

Dar Al Takaful PJSC
Dubai - United Arab Emirates

Condensed interim consolidated financial statements
(Unaudited)

For the period ended 30 June 2021

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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 June 2021, the related condensed interim consolidated income statement, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity, condensed interim consolidated statement of cash flows and other related explanatory notes for the six-month period then ended. 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, 11 August 2021**

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

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

	Notes	30 June 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	448,288,730	429,885,226
Held to maturity investments	4	7,733,921	13,390,076
Due from shareholders	10	6,883,742	25,786,539
Retakaful contract assets:			
Unearned contribution		90,876,422	51,250,635
Claims reported unsettled		125,925,180	141,143,771
Claims incurred but not reported		15,223,989	16,827,982
Contribution deficiency reserve		12,485	200,430
Mathematical reserve		8,190,134	8,802,820
Takaful and other receivables	5	326,961,038	242,797,948
Prepayments and other receivables		3,879,002	3,744,919
Wakala deposits	6	177,697,700	127,731,667
Investment properties	7	-	15,768,081
Cash and cash equivalents	8	51,117,938	79,928,738
Total takaful operations' assets		1,262,790,281	1,158,258,832
Shareholders' assets			
Property and equipment		23,568,842	21,807,987
Intangible assets		89,039,110	93,115,327
Investment properties	7	36,067,857	20,299,776
Deferred policy cost		25,794,776	12,994,006
Available-for-sale investments	4	6,943,000	5,943,000
Investments at fair value through profit or loss	4	28,855,348	-
Held to maturity investments	4	14,365,682	8,722,890
Restricted deposit	9	16,000,000	16,000,000
Wakala deposits	6	95,015,822	259,336,170
Prepayments and other receivables		18,920,766	13,674,652
Cash and cash equivalents	8	26,602,254	52,374,868
Total shareholders' assets		381,173,457	504,268,676
Total assets		1,643,963,738	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 June 2021 (continued)

	Notes	30 June 2021 (Unaudited) AED	31 December 2020 (Audited) AED
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations' liabilities			
Deferred discount		10,182,905	4,093,442
Takaful contract liabilities:			
Unearned contribution		282,291,502	214,512,341
Claims reported unsettled		226,547,255	263,416,413
Claims incurred but not reported		32,116,715	34,679,368
Unallocated loss adjustment expenses		4,554,945	5,730,083
Contribution deficiency reserve		36,438	1,831,156
Unexpired risk reserve		1,286,899	1,915,187
Mathematical reserve		10,678,696	10,916,125
Takaful payables	11	252,440,977	197,302,099
Investment contracts liabilities		448,288,730	429,885,226
Total takaful operations' liabilities		1,268,425,062	1,164,281,440
Takaful operations' deficit			
Qard Hassan against deficit in policyholders' fund		(213,060,524)	(213,740,895)
Less: Provision against Qard Hassan to policyholders' Fund		213,060,524	213,740,895
Total deficit from takaful operations		-	-
Total takaful operations' liabilities and deficit		1,268,425,062	1,164,281,440
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Other liabilities	12	106,385,094	106,905,102
Bonus reserves, net		5,245,803	5,263,519
Due to policyholders	10	6,883,742	25,786,539
Murabaha payable	13	111,978,401	214,855,660
Total shareholders' liabilities		230,493,039	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		(11,079,240)	(10,689,629)
Total shareholders' equity		145,045,637	145,435,248
Total shareholders' liabilities and equity		375,538,676	498,246,068
Total liabilities, policyholders' fund and equity		1,643,963,738	1,662,527,508

The condensed interim consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 11 August 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 six-month period ended 30 June 2021

	Three-month period ended 30 June 2021 (Unaudited) AED	Three-month period ended 30 June 2020 (Unaudited) AED	Six-month period ended 30 June 2021 (Unaudited) AED	Six-month period ended 30 June 2020 (Unaudited) AED
Attributable to policyholders				
Takaful income				
Gross takaful contribution	217,135,768	93,357,856	419,921,077	197,746,497
Accepted business	88,475	3,781,581	113,105	4,179,783
Retakaful share of ceded business	(70,487,676)	(23,714,605)	(159,806,822)	(59,972,682)
Net takaful contribution	146,736,567	73,424,832	260,227,360	141,953,598
Net transfer to unearned contribution reserves	(21,938,827)	4,807,660	(27,644,446)	5,862,587
Net takaful contribution earned	124,797,740	78,232,492	232,582,914	147,816,185
Discount earned	6,023,515	2,203,600	10,800,536	3,866,343
Policy fees and other income	-	5,820	-	7,017
Provision for retakaful reserve	-	(118,575)	-	(299,865)
Total underwriting income	130,821,255	80,323,337	243,383,450	151,389,680
Takaful expenses				
Gross claims paid	(102,743,500)	(63,367,496)	(219,291,710)	(132,415,270)
Retakaful share of ceded business claims	19,276,493	15,576,907	62,863,502	42,548,748
Net claims paid	(83,467,007)	(47,790,589)	(156,428,208)	(89,866,522)
Change in provision for outstanding claims	12,266,017	(13,247,172)	36,869,156	(24,005,561)
Change in retakaful share of outstanding claims	3,989,102	6,971,302	(15,218,591)	9,894,742
Change in incurred but not reported claims	(1,081,361)	(371,029)	958,659	1,649,827
Change in unallocated loss adjustment expenses reserve	738,182	(152,278)	1,175,136	(101,531)
Change in provision for contribution deficiency reserve	596,680	(2,718,523)	2,235,060	(2,111,264)
Change in investment contracts and mathematical reserves	(37,692,273)	-	(61,127,623)	-
Net gain on assets held at fair value through profit or loss	26,143,638	-	39,719,116	-
Net takaful claims incurred	(78,507,022)	(57,308,289)	(151,817,295)	(104,540,309)
Excess of loss of takaful contribution	(1,571,320)	(459,605)	(2,923,958)	(998,779)
Other takaful expenses	(4,350,965)	-	(5,403,739)	-
Total takaful expenses	(84,429,307)	(57,767,894)	(160,144,992)	(105,539,088)

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 six-month period ended 30 June 2021 (continued)

	Three-month period ended 30 June 2021 (Unaudited) AED	Three-month period ended 30 June 2020 (Unaudited) AED	Six-month period ended 30 June 2021 (Unaudited) AED	Six-month period ended 30 June 2020 (Unaudited) AED
Attributable to policyholders (continued)				
Net takaful income	46,391,948	22,555,443	83,238,458	45,850,592
Wakala fees	(39,062,538)	(29,141,830)	(83,522,715)	(60,577,884)
Mudarib's fee	(145,036)	(279,661)	(364,163)	(653,222)
Investment and other income	597,742	892,921	1,328,790	1,982,642
Surplus/(deficit) for the period attributable to policyholders	7,782,116	(5,973,127)	680,370	(13,397,872)
Attributable to shareholders				
Wakala fees from policyholders (note 18)	39,062,538	29,141,830	83,522,715	60,577,884
Mudarib's fee (note 18)	145,036	279,661	364,163	653,222
Investment and other income	5,642,789	887,295	8,667,588	1,505,398
General and administrative expenses	(18,304,899)	(9,932,052)	(35,592,558)	(20,358,461)
Amortisation of intangibles	(1,102,268)	-	(2,204,536)	-
Policy acquisition cost	(23,655,259)	(11,966,172)	(35,078,111)	(23,400,001)
Increase in bonus reserve	(120,034)	-	(1,192,994)	-
Other underwriting expenses	(1,051,370)	(258,411)	(2,045,899)	(856,122)
Financing costs	(1,266,766)	-	(2,730,349)	-
Gain on disposal of assets classified as held for sale	-	761,729	-	761,729
(Loss)/income for the period before Qard Hassan	(650,233)	8,913,880	13,710,019	18,883,649
Recovery against/(provision for) Qard Hassan to policyholders	7,782,116	(5,973,127)	680,370	(13,397,872)
Profit for the period attributable to shareholders	7,131,883	2,940,753	14,390,389	5,485,777
Earnings per share (AED)				
Basic and diluted (note 14)	0.048	0.020	0.096	0.037

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 six-month period ended 30 June 2021**

	Three-month period ended 30 June 2021 (Unaudited) AED	Three-month period ended 30 June 2020 (Unaudited) AED	Six-month period ended 30 June 2021 (Unaudited) AED	Six-month period ended 30 June 2020 (Unaudited) AED
Attributable to policyholders				
Profit/(loss) for the period	7,782,116	(5,973,127)	680,370	(13,397,872)
Other comprehensive income				
<i>Items that maybe reclassified subsequently to profit or loss</i>				
Reclassification adjustments relating to available for sale financial assets disposed of during the period	-	147,974	-	98,257
Other comprehensive income for the period	-	147,974	-	98,257
Total comprehensive income/(loss) for the period attributable to policyholders	7,782,116	(5,825,153)	680,370	(13,299,615)
Attributable to shareholders				
Profit for the period	7,131,883	2,940,753	14,390,389	5,485,777
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period attributable to shareholders	7,131,883	2,940,753	14,390,389	5,485,777

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 six-month period ended 30 June 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	-	-	-	5,485,777	5,485,777
Total comprehensive income for the period	-	-	-	5,485,777	5,485,777
As at 30 June 2020 (Unaudited)	150,000,000	3,217,989	-	(20,035,814)	133,182,175
As at 1 January 2021 (Audited)	150,000,000	5,482,374	642,503	(10,689,629)	145,435,248
Profit for the period	-	-	-	14,390,389	14,390,389
Total comprehensive income for the period	-	-	-	14,390,389	14,390,389
Dividends paid (note 23)	-	-	-	(13,800,000)	(13,800,000)
Director's remuneration	-	-	-	(980,000)	(980,000)
As at 30 June 2021 (Unaudited)	150,000,000	5,482,374	642,503	(11,079,240)	145,045,637

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)****Condensed interim consolidated statement of cash flows****For the six-month period ended 30 June 2021**

	Six-month period ended 30 June 2021 (Unaudited) AED	Six-month period ended 30 June 2020 (Unaudited) AED
Cash flows from operating activities		
Profit for the period	14,390,389	5,485,777
Adjustments for:		
Depreciation of property and equipment	2,256,809	790,363
Amortisation of intangibles	4,076,217	262,013
Realised loss on sale of available-for-sale investments	-	206,591
Income from wakala deposits	(1,569,386)	(2,285,274)
Income from sukuk investments	(480,614)	(420,258)
Rental income	(368,646)	(839,742)
Unrealised gain on investment on equity securities provision for doubtful receivables	(127,595) 509,483	- 1,002,229
Gain on sale of assets classified as held for sale	-	(761,729)
Provision for employees' end of service benefits	1,309,185	306,577
Operating cash flows before changes in working capital	19,995,842	3,746,547
Change in takaful and other receivables	(84,672,573)	27,218,251
Change in retakaful assets	(22,002,572)	(6,039,390)
Change in prepayments and other receivables	(4,101,049)	(1,608,049)
Change in takaful contract liabilities	24,749,206	14,850,587
Change in takaful payables	55,138,878	(10,746,721)
Change increase in other liabilities	2,236,099	(1,834,778)
Change in deferred policy cost	(12,800,770)	-
Gross mathematical reserves	(237,429)	-
Bonus reserves	(17,718)	(2,621,356)
Change in deferred discount	6,089,463	1,652,721
Cash (used in)/generated from operations	(15,622,623)	24,617,812
Employee's end of service benefits paid	(1,385,806)	(88,925)
Net cash (used in)/generated from operating activities	(17,008,429)	24,528,887
Cash flows from investing activities		
Purchase of property and equipment	(4,017,663)	(172,716)
Transfer of property and equipment	-	112,499
Purchase of intangible assets	-	(68,874)
Proceed from disposal of assets classified as held for sale	-	422,224
Purchase of investments in securities	(28,727,753)	(11,388,779)
Proceeds from sale of investment securities	-	2,241,974
Held to maturity amortisation of discounts	13,363	-
Income received on wakala deposits	952,535	2,285,274
Rental income received	368,646	839,742
Income received from sukuk	(181,683)	420,258
Wakala deposits encashed/(made)	114,354,315	(11,384,946)
Net cash generated from/(used in) investing activities	82,761,760	(16,693,344)

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 six-month period ended 30 June 2021 (continued)

	(Unaudited) Six-month period ended 30 June 2021 AED	(Unaudited) Six-month period ended 30 June 2020 AED
Cash flows from financing activities		
Dividends paid (note 23)	(13,800,000)	-
Directors' remuneration	(980,000)	-
Settlement of mudaraba facility	(102,877,259)	-
Payment of lease liabilities	(2,679,486)	-
Net cash used in financing activities	<u>(120,336,745)</u>	-
Net change in cash and cash equivalents	(54,583,414)	7,835,543
Cash and cash equivalents, beginning of period	132,303,606	27,378,056
Cash and cash equivalents, end of period (note 8)	<u>77,720,192</u>	<u>35,213,599</u>

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 six-month period ended 30 June 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
	31 June 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 six-month period ended 30 June 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 June 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 six-month period ended 30 June 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 subsidiary as at 30 June 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

These condensed interim consolidated financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2020. Certain amendments to accounting standards and annual improvements, as disclosed in the Group's most recent annual financial statements for the year ended 31 December 2020, are applicable on the Group but do not have any material impact on these condensed interim consolidated financial statements.

Interim reporting

The accounting policies used in the preparation of the condensed interim consolidated financial statements are consistent with those used in the preparation of the financial statements for the year ended 31 December 2020 except for the changes in the accounting policies implemented by management from 1 January 2021.

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)
Notes to the condensed interim consolidated financial statements
For the six-month period ended 30 June 2021

3 Significant accounting policies (continued)

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.

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 for disclosure purposes only, considering the rental yield (income 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 Earnings Multiple and 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 statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant Takaful receivables, the 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 six-month period ended 30 June 2021

4 Investment in securities

Available-for-sale investments

Available-for-sale investments comprise the following:

	30 June 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 June 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Investment in mutual funds	448,288,730	429,885,226
Investment in equity securities	28,855,348	-
Quoted securities inside UAE	28,855,348	-
Unquoted securities inside U.A.E.	-	31,343,481
Unquoted securities outside U.A.E.	448,288,730	398,541,745
	<u>477,144,078</u>	<u>429,885,226</u>
Attributable to:		
Policyholders	448,288,730	429,885,226
Shareholders	28,855,348	-
	<u>477,144,078</u>	<u>429,885,226</u>

Held to maturity investments

Financial assets held to maturity comprises the following:

	30 June 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Quoted debt securities inside U.A.E.	3,827,560	3,831,605
Unquoted debt securities inside U.A.E.	5,643,923	5,646,375
Quoted debt securities outside U.A.E.	8,948,476	8,954,986
Unquoted debt securities outside U.A.E.	3,679,644	3,680,000
	<u>22,099,603</u>	<u>22,112,966</u>
Attributable to:		
Policyholders	7,733,921	13,390,076
Shareholders	14,365,682	8,722,890
	<u>22,099,603</u>	<u>22,112,966</u>

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4 Investment in securities (continued)

The movement in investment in securities is as follows:

	Available-for-sale investments AED	Investments at fair value through profit or loss AED	Held to maturity investments AED	Total AED
30 June 2021 (Unaudited)				
At 1 January 2021	6,943,000	429,885,226	22,112,966	458,941,192
Addition during the period	-	49,856,238	-	49,856,238
Disposal during the period	-	(42,444,097)	-	(42,444,097)
Amortisation of premiums	-	-	(13,363)	(13,363)
Fair value gain recorded in the consolidated statement of income	-	39,846,711	-	39,846,711
At 30 June 2021	6,943,000	477,144,078	22,099,603	506,186,681
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 statement of income	(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 June 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Contributions receivable	272,253,658	199,061,593
Receivable from retakaful and other takaful companies	69,399,683	58,446,377
Other receivables	3,784,931	3,798,110
	345,438,272	261,306,080
Less: Provisions for doubtful receivables	(18,477,234)	(18,508,132)
	326,961,038	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 six-month period ended 30 June 2021. The carrying value of the investment properties as at 30 June 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 June 2021 (31 December 2020: Level 3).

8 Cash and cash equivalents

	30 June 2021 (Unaudited) AED	31 December 2020 (Audited) AED	31 June 2020 (Unaudited) AED
Cash on hand	144,832	106,382	137,373
Bank balances:			
Current accounts	77,434,118	131,390,207	30,951,209
Call accounts	141,242	807,017	4,125,017
	<u>77,720,192</u>	<u>132,303,606</u>	<u>35,213,599</u>
Attributable to:			
Policyholders	51,117,938	79,928,738	24,834,818
Shareholders	26,602,254	52,374,868	10,378,781
	<u>77,720,192</u>	<u>132,303,606</u>	<u>35,213,599</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 7 AED million (31 December 2020: AED 26 million).

11 Takaful payables

	30 June 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Due to takaful companies, garages and other third parties	66,318,863	86,075,392
Due to retakaful companies	150,919,175	106,345,655
Other payables	35,202,939	4,881,052
	<u>252,440,977</u>	<u>197,302,099</u>

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12 Other liabilities

	30 June 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Policy acquisition costs payable	51,773,674	48,226,600
Accrued expenses and other payables	19,584,105	30,072,282
Lease liabilities	9,883,372	12,457,753
Employees' end of service benefits	6,140,924	6,014,272
Accrued leave salary	896,652	1,224,129
Other payable	18,106,367	8,910,066
	106,385,094	106,905,102

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 finance rate 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 June 2021.

Tranche B consist of AED 115 million carrying flexible finance rate of 3 months EIBOR plus 2.9% having a maturity period of 5 years ending 30 June 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 June 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)	<u>150,000,000</u>	<u>150,000,000</u>

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 six-month period ended 30 June 2021 (Six-month period ended 30 June 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 June 2021 (Unaudited)	Three-month period ended 30 June 2020 (Unaudited)	Six-month period ended 30 June 2021 (Unaudited)	Six-month period ended 30 June 2020 (Unaudited)
Profit for the period attributable to shareholders (in AED)	7,131,883	2,940,753	14,390,389	5,485,777
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)	<u>0.048</u>	<u>0.020</u>	<u>0.096</u>	<u>0.037</u>

Diluted earnings per share as of 30 June 2021 and 30 June 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 June 2021 (Unaudited) AED	31 December 2020 (Audited) AED
<i>Takaful and other receivables</i>		
Other related parties	56,505	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 June 2021 AED (Unaudited)	Three-month period ended 30 June 2020 AED (Unaudited)	Six-month period ended 30 June 2021 AED (Unaudited)	Six-month period ended 30 June 2020 AED (Unaudited)
<i>Contributions written</i>				
Major shareholders	-	1,440	-	461,272
Other related parties	-	1,402,526	-	4,785,146
	-	1,403,966	-	5,246,418
<i>Management charges paid</i>				
Major shareholders	-	7,500	-	15,000

Compensation of key management personnel

	Three-month period ended 30 June 2021 AED (Unaudited)	Three-month period ended 30 June 2020 AED (Unaudited)	Six-month period ended 30 June 2021 AED (Unaudited)	Six-month period ended 30 June 2020 AED (Unaudited)
Short-term benefits	2,103,210	830,580	4,206,420	1,661,160
Employees' end of service benefits	79,590	30,835	159,180	61,670
	2,182,800	861,415	4,365,600	1,722,830

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18 Wakala and Mudarib's fees

Wakala fees

Wakala fees for the period ended 30 June 2021 amounted to AED 83.5 million (30 June 2020: AED 60.6 million). The fees are calculated at maximum rate of 30% of gross takaful contributions. Wakala fee is charged to the statement of income when incurred.

Mudarib's fee

The shareholders also manage the policyholders' investment funds and charge Mudarib's fee. Mudarib's fee is charged at 35% of realised investment income. Mudarib's fees for the period ended 30 June 2021 amounted to AED 364,163 (30 June 2020: AED 653,222).

19 Commitments and guarantees

Commitments

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

	30 June 2021 AED	31 December 2020 AED
Software development	-	183,500

Guarantees

As at 30 June 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 three business segments, general takaful, employee benefits 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)

Six-month period ended 30 June 2021 (Unaudited)

	General takaful AED	Employee benefits AED	Individual life AED	Investments AED	Total AED
Takaful income					
Gross takaful contribution	328,316,580	59,737,488	31,867,009	-	419,921,077
Accepted business	113,105	-	-	-	113,105
Retakaful share of ceded business	(106,695,140)	(51,068,401)	(2,043,281)	-	(159,806,822)
Net takaful contributions	221,734,545	8,669,087	29,823,728	-	260,227,360
Net transfer to unearned contribution reserve	(26,252,669)	(1,391,777)	-	-	(27,644,446)
Net takaful contributions earned	195,481,876	7,277,310	29,823,728	-	232,582,914
Discount earned	8,699,417	2,101,119	-	-	10,800,536
Total takaful income	204,181,293	9,378,429	29,823,728	-	243,383,450
Takaful expenses					
Gross claims paid	(192,670,310)	(26,315,846)	(305,554)	-	(219,291,710)
Retakaful share of ceded business paid	37,403,591	25,349,183	110,728	-	62,863,502
Net takaful claims paid	(155,266,719)	(966,663)	(194,826)	-	(156,428,208)
Provision for outstanding claims	31,060,855	5,658,301	150,000	-	36,869,156
Retakaful share of outstanding claims	(8,765,712)	(6,381,039)	(71,840)	-	(15,218,591)
Change in incurred but not reported claims	1,327,595	(368,936)	-	-	958,659
Change in unallocated loss adjustment expenses reserve	849,879	325,257	-	-	1,175,136
Change in provision for contribution deficiency reserve	2,265,812	(30,752)	-	-	2,235,060
Change in mathematical reserves	-	-	(61,127,623)	-	(61,127,623)
Net gain on assets held at fair value through profit or loss	-	-	39,719,116	-	39,719,116
Net claims incurred	(128,528,290)	(1,763,832)	(21,525,173)	-	(151,817,295)
Excess of loss of takaful contribution	(2,923,958)	-	-	-	(2,923,958)
Other takaful (expenses)/income	(3,275,972)	488,758	(2,616,525)	-	(5,403,739)
Total takaful income	69,453,073	8,103,355	5,682,030	-	83,238,458

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20 Segment information (continued)

Six-month period ended 30 June 2021 (Unaudited) (continued)

	General takaful AED	Employee benefits AED	Individual life AED	Investments AED	Total AED
Wakala fee	(67,201,104)	(10,531,315)	(5,790,296)	83,522,715	-
Mudarib's (fee)/income	(378,103)	13,940	-	364,163	-
Policy acquisition cost	-	-	-	(35,078,111)	(35,078,111)
Other underwriting expenses	-	-	-	(2,045,899)	(2,045,899)
General and administrative expenses	-	-	-	(37,797,094)	(37,797,094)
Finance cost	-	-	-	(2,730,349)	(2,730,349)
Investment and other income/(loss)	1,323,181	(18,931)	24,540	8,667,588	9,996,378
Decrease in bonus reserve	-	-	-	(1,192,994)	(1,192,994)
Profit/(loss) for the period	3,197,047	(2,432,951)	(83,726)	13,710,019	14,390,389

Six-month period ended 30 June 2020 (Unaudited)

	General takaful AED	Employee benefits AED	Individual life AED	Investments AED	Total AED
Takaful income					
Gross takaful contribution	187,710,222	10,036,275	-	-	197,746,497
Accepted business	4,179,783	-	-	-	4,179,783
Retakaful share of ceded business	(50,623,036)	(9,349,646)	-	-	(59,972,682)
Net takaful contributions	141,266,969	686,629	-	-	141,953,598
Net transfer to unearned contributions reserve	6,111,638	(249,051)	-	-	5,862,587
Net takaful contributions earned	147,378,607	437,578	-	-	147,816,185
Discount earned	3,727,527	138,816	-	-	3,866,343
Policy fee	7,017	-	-	-	7,017
Provision of retakaful reserve	(253,117)	(46,748)	-	-	(299,865)
Total takaful income	150,860,034	529,646	-	-	151,389,680
Takaful expenses					
Gross claims paid	(127,164,103)	(5,251,167)	-	-	(132,415,270)
Retakaful share of ceded business claims	37,580,973	4,967,775	-	-	42,548,748
Net takaful claims paid	(89,583,130)	(283,392)	-	-	(89,866,522)
Provision for outstanding claims	(22,458,770)	(1,546,791)	-	-	(24,005,561)
Retakaful share of outstanding claims	8,423,084	1,471,658	-	-	9,894,742
Change in incurred but not reported claims	1,603,614	46,213	-	-	1,649,827
Change in unallocated loss adjustment expenses reserve	(210,688)	109,157	-	-	(101,531)
Change in provision for contribution deficiency reserve	(2,275,290)	164,026	-	-	(2,111,264)
Net claims incurred	(104,501,180)	(39,129)	-	-	(104,540,309)

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20 Segment information (continued)

Six-month period ended 30 June 2020 (Unaudited) (continued)

	General takaful AED	Employee benefits AED	Individual life AED	Investments AED	Total AED
Excess of loss of takaful contribution	(998,779)	-	-	-	(998,779)
Total takaful income	45,360,075	490,517	-	-	45,850,592
Wakala (fees)/income	(57,165,551)	(3,412,333)	-	60,577,884	-
Mudarib's (fee)/income	(653,222)	-	-	653,222	-
Policy acquisition cost	-	-	-	(23,400,001)	(23,400,001)
Other underwriting expenses	-	-	-	(856,122)	(856,122)
General and administrative expenses	-	-	-	(20,358,461)	(20,358,461)
Investment and other income	1,982,642	-	-	1,505,398	3,488,040
Gain on disposal of assets classified as held for sale	-	-	-	761,729	761,729
(Loss)/profit for the period	(10,476,056)	(2,921,816)	-	18,883,649	5,485,777

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

30 June 2021 (Unaudited)

	Takaful AED	Investment AED	Total AED
Total assets	1,262,790,281	381,173,457	1,643,963,738
Total liabilities	1,268,425,062	230,493,039	1,498,918,101

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).

The table on the next page 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:

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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
	30 June 2021	30 June 2020				
	AED	AED				
Available for sale investments						
Unquoted equity securities	5,943,000	7,518,870	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	448,288,730	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	28,855,348	-	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 (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 June 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.