

Dar Al Takaful PJSC

Condensed interim consolidated financial statements
(Unaudited)

For the period ended 30 September 2021

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

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of Dar Al Takaful PJSC (the “Group”) as at 30 September 2021, the related condensed interim consolidated income statement and condensed interim consolidated statement of comprehensive income for the three-month and nine-month periods then ended, condensed interim consolidated statement of changes in equity, condensed interim consolidated statement of cash flows for the nine-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
Farouk Mohamed
Registration No: 86
Dubai, 14 November 2021



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

Condensed interim consolidated statement of financial position
As at 30 September 2021

	Notes	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED
ASSETS			
Takaful operations' assets			
Available-for-sale investments	4	-	1,000,000
Investments at fair value through profit or loss	4	437,630,302	429,885,226
Held to maturity investments	4	7,697,310	13,390,076
Due from shareholders	10	34,834,853	25,786,539
Retakaful contract assets:			
Unearned contribution		100,278,747	51,250,635
Claims reported unsettled		132,035,779	141,143,771
Claims incurred but not reported		16,156,925	16,827,982
Contribution deficiency reserve		-	200,430
Mathematical reserve		8,813,655	8,802,820
Takaful and other receivables	5	322,000,679	242,797,948
Prepayments and other receivables		3,926,289	3,744,919
Wakala deposits	6	183,097,700	127,731,667
Investment properties	7	-	15,768,081
Cash and cash equivalents	8	35,340,565	79,928,738
Total takaful operations' assets		1,281,812,804	1,158,258,832
Shareholders' assets			
Property and equipment		21,622,623	21,807,987
Intangible assets		87,184,045	93,115,327
Investment properties	7	36,067,857	20,299,776
Deferred policy cost		26,355,358	12,994,006
Available-for-sale investments	4	6,943,000	5,943,000
Investments at fair value through profit or loss	4	29,946,051	-
Held to maturity investments	4	14,351,555	8,722,890
Restricted deposits	9	16,000,000	16,000,000
Wakala deposits	6	103,515,822	259,336,170
Prepayments and other receivables		22,271,078	13,674,652
Cash and cash equivalents	8	21,820,548	52,374,868
Total shareholders' assets		386,077,937	504,268,676
Total assets		1,667,890,741	1,662,527,508

The notes from 1 to 24 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated statement of financial position
As at 30 September 2021 (continued)

	Notes	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations' liabilities			
Deferred discount		9,370,712	4,093,442
Takaful contract liabilities:			
Unearned contribution		269,701,286	214,512,341
Claims reported unsettled		232,720,600	263,416,413
Claims incurred but not reported		32,101,218	34,679,368
Unallocated loss adjustment expenses		4,371,327	5,730,083
Contribution deficiency reserve		-	1,831,156
Unexpired risk reserve		1,131,362	1,915,187
Mathematical reserve		12,169,975	10,916,125
Takaful payables	11	286,218,437	197,302,099
Investment contracts liabilities		437,630,302	429,885,226
Total takaful operations' liabilities		1,285,415,219	1,164,281,440
Takaful operations' deficit			
Qard Hassan against deficit in policyholders' fund		(222,514,409)	(213,740,895)
Less: Provision against Qard Hassan to policyholders' fund		222,514,409	213,740,895
Total deficit from takaful operations		-	-
Total takaful operations' liabilities and deficit		1,285,415,219	1,164,281,440
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Other liabilities	12	87,576,327	106,905,102
Bonus reserves, net		4,636,621	5,263,519
Due to policyholders	10	34,834,853	25,786,539
Murabaha payable	13	109,250,000	214,855,660
Total shareholders' liabilities		236,297,801	352,810,820
Shareholders' equity			
Share capital	14	150,000,000	150,000,000
Statutory reserve	15	5,482,374	5,482,374
Retakaful reserve	15	642,503	642,503
Accumulated losses		(9,947,156)	(10,689,629)
Total shareholders' equity		146,177,721	145,435,248
Total shareholders' liabilities and equity		382,475,522	498,246,068
Total liabilities, policyholders' fund and equity		1,667,890,741	1,662,527,508

The condensed interim consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 14 November 2021.

Director

Director

The notes from 1 to 24 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated income statement
For the period ended 30 September 2021

	Three-month period ended 30 September 2021 (Unaudited) AED	Three-month period ended 30 September 2020 (Unaudited) AED	Nine-month period ended 30 September 2021 (Unaudited) AED	Nine-month period ended 30 September 2020 (Unaudited) AED
Attributable to policyholders				
Takaful income				
Gross takaful contribution	161,436,871	113,938,329	581,357,948	311,684,826
Accepted business	31,067	1,207,642	144,172	5,387,425
Retakaful share of ceded business	(77,459,055)	(32,067,335)	(237,265,877)	(92,040,017)
Net takaful contribution	84,008,883	83,078,636	344,236,243	225,032,234
Net transfer to unearned contribution reserves	21,779,740	42,793,119	(5,864,706)	48,655,706
Net takaful contribution earned	105,788,623	125,871,755	338,371,537	273,687,940
Discount earned	6,470,178	4,668,398	17,270,714	8,534,741
Policy fees and other income	-	16,667	-	23,684
Provision for retakaful reserve	-	(43,874)	-	(343,739)
Total underwriting income	112,258,801	130,512,946	355,642,251	281,902,626
Takaful expenses				
Gross claims paid	(94,237,990)	(93,467,651)	(313,529,700)	(225,882,921)
Retakaful share of ceded business claims	26,590,126	41,438,351	89,453,628	83,987,099
Net takaful claims paid	(67,647,864)	(52,029,300)	(224,076,072)	(141,895,822)
Change in provision for outstanding claims	(6,173,344)	(38,313,113)	30,695,812	(62,318,674)
Change in retakaful share of outstanding claims	6,110,600	7,062,582	(9,107,991)	16,957,324
Change in incurred but not reported claims	948,432	2,536,904	1,907,091	4,186,731
Change in unallocated loss adjustment expenses reserve	183,617	(1,741,926)	1,358,753	(1,843,457)
Change in provision for contribution deficiency reserve	179,490	1,969,285	2,414,550	(141,979)
Change in investment contracts and mathematical reserves	(18,859,579)	(22,527,370)	(79,987,202)	(22,527,370)
Net gain on assets held at fair value through profit or loss	7,757,240	11,872,904	47,476,356	11,872,904
Net takaful claims incurred	(77,501,408)	(91,170,034)	(229,318,703)	(195,710,343)
Excess of loss of takaful contribution	(2,763,918)	(792,102)	(5,687,876)	(1,790,881)
Other takaful recoveries / (expenses)	2,742,900	(436,952)	(2,660,839)	(436,952)
Total takaful expenses	(77,522,426)	(92,399,088)	(237,667,418)	(197,938,176)

The notes from 1 to 24 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated income statement
For the period ended 30 September 2021 (continued)

	Three-month period ended 30 September 2021 (Unaudited) AED	Three-month period ended 30 September 2020 (Unaudited) AED	Nine-month period ended 30 September 2021 (Unaudited) AED	Nine-month period ended 30 September 2020 (Unaudited) AED
Attributable to policyholders (continued)				
Net takaful income	34,736,375	38,113,858	117,974,833	83,964,450
Wakala fees	(44,539,972)	(26,557,886)	(128,062,687)	(87,135,770)
Mudarib's fee	3,644	(327,657)	(360,519)	(980,879)
Investment and other income/(expense)	346,068	(2,935,699)	1,674,858	(953,057)
(Deficit)/surplus for the period attributable to policyholders	(9,453,885)	8,292,616	(8,773,515)	(5,105,256)
Attributable to shareholders				
Wakala fees from policyholders (note 18)	44,539,972	26,557,886	128,062,687	87,135,770
Mudarib's fee (note 18)	(3,644)	327,657	360,519	980,879
Investment and other income/(expense)	7,475,122	(7,200,848)	16,142,710	(5,695,450)
General and administrative expenses	(16,552,551)	(23,540,770)	(52,145,109)	(43,899,231)
Acquisition cost of subsidiaries	-	(15,645,474)	-	(15,645,474)
Amortisation of intangibles	(1,102,268)	(2,070,445)	(3,306,804)	(2,070,445)
Policy acquisition cost	(21,113,067)	(22,994,714)	(56,191,178)	(46,394,715)
(Increase)/ decrease in bonus reserve	(381,024)	1,168,723	(1,574,018)	1,168,723
Other underwriting expenses	(762,412)	(93,784)	(2,808,311)	(949,906)
Financing costs	(1,514,159)	-	(4,244,508)	-
Gain on disposal of assets classified as held for sale	-	-	-	761,729
Gain on bargain purchase	-	50,186,596	-	50,186,596
Income for the period before Qard Hassan	10,585,969	6,694,827	24,295,988	25,578,476
(Provision against) / recovery for Qard Hassan to policyholders	(9,453,885)	8,292,616	(8,773,515)	(5,105,256)
Profit for the period attributable to shareholders	1,132,084	14,987,443	15,522,473	20,473,220
Earnings per share (AED)				
Basic and diluted (note 16)	0.008	0.100	0.103	0.136

The notes from 1 to 24 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated statement of comprehensive income
For the period ended 30 September 2021

	Three-month period ended 30 September 2021 (Unaudited) AED	Three-month period ended 30 September 2020 (Unaudited) AED	Nine-month period ended 30 September 2021 (Unaudited) AED	Nine-month period ended 30 September 2020 (Unaudited) AED
Attributable to policyholders				
(Loss)/profit for the period	<u>(9,453,885)</u>	8,292,616	<u>(8,773,515)</u>	(5,105,256)
Other comprehensive income				
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Reclassification adjustments relating to available for sale financial assets disposed of during the period	-	-	-	98,257
Other comprehensive income for the period	-	-	-	98,257
Total comprehensive (loss)/income for the period attributable to policyholders	<u>(9,453,885)</u>	8,292,616	<u>(8,773,515)</u>	(5,006,999)
Attributable to shareholders				
Profit for the period	1,132,084	14,987,443	15,522,473	20,473,220
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period attributable to shareholders	<u>1,132,084</u>	14,987,443	<u>15,522,473</u>	20,473,220

The notes from 1 to 24 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated statement of changes in equity
For the period ended 30 September 2021

	Share capital AED	Statutory reserve AED	Retakaful reserve AED	Accumulated losses AED	Total AED
As at 1 January 2020 (Audited)	150,000,000	3,217,989	-	(25,521,591)	127,696,398
Profit for the period	-	-	-	20,473,220	20,473,220
Total comprehensive income for the period	-	-	-	20,473,220	20,473,220
Dividend paid (note 23)	-	-	-	(4,905,000)	(4,905,000)
As at 30 September 2020 (Unaudited)	150,000,000	3,217,989	-	(9,953,371)	143,264,618
As at 1 January 2021 (Audited)	150,000,000	5,482,374	642,503	(10,689,629)	145,435,248
Profit for the period	-	-	-	15,522,473	15,522,473
Total comprehensive income for the period	-	-	-	15,522,473	15,522,473
Dividends paid (note 23)	-	-	-	(13,800,000)	(13,800,000)
Director's remuneration	-	-	-	(980,000)	(980,000)
As at 30 September 2021 (Unaudited)	150,000,000	5,482,374	642,503	(9,947,156)	146,177,721

The notes from 1 to 24 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated statement of cash flows
For the period ended 30 September 2021

	Nine-month period ended 30 September 2021 (Unaudited) AED	Nine-month period ended 30 September 2020 (Unaudited) AED
Cash flows from operating activities		
Profit for the period	15,522,473	20,473,220
Adjustments for:		
Depreciation of property and equipment	3,470,619	1,837,922
Amortisation of intangibles	5,931,282	2,503,682
Impairment of property and equipment	-	4,007,282
Change in the fair value of investment properties	-	9,985,137
Change in the fair value of financial assets	-	(6,121,669)
Realised gain on sale of financial assets carried at FVTPL	(273,587)	-
Unrealised gain on financial assets carried at FVTPL	(320,356)	-
Income from wakala deposits	(2,185,589)	(4,035,719)
Income from sukuk investments	(1,004,839)	(743,599)
Rental income	(564,711)	(1,154,860)
Provision for doubtful receivables	(228,254)	1,935,602
Amortisation of murabaha facility	-	(146,597)
Gain on disposal of assets held for sale	-	(761,729)
Gain on bargain purchase of subsidiaries	-	(50,186,596)
Provision for employees' end of service benefits	1,695,200	570,166
Operating cash flows before changes in working capital	22,042,238	(21,837,758)
Change in takaful and other receivables	(78,974,477)	36,557,331
Change in retakaful assets	(39,059,468)	(3,630,920)
Change in prepayments and other receivables	(8,313,135)	8,286,704
Change in takaful contract liabilities	17,941,245	308,933,680
Change in takaful payables	88,916,338	(426,392,787)
Change increase in other liabilities	(15,910,823)	99,005,685
Change in deferred policy cost	(13,361,352)	6,790,213
Change in gross mathematical reserves	1,253,850	-
Change in bonus reserves	(626,898)	-
Change in deferred discount	5,277,270	48,177
Cash (used in)/generated from operations	(20,815,212)	7,760,325
Employee's end of service benefits paid	(1,677,142)	(545,374)
Net cash (used in)/generated from operating activities	(22,492,354)	7,214,951
Cash flows from investing activities		
Purchase of property and equipment	(3,285,255)	(574,871)
Purchase of intangibles	-	(99,215)
Additions of investments carried at FVTPL	(29,352,108)	(7,364,344)
Amortisation of held to maturity	64,101	-
Income received on wakala deposits	2,059,065	4,035,719
Rental income received	564,711	1,154,860
Proceeds from disposal of assets classified as held for sale	-	1,633,736
Income received from sukuk	666,702	743,599
Net cash outflow on acquisition of subsidiaries	-	(110,106,600)
Wakala deposits matured / (made) during the period	100,454,315	(67,284,254)
Net cash generated from/(used in) investing activities	71,171,531	(177,861,370)

The notes from 1 to 24 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated statement of cash flows
For the period ended 30 September 2021 (continued)

	Nine-month period ended 30 September 2021 (Unaudited) AED	Nine-month period ended 30 September 2020 (Unaudited) AED
Cash flows from financing activities		
Dividends paid	(13,800,000)	(4,905,000)
Directors' remuneration	(980,000)	-
(Settlement of)/proceeds from murabaha facility	(105,605,660)	215,000,000
Payment of lease liabilities	(3,436,010)	-
Net cash (used in)/generated from financing activities	(123,821,670)	210,095,000
Net change in cash and cash equivalents	(75,142,493)	39,448,581
Cash and cash equivalents, beginning of period	132,303,606	27,378,056
Cash and cash equivalents, end of period (note 8)	57,161,113	66,826,637

The notes from 1 to 24 form an integral part of these condensed interim consolidated financial statements.

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

Notes to the condensed interim consolidated financial statements
For the period ended 30 September 2021

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 the amendments came into effect on 2 January 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

The Federal Decree-Law No. 25 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.

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
	30 September 2021	31 December 2020	
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 nine-month period ended 30 September 2021 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 2020. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

The Group has not early adopted any version of IFRS 9 and the activities of the Group are predominantly connected with insurance on 30 September 2021 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.

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

Notes to the condensed interim consolidated financial statements
For the period ended 30 September 2021

2 Basis of preparation (continued)

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 2020, except for application of new standards effective as of 1 January 2021 as several amendments and interpretations apply for the first time in 2021. 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 30 September 2021.

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. 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.

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

Notes to the condensed interim consolidated financial statements
For the period ended 30 September 2021

3 Significant accounting policies (continued)

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

Classification of investment properties and related fair value judgement

The Group makes judgement to determine whether a property qualifies as investment property and follows the guidance of IAS 40 'Investment Property' to consider whether any owner-occupied property is not significant and is classified accordingly 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 30 September 2021

4 Investment in securities

Available-for-sale investments

Available-for-sale investments comprise the following:

	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) 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>
Attributable to:		
Policyholders	-	1,000,000
Shareholders	6,943,000	5,943,000
	<u>6,943,000</u>	<u>6,943,000</u>

Investments at fair value through profit or loss

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

	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Investment in mutual funds	437,630,302	429,885,226
Investment in equity securities	<u>29,946,051</u>	-
Quoted securities inside UAE	29,946,051	-
Unquoted securities inside U.A.E.	28,982,117	31,343,481
Unquoted securities outside U.A.E.	408,648,185	398,541,745
	<u>467,576,353</u>	<u>429,885,226</u>
Attributable to:		
Policyholders	437,630,302	429,885,226
Shareholders	29,946,051	-
	<u>467,576,353</u>	<u>429,885,226</u>

Held to maturity investments

Financial assets held to maturity comprises the following:

	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Quoted debt securities inside U.A.E.	3,814,467	3,831,605
Unquoted debt securities inside U.A.E.	5,634,671	5,646,375
Quoted debt securities outside U.A.E.	8,921,641	8,954,986
Unquoted debt securities outside U.A.E.	3,678,086	3,680,000
	<u>22,048,865</u>	<u>22,112,966</u>
Attributable to:		
Policyholders	7,697,310	13,390,076
Shareholders	14,351,555	8,722,890
	<u>22,048,865</u>	<u>22,112,966</u>

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4 Investment in securities (continued)

The movement in investment in securities is as follows:

30 September 2021 (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 2021	6,943,000	429,885,226	22,112,966	458,941,192
Addition during the period	-	60,706,807	-	60,706,807
Disposal during the period	-	(71,085,979)	-	(71,085,979)
Amortisation of premiums	-	-	(64,101)	(64,101)
Fair value gain recorded in the consolidated income statement	-	48,070,299	-	48,070,299
At 30 September 2021	6,943,000	467,576,353	22,048,865	496,568,218
31 December 2020 (Audited)				
At 1 January 2020	10,869,178	-	10,724,187	21,593,365
Acquired through acquisition of subsidiary	-	396,587,000	-	396,587,000
Addition during the year	-	25,705,148	11,388,779	37,093,927
Disposal during the year	(2,350,308)	(33,148,430)	-	(35,498,738)
Fair value (loss)/gain recorded in the consolidated income statement	(1,575,870)	40,741,508	-	39,165,638
At 31 December 2020	6,943,000	429,885,226	22,112,966	458,941,192

5 Takaful and other receivables

	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Contributions receivable	265,061,223	199,061,593
Receivable from retakaful and other takaful companies	70,747,096	58,446,377
Other receivables	4,631,857	3,798,110
	340,440,176	261,306,080
Less: Provisions for doubtful receivables	(18,439,497)	(18,508,132)
	322,000,679	242,797,948

6 Wakala deposits

Statutory deposit represents a Wakala deposit under lien against the guarantees issued in favour of Insurance Authority of U.A.E. in accordance with Article 42 of United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations. Wakala deposits worth AED 40 million are hypothecated against Murabaha facility (note 13).

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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 nine-month period ended 30 September 2021. The carrying value of the investment properties as at 30 September 2021 is AED 36 million (31 December 2020: AED 36 million).

Investment properties are classified as Level 3 in the fair value hierarchy as at 30 September 2021 (31 December 2020: Level 3).

8 Cash and cash equivalents

	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED	30 September 2020 (Unaudited) AED
Cash on hand	146,599	106,382	318,674
Bank balances:			
Current accounts	56,216,955	131,390,207	61,967,407
Call accounts	797,559	807,017	4,540,556
	<u>57,161,113</u>	<u>132,303,606</u>	<u>66,826,637</u>
Attributable to:			
Policyholders	35,340,565	79,928,738	50,227,377
Shareholders	21,820,548	52,374,868	16,599,260
	<u>57,161,113</u>	<u>132,303,606</u>	<u>66,826,637</u>

9 Restricted deposit

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

10 Due from/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 34.8 AED million (31 December 2020: AED 5.8 million).

11 Takaful payables

	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Due to takaful companies, garages and other third parties	89,619,030	86,075,392
Due to retakaful companies	159,850,186	106,345,655
Other payables	36,749,221	4,881,052
	<u>286,218,437</u>	<u>197,302,099</u>

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12 Other liabilities

	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Policy acquisition costs payable	53,060,073	48,226,600
Accrued expenses and other payables	14,972,481	30,072,282
Lease liabilities	9,021,744	12,457,753
Employees' end of service benefits	6,237,447	6,014,272
Accrued leave salary	765,166	1,224,129
Other payable	3,519,416	8,910,066
	<u>87,576,327</u>	<u>106,905,102</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 period ended 30 September 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

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13 Murabaha payable (continued)

Other covenants (continued)

- Company to shift 100% wakala deposits of the Company to specified bank within 6 months from the completion of acquisition (except AED 30 million currently placed with specified finance provider until 31 December 2020, which will be shifted post the maturity of the deposit).

14 Share capital

	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Issued and fully paid:		
150,000,000 ordinary shares of AED 1 each		
(31 December 2020: 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 nine-month period ended 30 September 2021 (nine-month period ended 30 September 2020: Nil), as this will be based on the audited results for the year-end.

Retakaful reserve

In accordance with article 34 of Insurance Authority's Board of Directors Decision No. 23 of 2019, concerning instructions organising reinsurance operations, an amount of AED 642,503 was transferred from retained earnings to reinsurance reserve during the year ended 31 December 2020. The reserve is not available for distribution and will not be disposed of without prior approval from Insurance Authority.

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:

	Three-month period ended 30 September 2021 (Unaudited)	Three-month period ended 30 September 2020 (Unaudited)	Nine-month period ended 30 September 2021 (Unaudited)	Nine-month period ended 30 September 2020 (Unaudited)
Profit for the period attributable to shareholders (in AED)	1,132,084	14,987,443	15,522,473	20,473,220
Number of ordinary shares outstanding (shares)	150,000,000	150,000,000	150,000,000	150,000,000
Basic and diluted earnings per share (in AED)	0.008	0.100	0.103	0.136

Diluted earnings per share as of 30 September 2021 and 30 September 2020 are equivalent to basic earnings per share as the Group did not issue any new instrument that would impact earnings per share when executed.

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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.

Balances with related parties

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

	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED
<i>Takaful and other receivables</i>		
Other related parties	75,043	58,602

Transactions with related parties

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

	Three-month period ended 30 September 2021 (Unaudited) AED	Three-month period ended 30 September 2020 (Unaudited) AED	Nine-month period ended 30 September 2021 (Unaudited) AED	Nine-month period ended 30 September 2020 (Unaudited) AED
<i>Contributions written</i>				
Major shareholders	-	-	-	461,272
Other related parties	-	-	-	4,785,146
	-	-	-	5,246,418
<i>Management charges paid</i>				
Major shareholders	-	7,500	-	22,500

Compensation of key management personnel

	Three-month period ended 30 September 2021 (Unaudited) AED	Three-month period ended 30 September 2020 (Unaudited) AED	Nine-month period ended 30 September 2021 (Unaudited) AED	Nine-month period ended 30 September 2020 (Unaudited) AED
Short-term benefits	2,103,210	1,413,357	6,309,630	3,074,517
Employees' end of service benefits	79,590	21,260	238,770	82,930
	2,182,800	1,434,617	6,548,400	3,157,447

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18 Wakala and Mudarib's fees

Wakala fees

Wakala fees for the period ended 30 September 2021 amounted to AED 128.01 million (30 September 2020: AED 87.14 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 30 September 2021 amounted to AED 0.36 million (30 September 2020: AED 0.98 million).

19 Commitments and guarantees

Commitments

The Group has the following capital expenditure commitment at the reporting date:

	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Software development	-	183,500

Guarantees

As at 30 September 2021, the Group has outstanding bank guarantees amounting AED 299,940 (31 December 2020: AED 299,940).

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.

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20 Segment information (continued)

Nine-month period ended 30 September 2021 (Unaudited)

	General takaful AED	Employee benefits AED	Individual life AED	Investments AED	Total AED
Takaful income					
Gross takaful contribution	444,547,697	90,140,164	46,670,087	-	581,357,948
Accepted business	144,172	-	-	-	144,172
Retakaful share of ceded business	(153,452,411)	(80,780,810)	(3,032,656)	-	(237,265,877)
Net takaful contributions	291,239,458	9,359,354	43,637,431	-	344,236,243
Net transfer to unearned contribution reserve	(4,159,144)	(1,705,562)	-	-	(5,864,706)
Net takaful contributions earned	287,080,314	7,653,792	43,637,431	-	338,371,537
Discount earned	14,265,745	3,004,969	-	-	17,270,714
Total takaful income	301,346,059	10,658,761	43,637,431	-	355,642,251
Takaful expenses					
Gross claims paid	(278,100,510)	(35,123,636)	(305,554)	-	(313,529,700)
Retakaful share of ceded business paid	55,908,522	33,434,378	110,728	-	89,453,628
Net takaful claims paid	(222,191,988)	(1,689,258)	(194,826)	-	(224,076,072)
Change in provision for outstanding claims	26,665,327	4,180,485	(150,000)	-	30,695,812
Change in retakaful share of outstanding claims	(4,404,065)	(4,707,086)	3,160	-	(9,107,991)
Change in incurred but not reported claims	2,321,378	(414,287)	-	-	1,907,091
Change in unallocated loss adjustment expenses reserve	950,302	408,451	-	-	1,358,753
Change in provision for contribution deficiency reserve	2,395,596	18,954	-	-	2,414,550
Change in mathematical reserves	-	-	(79,987,202)	-	(79,987,202)
Net gain on assets held at fair value through profit or loss	-	-	47,476,356	-	47,476,356
Net takaful claims incurred	(194,263,450)	(2,202,741)	(32,852,512)	-	(229,318,703)
Excess of loss of takaful contribution	(5,687,876)	-	-	-	(5,687,876)
Other takaful income/(expenses)	814,312	488,758	(3,963,909)	-	(2,660,839)
Total takaful income	102,209,045	8,944,778	6,821,010	-	117,974,833

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20 Segment information (continued)

Nine-month period ended 30 September 2021 (Unaudited) (continued)

	General takaful AED	Employee benefits AED	Individual life AED	Investments AED	Total AED
Wakala (fees)/income	(104,935,220)	(15,201,384)	(7,926,083)	128,062,687	-
Mudarib's (fee)/income	(368,440)	7,921	-	360,519	-
Investment and other income	1,598,080	30,388	46,390	16,142,710	17,817,568
General and administrative expenses	-	-	-	(55,451,913)	(55,451,913)
Policy acquisition cost	-	-	-	(56,191,178)	(56,191,178)
Increase in bonus reserve	-	-	-	(1,574,018)	(1,574,018)
Other underwriting expenses	-	-	-	(2,808,311)	(2,808,311)
Finance costs	-	-	-	(4,244,508)	(4,244,508)
Profit/(loss) for the period	(1,496,535)	(6,218,297)	(1,058,683)	24,295,988	15,522,473

Nine-month period ended 30 September 2020 (Unaudited)

	General takaful AED	Employee benefits AED	Individual life AED	Investments AED	Total AED
Takaful income					
Gross takaful contribution	231,237,543	65,884,226	14,563,057	-	311,684,826
Accepted business	5,387,425	-	-	-	5,387,425
Retakaful share of ceded business	(64,302,266)	(27,010,502)	(727,249)	-	(92,040,017)
Net takaful contributions	172,322,702	38,873,724	13,835,808	-	225,032,234
Net transfer to unearned contributions reserve	59,036,810	(10,381,104)	-	-	48,655,706
Net takaful contributions earned	231,359,512	28,492,620	13,835,808	-	273,687,940
Discount earned	8,298,773	235,968	-	-	8,534,741
Policy fee and other income	23,684	-	-	-	23,684
Provision of retakaful reserve	(273,177)	(70,562)	-	-	(343,739)
Total takaful income	239,408,792	28,658,026	13,835,808	-	281,902,626
Takaful expenses					
Gross claims paid	(182,132,538)	(43,750,383)	-	-	(225,882,921)
Retakaful share of ceded business claims	58,308,449	25,678,650	-	-	83,987,099
Net takaful claims paid	(123,824,089)	(18,071,733)	-	-	(141,895,822)
Provision for outstanding claims	(65,566,673)	3,247,999	-	-	(62,318,674)
Change in retakaful share of outstanding claims	24,191,319	(7,233,995)	-	-	16,957,324
Change in incurred but not reported claims	3,068,491	1,118,240	-	-	4,186,731
Change in unallocated loss adjustment expenses reserve	(1,589,562)	(253,895)	-	-	(1,843,457)
Changes in the provision for contribution deficiency reserve	(389,775)	247,796	-	-	(141,979)
Change in investment contracts and mathematical reserves	-	-	(22,527,370)	-	(22,527,370)
Net gain on assets held at fair value through profit or loss	-	-	11,872,904	-	11,872,904
Net takaful claims incurred	(164,110,289)	(20,945,588)	(10,654,466)	-	(195,710,343)

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20 Segment information (continued)

Nine-month period ended 30 September 2020 (Unaudited) (continued)

	General takaful AED	Employee benefits AED	Individual life AED	Investments AED	Total AED
Excess of loss of takaful contribution	(1,592,837)	(198,044)	-	-	(1,790,881)
Other takaful (expenses)/ recoveries	(1,445,873)	1,008,921	-	-	(436,952)
Net takaful income	72,259,793	8,523,315	3,181,342	-	83,964,450
Wakala (fees)/income	(67,878,576)	(16,572,930)	(2,684,264)	87,135,770	-
Mudarib's (fee)/income	(980,879)	-	-	980,879	-
Investment and other (expense)/income	(975,844)	22,787	-	(5,695,450)	(6,648,507)
General and administrative expenses	-	-	-	(45,969,676)	(45,969,676)
Acquisition cost of subsidiaries	-	-	-	(15,645,474)	(15,645,474)
Policy acquisition cost	-	-	-	(46,394,715)	(46,394,715)
Decrease in bonus reserve	-	-	-	1,168,723	1,168,723
Other underwriting expenses	-	-	-	(949,906)	(949,906)
Gain on disposal of assets classified as held for sale	-	-	-	761,729	761,729
Gain on bargain purchase	-	-	-	50,186,596	50,186,596
Profit / (loss) for the period	2,424,494	(8,026,828)	497,078	25,578,476	20,473,220

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

30 September 2021 (Unaudited)

	Takaful AED	Investment AED	Total AED
Total assets	1,281,812,804	386,077,937	1,667,890,741
Total liabilities	1,285,415,219	236,297,801	1,521,713,020

31 December 2020 (Audited)

	Takaful AED	Investment AED	Total AED
Total assets	1,158,258,832	504,268,676	1,662,527,508
Total liabilities	1,164,281,440	352,810,820	1,517,092,260

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).

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21 Fair value measurements (continued)

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			Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	30 September 2021 AED	31 December 2020 AED	Fair value hierarchy			
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
Financial assets at fair value through profit or loss						
Mutual funds units	437,630,302	429,885,226	Level 3	Net assets valuation method	Net assets value	Higher the net assets value of the investees, higher the fair value
Quoted equity securities	29,946,051	-	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).

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24 Seasonality of results impact of Covid-19

The Group's investment income is dependent on market conditions, its investment activities and declaration of profits by investee companies, which are of a seasonal nature. Also, the Group is continuing to monitor the impact of COVID-19 on its financial performance. To date, no significant impact on the credit risk or instances of default have been noted by the management. Accordingly, results for the period ended 30 September 2021 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 2021.