued and fully paid: 150,000,000 ordinary shares of AED 1 each (31 December 2021: 150,000,000 ordinary shares)	150,000,000	150,000,000

15 Reserves

Statutory reserve

In accordance with U.A.E. Law No. (2) of 2015, the Group has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law. No transfer to the statutory reserve has been made during the three-month period ended 31 March 2022 (three-month period ended 31 March 2021: Nil), as this will be based on the audited results for the year-end.

Retakaful reserve

In accordance with article 34 of Central Bank of United Arab Emirates's (formerly, the UAE Insurance Authority) Board of Directors Decision No. 23 of 2019, concerning instructions organising reinsurance operations, the reserve is not available for distribution and will not be disposed of without prior approval from Central Bank of United Arab Emirates (formerly, the UAE Insurance Authority). No transfer to the retakaful reserve has been made during the three-month period ended 31 March 2022 (three-month period ended 31 March 2021: Nil), as this will be based on the audited results for the year-end.

16 Earnings per share

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

	(Unaudited) Three-month period ended 31 March 2022	(Unaudited) Three-month period ended 31 March 2021
Profit for the period attributable to shareholders (in AED)	5,702,231	7,258,506
Number of ordinary shares outstanding (shares)	150,000,000	150,000,000
Basic and diluted earnings per share (in AED)	0.038	0.048

Diluted earnings per share as of 31 March 2022 and 31 March 2021 are equivalent to basic earnings per share as the Group did not issue any new instrument that would impact earnings per share when executed.

17 Related party transactions

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.

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

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

Notes to the condensed interim consolidated financial statements
For the period ended 31 March 2022

17 Related party transactions (continued)

Balances with related parties

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

	(Unaudited) 31 March 2022 AED	(Audited) 31 December 2021 AED
<i>Takaful and other receivables</i>		
Other related parties	<u>(58,093)</u>	<u>(58,093)</u>

Transactions with related parties

There are no transactions with related party during the three-month period ended 31 March 2022 (three-month period ended 31 March 2021: Nil).

Compensation of key management personnel

	(Unaudited) Three-month period ended 31 March 2022 AED	(Unaudited) Three-month period ended 31 March 2021 AED
Short-term benefits	1,776,210	2,103,210
Employees' end of service Benefits	69,336	79,590
	<u>1,845,546</u>	<u>2,182,800</u>

18 Wakala and Mudarib's fees

Wakala fees

Wakala fees for the period ended 31 March 2022 amounted to AED 40.3 million (31 March 2021: AED 44.5 million). The fees are calculated at maximum rate of 30% of gross takaful contributions. Wakala fee is charged to the income statement when incurred.

Mudarib's fee

The shareholders also manage the policyholders' investment funds and charge Mudarib's fee. Mudarib's fee is charged at 35% of realised investment income. Mudarib's fees for the period ended 31 March 2022 amounted to AED 0.002 million (31 March 2021: AED 0.219 million).

19 Commitments and guarantees

Commitments

The Group has capital commitments amounting to AED 4.01 million as at 31 March 2022 (31 December 2021: AED 4.01 million).

Guarantees

As at 31 March 2022, the Group has outstanding bank guarantees amounting AED 267,000 (31 December 2021: AED 267,000).

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

Notes to the condensed interim consolidated financial statements
For the period ended 31 March 2022

20 Segment information

For management purposes the Group is organised into four business segments, general takaful, employee benefits, individual life and investments. The general takaful segment comprises the takaful business undertaken by the Group on behalf of the policyholders. Investments comprise investment and cash management for the Group's own account. No operating segments have been aggregated to form the above reportable operating segments.

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

Except for Wakala fees, Mudarib's share and Qard Hassan, no other inter-segment transactions occurred during the period. If any other transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation as shown on the next page.

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

Notes to the condensed interim consolidated financial statements
For the period ended 31 March 2022

20 Segment information (continued)

Three-month period ended 31 March 2022 (Unaudited)

	General takaful AED	Employee benefits AED	Individual life AED	Investments AED	Total AED
Takaful income					
Gross takaful contribution	114,640,705	25,542,130	10,715,774	-	150,898,609
Retakaful share of ceded business	(45,053,771)	(22,910,146)	(1,305,392)	-	(69,269,309)
Net takaful contributions	69,586,934	2,631,984	9,410,382	-	81,629,300
Net transfer to unearned contribution reserve	7,878,882	418,388	-	-	8,297,270
Change in contribution deficiency reserve	747,078	-	-	-	747,078
Net takaful contributions earned	78,212,894	3,050,372	9,410,382	-	90,673,648
Discount earned	4,240,572	1,122,259	-	-	5,362,831
Total takaful income	82,453,466	4,172,631	9,410,382	-	96,036,479
Takaful expenses					
Gross claims paid	(100,523,392)	(8,894,187)	(1,000,000)	-	(110,417,579)
Retakaful share of ceded business paid	39,634,565	8,252,261	700,000	-	48,586,826
Net takaful claims paid	(60,888,827)	(641,926)	(300,000)	-	(61,830,753)
Change in provision for outstanding claims	15,567,003	(8,314,947)	925,245	-	8,177,301
Change in retakaful share of outstanding claims	(2,871,347)	8,003,078	(681,311)	-	4,450,420
Change in incurred but not reported claims	1,243,064	(40,316)	-	-	1,202,748
Change in unallocated loss adjustment expenses reserve	394,272	(107,694)	-	-	286,578
Change in investment contracts and mathematical reserves	-	-	6,221,362	-	6,221,362
Net gain on assets held at fair value through profit or loss	-	-	(12,061,857)	-	(12,061,857)
Net takaful claims incurred	(46,555,835)	(1,101,805)	(5,896,561)	-	(53,554,201)
Excess of loss of takaful contribution	(1,351,451)	-	-	-	(1,351,451)
Other takaful expenses	(2,136,836)	(51,311)	(1,285,210)	-	(3,473,357)
Total takaful income	32,409,344	3,019,515	2,228,611	-	37,657,470
Wakala (fees)/income	(35,915,089)	(2,034,203)	(2,305,101)	40,254,393	-
Mudarib's (fee)/income	(1,616)	-	-	1,616	-
Investment and other income	314,764	48,119	24,035	8,551,341	8,938,259
General and administrative expenses	-	-	-	(17,338,569)	(17,338,569)
Policy acquisition cost	-	-	-	(21,729,354)	(21,729,354)
Change in bonus reserve	-	-	-	(315,955)	(315,955)
Other underwriting expenses	-	-	-	(737,456)	(737,456)
Finance costs	-	-	-	(772,164)	(772,164)
(Loss)/profit for the period	(3,192,597)	1,033,431	(52,455)	7,913,852	5,702,231

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

Notes to the condensed interim consolidated financial statements
For the period ended 31 March 2022

20 Segment information (continued)

Three-month period ended 31 March 2021 (Unaudited)

	General takaful AED	Employee benefits AED	Individual life AED	Investments AED	Total AED
Takaful income					
Gross takaful contribution	154,832,309	32,227,816	15,725,184	-	202,785,309
Accepted business	24,630	-	-	-	24,630
Retakaful share of ceded business	(59,394,625)	(28,889,101)	(1,035,420)	-	(89,319,146)
Net takaful contributions	95,462,314	3,338,715	14,689,764	-	113,490,793
Net transfer to unearned contributions reserve	(5,484,421)	(221,198)	-	-	(5,705,619)
Change in contribution deficiency reserve	1,587,887	50,493	-	-	1,638,380
Net takaful contributions earned	91,565,780	3,168,010	14,689,764	0	109,423,554
Discount earned	3,560,765	1,216,256	-	-	4,777,021
Total takaful income	95,126,545	4,384,266	14,689,764	-	114,200,575
Takaful expenses					
Gross claims paid	(98,860,095)	(17,373,386)	(314,729)	-	(116,548,210)
Retakaful share of ceded business					
Claims	26,725,158	16,751,123	110,728	-	43,587,009
Net takaful claims paid	(72,134,937)	(622,263)	(204,001)	-	(72,961,201)
Provision for outstanding claims	11,424,849	13,028,290	150,000	-	24,603,139
Change in retakaful share of outstanding claims	(5,824,124)	(13,311,729)	(71,840)	-	(19,207,693)
Change in incurred but not reported claims	2,276,791	(236,771)	-	-	2,040,020
Change in unallocated loss adjustment expenses reserve	230,761	206,193	-	-	436,954
Change in mathematical reserves	-	-	(23,435,350)	-	(23,435,350)
Net gain on assets held at fair value through profit or loss	-	-	13,575,478	-	13,575,478
Net takaful claims incurred	(64,026,660)	(936,280)	(9,985,713)	-	(74,948,653)
Excess of loss of takaful contribution	(1,352,638)	-	-	-	(1,352,638)
Other takaful recoveries/(expenses)	274,662	-	(1,327,436)	-	(1,052,774)
Net takaful income	30,021,909	3,447,986	3,376,615	-	36,846,510
Wakala (fees)/income	(30,388,005)	(10,729,499)	(3,342,673)	44,460,177	-
Mudarib's (fee)/income	(225,573)	6,446	-	219,127	-
Investment and other income / (expense)	730,902	(10,130)	10,276	3,024,799	3,755,847
General and administrative expenses	-	-	-	(18,389,927)	(18,389,927)
Policy acquisition cost	-	-	-	(11,422,852)	(11,422,852)
Change in bonus reserve	-	-	-	(1,072,960)	(1,072,960)
Other underwriting expenses	-	-	-	(994,529)	(994,529)
Finance cost	-	-	-	(1,463,583)	(1,463,583)
(Loss)/profit for the period	139,233	(7,285,197)	44,218	14,360,252	7,258,506

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

Notes to the condensed interim consolidated financial statements
For the period ended 31 March 2022

20 Segment information (continued)

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

31 March 2022 (Unaudited)

	Takaful AED	Investment AED	Total AED
Total assets	<u>1,164,229,439</u>	<u>357,758,993</u>	<u>1,521,988,432</u>
Total liabilities	<u>1,164,556,266</u>	<u>199,494,761</u>	<u>1,364,051,027</u>

31 December 2021 (Audited)

	Takaful AED	Investment AED	Total AED
Total assets	<u>1,216,631,910</u>	<u>366,418,578</u>	<u>1,583,050,488</u>
Total liabilities	<u>1,215,318,529</u>	<u>215,496,785</u>	<u>1,430,815,314</u>

21 Fair value measurements

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

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	(Unaudited) 31 March 2022 AED	(Audited) 31 December 2021 AED				
Available-for-sale investments						
Unquoted equity securities	5,943,000	5,943,000	Level 3	Net assets valuation method	Net assets value	Higher the net assets value of the investees, higher the fair value.
Unquoted debt securities	1,000,000	1,000,000	Level 3	Net assets valuation method	Net assets value	Higher the net assets value of the investees, higher the fair value

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

Notes to the condensed interim consolidated financial statements
For the period ended 31 March 2022

21 Fair value measurements (continued)

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	(Unaudited) 31 March 2022 AED	(Audited) 31 December 2021 AED				
Investments at fair value through profit or loss						
Mutual funds units	424,839,649	450,903,939	Level 3	Net assets valuation method	Net assets value	Higher the net assets value of the investees, higher the fair value
Quoted equity securities	52,841,798	50,932,661	Level 1	Quoted bid prices in an active market	N/A	N/A

22 Fatwa and Shari'a Supervisory Board

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

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

23 Dividends

At the Annual General Meeting held on 22 April 2021, AED 0.092 cash dividend amounting to AED 13,800,000 for the year 2020 was approved by Shareholders and distributed on 11 May 2021 (2020: Dividend of AED 0.033 per share amounting to AED 4,905,000 was declared and paid during the year). No dividend is declared for the year ended 31 December 2021.