

Dar Al Takaful PJSC
Dubai - United Arab Emirates

Condensed interim consolidated financial statements
(Unaudited)

For the period ended 31 March 2021



Grant Thornton

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**Grant Thornton
United Arab Emirates**

Rolex Tower
Level 23
Sheikh Zayed Road
P.O. Box 1620
Dubai

T +971 4 388 9925

F +971 4 388 9915

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 31 March 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 three months 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 May 2021



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

Condensed interim consolidated statement of financial position
As at 31st March 2021

	Notes	31 March 2021 (Unaudited) AED	31 December 2020 (Audited) AED
ASSETS			
Takaful operations' assets			
Available-for-sale investments	4	1,000,000	1,000,000
Investments at fair value through profit or loss	4	435,347,099	429,885,226
Held to maturity Investments	4	13,390,076	13,390,076
Due from shareholders		47,513,852	25,786,539
Retakaful contract assets:			
Unearned contribution		79,138,254	51,250,635
Claims reported unsettled		121,936,077	141,143,771
Claims incurred but not reported		19,297,697	16,827,982
Contribution deficiency reserve		49,001	200,430
Mathematical reserve		9,407,759	8,802,820
Takaful and other receivables	5	280,976,490	242,797,948
Prepayments and other receivables		3,976,186	3,744,919
Wakala deposits	6	109,300,000	127,731,667
Investment properties	7	15,768,081	15,768,081
Cash and cash equivalents	8	70,898,836	79,928,738
Total takaful operations' assets		1,207,999,408	1,158,258,832
Shareholders' assets			
Property and equipment		21,986,705	21,807,987
Intangible assets		91,035,442	93,115,327
Investment properties	7	20,299,776	20,299,776
Deferred policy cost		22,514,442	12,994,006
Available-for-sale investments	4	5,943,000	5,943,000
Held to maturity investments	4	8,722,890	8,722,890
Restricted deposit	9	16,000,000	16,000,000
Wakala deposits	6	178,033,459	259,336,170
Prepayments and other receivables		14,428,954	13,674,652
Cash and cash equivalents	8	38,354,581	52,374,868
Total shareholders' assets		417,319,249	504,268,676
Total assets		1,625,318,657	1,662,527,508

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

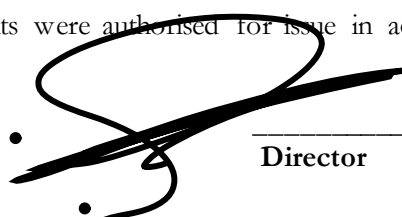
Dar Al Takaful PJSC**Condensed interim consolidated financial statements (Unaudited)****Condensed interim consolidated statement of financial position****As at 31 March 2021 (continued)**

	Notes	31 March 2021 (Unaudited) AED	31 December 2020 (Audited) AED
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations' liabilities			
Deferred discount		8,559,890	4,093,442
Takaful contract liabilities:			
Unearned contribution		248,546,736	214,512,341
Claims reported unsettled		238,813,272	263,416,413
Claims incurred but not reported		35,109,059	34,679,368
Unallocated loss adjustment expenses		5,293,127	5,730,083
Contribution deficiency reserve		469,775	1,831,156
Unexpired risk reserve		1,486,758	1,915,187
Mathematical reserve		11,606,731	10,916,125
Takaful payables	11	222,226,499	197,302,099
Investment contracts liabilities		435,347,099	429,885,226
Total takaful operations' liabilities		1,207,458,946	1,164,281,440
Takaful operations' deficit			
Qard Hassan against deficit in policyholders' fund		(220,842,641)	(213,740,895)
Less: Provision against Qard Hassan to policyholders' Fund		220,842,641	213,740,895
Total deficit from takaful operations		-	-
Total takaful operations' liabilities and deficit		1,207,458,946	1,164,281,440
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Other liabilities	12	99,763,622	106,905,102
Bonus reserves, net		5,907,823	5,263,519
Due to policyholders		47,513,852	25,786,539
Murabaha payable	13	111,980,660	214,855,660
Total shareholders' liabilities		265,165,957	352,810,820
Shareholders' equity			
Share capital	14	150,000,000	150,000,000
Statutory reserve	15	5,482,374	5,482,374
Retakaful reserves	15	642,503	642,503
Accumulated losses		(3,431,123)	(10,689,629)
Total shareholders' equity		152,693,754	145,435,248
Total shareholders' liabilities and equity		417,859,711	498,246,068
Total liabilities, policyholders' fund and equity		1,625,318,657	1,662,527,508

The condensed interim consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 11 May 2021.

Rajesh Sethi

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 three months period ended 31 March 2021

	Notes	Three months period ended 31 March 2021 (Unaudited) AED	Three months period ended 31 March 2020 (Unaudited) AED
Attributable to policyholders			
Takaful income			
Gross takaful contribution		202,785,309	104,388,641
Accepted business		24,630	398,202
Retakaful share of ceded business		<u>(89,319,146)</u>	<u>(36,258,077)</u>
Net takaful contribution		113,490,793	68,528,766
Net transfer to unearned contribution reserves		(5,705,619)	1,054,927
Net takaful contribution earned		<u>107,785,174</u>	<u>69,583,693</u>
Discount earned		4,777,021	1,662,743
Policy fees and other income		-	1,197
Total underwriting income		<u>112,562,195</u>	<u>71,247,633</u>
Takaful expenses			
Gross claims paid		(116,548,210)	(69,047,774)
Retakaful share of ceded business claims		<u>43,587,009</u>	<u>26,971,841</u>
Net claims paid		<u>(72,961,201)</u>	<u>(42,075,933)</u>
Change in provision for outstanding claims		24,603,139	(10,758,389)
Change in retakaful share of outstanding claims		(19,207,693)	2,923,440
Change in incurred but not reported claims		2,040,020	2,020,856
Change in unallocated loss adjustment expenses reserve		436,954	50,747
Changes in the provision for contribution deficiency reserve		1,638,380	607,259
Changes in mathematical reserve		(23,435,350)	-
Net gain on assets held at fair value through profit or loss		13,575,478	-
Net takaful claims incurred		<u>(73,310,273)</u>	<u>(47,232,020)</u>
Excess of loss of takaful contribution		(1,352,638)	(539,174)
Other takaful expenses		<u>(1,052,774)</u>	<u>-</u>
Total takaful income		<u>(75,715,685)</u>	<u>(47,771,194)</u>
Wakala fees	18	(44,460,177)	(31,436,054)
Mudarib's fee	18	(219,127)	(373,561)
Investment and other income		731,048	908,431
Loss for the period attributable to policyholders		<u>(7,101,746)</u>	<u>(7,424,745)</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)

Condensed interim consolidated income statement
For the period ended 31 March 2021 (continued)

	Notes	(Unaudited) Three months period ended 31 March 2021 AED	(Unaudited) Three months period ended 31 March 2020 AED
Attributable to shareholders			
Wakala fees from policyholders	18	44,460,177	31,436,054
Mudarib's fee	18	219,127	373,561
Investment income		3,024,799	893,886
General and administrative expenses		(18,389,927)	(10,426,409)
Policy acquisition cost		(11,422,852)	(11,433,829)
Other underwriting expenses		(994,529)	(597,711)
Bonus reserve		(1,072,960)	-
Finance cost		(1,463,583)	-
Loss for the period from subsidiary classified as held for sale		-	(275,783)
Income for the period before Qard Hassan		14,360,252	9,969,769
Provision against Qard Hassan to policyholders		(7,101,746)	(7,424,745)
Profit for the period attributable to shareholders		7,258,506	2,545,024
Earnings per share (AED)			
Basic and diluted	16	0.048	0.017

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 three months period ended 31 March 2021

	Three months period ended 31 March 2021 (Unaudited) AED	Three months period ended 31 March 2020 (Unaudited) AED
Attributable to policyholders		
Loss for the period	<u>(7,101,746)</u>	<u>(7,424,745)</u>
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	-	98,257
Unrealised loss on available-for-sale investments	-	(147,974)
Other comprehensive loss for the period	<u>-</u>	<u>(49,717)</u>
Total comprehensive loss for the period attributable to policyholders	<u>(7,101,746)</u>	<u>(7,474,462)</u>
Attributable to shareholders		
Profit for the period	<u>7,258,506</u>	<u>2,545,024</u>
Other comprehensive income	-	-
Total comprehensive income for the period attributable to shareholders	<u>7,258,506</u>	<u>2,545,024</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)

Condensed interim consolidated statement of changes in equity
For the three months period ended 31 March 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	-	-	-	2,545,024	2,545,024
Total comprehensive income for the period	-	-	-	2,545,024	2,545,024
As at 31 March 2020 (Unaudited)	150,000,000	3,217,989	-	(22,976,567)	130,241,422
As at 1 January 2021 (Audited)	150,000,000	5,482,374	642,503	(10,689,629)	145,435,248
Profit for the period	-	-	-	7,258,506	7,258,506
Total comprehensive income for the period	-	-	-	7,258,506	7,258,506
As at 31 March 2021 (Unaudited)	150,000,000	5,482,374	642,503	(3,431,123)	152,693,754

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 three months period ended 31 March 2021**

	(Unaudited) Three months period ended 31 March 2021 AED	(Unaudited) Three months period ended 31 March 2020 AED
Cash flows from operating activities		
Profit for the period	7,258,506	2,545,024
Adjustments for:		
Depreciation of property and equipment	1,108,130	678,618
Amortisation of intangibles	2,079,885	-
Income from wakala deposits	(1,160,733)	(1,194,476)
Income from sukuk investments	(175,690)	(201,988)
Rental income	(157,960)	(438,179)
(Reversal) / provision for doubtful receivables	(1,178,908)	483,095
Provision for employees' end of service benefits	908,809	187,267
Operating cash flows before changes in working capital	8,682,039	2,059,361
Change in takaful and other receivables	(36,999,634)	9,087,552
Change in retakaful assets	(11,603,150)	(5,795,015)
Change in prepayments and other receivables	(985,568)	(854,086)
Change in takaful contract liabilities	7,634,179	9,896,172
Change in takaful payables	24,924,400	(573,431)
Change increase in other liabilities	(5,944,737)	53,372
Change in deferred policy cost	(9,520,436)	(2,645,963)
Change in deferred discount	4,466,447	921,373
Change in gross mathematical reserves	690,606	-
Change in bonus reserves	644,304	-
Net changes in assets and liabilities of subsidiary held for sale	-	208,728
Cash generated from operations	(18,011,550)	12,358,063
Employee's end of service benefits paid	(1,260,125)	(60,051)
Net cash (used in) / generated from operating activities	(19,271,675)	12,298,012
Cash flows from investing activities		
Purchase of property and equipment	(1,286,848)	(711)
Income received on wakala deposits	1,160,733	1,194,476
Rental income received	157,960	438,179
Income received from sukuk	175,690	201,988
Wakala deposits encashed / (made)	99,734,378	(5,118,625)
Net cash generated from / (used in) investing activities	99,941,913	(3,284,693)
Cash flows from financing activities		
Payment of lease liabilities	(845,427)	(147,145)
Mudariba repaid	(102,875,000)	-
Net cash used in financing activities	(103,720,427)	(147,145)
Net change in cash and cash equivalents	(23,050,189)	8,866,174
Included in the subsidiary classified as held for sale	-	(13,962)
Cash and cash equivalents, beginning of period	132,303,606	27,378,056
Cash and cash equivalents, end of period (note 8)	109,253,417	36,230,268

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 three months period ended 31 March 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.

As required by the Securities and Commodities Authority (“SCA”) circular No. 411/2018 dated 7 July 2018, the Company does not have any investments or exposures with Abraj Group.

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 subsidiaries held directly by the Company, in UAE which the country of their incorporation and principal place of business:

Name of subsidiary	Proportion of ownership interest		Principal activities
	31 March 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
Auto Crew Workshop LLC *	100%	100%	Auto mechanical repairing workshop

* The Group holds 49% direct and 51% indirect interest, through its directors, in Auto Crew Workshop LLC (Auto Crew). Although the Group directly does not hold majority of voting rights, the Group, along with its indirect voting rights is deemed to effectively control decision making process of Auto Crew.

2 Basis of preparation

The condensed interim consolidated financial statements are for the three months period ended 31 March 2021 and are presented in United Arab Emirate Dirham (AED), which is also the functional currency of the Company. 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 Company 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.

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)
Notes to the condensed interim consolidated financial statements
For the three months period ended 31 March 2021

2 Basis of preparation (continued)

The Group has not early adopted any version of IFRS 9 and the activities of the Group are predominantly connected with insurance on 31 March 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.

**Application of new and revised International Financial Reporting Standards (IFRS)
New and revised IFRS not yet effective**

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

Management anticipates that IFRS 17 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2023. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review. Management is in the process of performing a detailed assessment as required by the Insurance Authority on implementation of IFRS 17.

Other Standards and amendments that are not yet effective and have not been adopted early by the Group include:

- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- References to the Conceptual Framework
- Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020 Cycle (Amendments to IFRS 1, IFRS 9, IFRS 16, IAS 41)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

Basis of consolidation

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

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)
Notes to the condensed interim consolidated financial statements
For the three months period ended 31 March 2021

2 Basis of preparation (continued)

Basis of consolidation (continued)

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 Company'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 Company's most recent annual financial statements for the year ended 31 December 2020, are applicable on the Company 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.

Critical accounting estimates and judgments in applying accounting policies

The Company makes estimates and assumption that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may substantially be different.

Classification of properties

In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property. In making its judgment, management has considered the detailed criteria and related guidance set out in IAS 40 - Investment Property, with regards to the intended use of the property.

Outstanding claims and technical provisions

The estimation of ultimate liability arising from the claims made under takaful contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting period.

Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on internal and external actuarial assessment, taking into account the historical data of the claims reported and settlement pattern. Such method takes into account the best estimates of the future contractual cash flows estimated based on the historical data. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)
Notes to the condensed interim consolidated financial statements
For the three months period ended 31 March 2021

3 Significant accounting policies (continued)

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

Impairment losses on takaful receivables

The Company reviews its Takaful receivables on a regular basis to assess whether a provision for impairment should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant Takaful receivables, the Company also makes a collective impairment provision against Takaful receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for Takaful receivables within each grade and is adjusted to reflect current economic changes.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of Takaful contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the statement of income.

Valuation of unquoted equity instruments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, management estimates the fair value of these instruments using expected cash flows discounted at current rates for similar instruments or other valuation models.

4 Investment in securities

Available-for-sale investments

Available-for-sale investments comprise the following:

	31 March 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Quoted debt securities in U.A.E.		-
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
	6,943,000	6,943,000
Attributable to:		
Policyholders	1,000,000	1,000,000
Shareholders	5,943,000	5,943,000
	6,943,000	6,943,000

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)
Notes to the condensed interim consolidated financial statements
For the three months period ended 31 March 2021

4 Investment in securities (continued)

Investments at fair value through profit or loss

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

	31 March 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Investment in mutual funds	<u>435,347,099</u>	429,885,226
Unquoted securities inside U.A.E.	-	31,343,481
Unquoted securities outside U.A.E.	<u>435,347,099</u>	398,541,745
	<u><u>435,347,099</u></u>	<u><u>429,885,226</u></u>

Held to maturity investments

Financial assets held to maturity comprises the following:

	31 March 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Quoted debt securities inside U.A.E.	3,831,605	3,831,605
Unquoted debt securities inside U.A.E.	5,646,375	5,646,375
Quoted debt securities outside U.A.E.	8,954,986	8,954,986
Unquoted debt securities outside U.A.E.	<u>3,680,000</u>	3,680,000
	<u><u>22,112,966</u></u>	<u><u>22,112,966</u></u>
Attributable to:		
Policyholders	13,390,076	13,390,076
Shareholders	<u>8,722,890</u>	8,722,890
	<u><u>22,112,966</u></u>	<u><u>22,112,966</u></u>

The movement in financial assets in securities are as follows:

	Available-for-sale investments AED	Investments at fair value through profit and loss AED	Held to maturity investments AED	Total AED
31 March 2021 (Unaudited)				
At 1 January	6,943,000	429,885,226	22,112,966	458,941,192
Addition during the period	-	9,881,339	-	9,881,339
Disposal during the period	-	(17,994,944)	-	(17,994,944)
Fair value (loss)/gain recorded in the consolidated statement of income	-	13,575,478	-	13,575,478
31 March 2021 (Unaudited)	<u>6,943,000</u>	<u>435,347,099</u>	<u>22,112,966</u>	<u>464,403,065</u>

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4 Investment in securities (continued)

	Available-for-sale investments AED	Investments at fair value through profit and loss AED	Held to maturity investments AED	Total AED
31 December 2020 (Audited)				
At 1 January	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	11,388,778	37,093,926
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	6,943,000	429,885,226	22,112,965	458,941,191

5 Takaful and other receivables

	31 March 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Contributions receivable	236,415,884	199,061,593
Receivable from retakaful and other takaful companies	59,091,720	58,446,377
Other receivables	3,798,110	3,798,110
	299,305,714	261,306,080
Less: Provisions for doubtful receivables	(18,329,224)	(18,508,132)
	280,976,490	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).

7 Investment properties

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

Management estimates that there has been no change in the fair value of investment properties during the three months period ended 31 March 2021. The carrying value of the investment properties as at 31 March 2021 is AED 36.06 million (31 December 2020: AED 36.06 million).

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

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8 Cash and cash equivalents

	31 March 2021 (Unaudited) AED	31 December 2020 (Audited) AED	31 March 2021 (Unaudited) AED
Cash on hand	115,288	106,382	31,006
Bank balances:			
Current accounts	108,996,889	131,390,207	26,358,704
Call accounts	141,240	807,017	9,840,558
	<u>109,253,417</u>	<u>132,303,606</u>	<u>36,230,268</u>
Attributable to:			
Policyholders	70,898,836	79,928,738	30,369,723
Shareholders	38,354,581	52,374,868	5,860,545
	<u>109,253,417</u>	<u>132,303,606</u>	<u>36,230,268</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 47.51 AED million (31 December 2020: AED 25.79 million).

11 Takaful payables

	31 March 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Due to takaful companies, garages and other third parties	59,958,833	86,075,392
Due to retakaful companies	133,120,716	106,345,655
Other payables	29,146,950	4,881,052
	<u>222,226,499</u>	<u>197,302,099</u>

12 Other liabilities

	31 March 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Accrued expenses and other payables	24,449,940	30,072,282
Acquisition cost payable	49,099,164	48,226,600
Employees' end of service benefits*	5,866,230	6,014,272
Lease liabilities	11,612,326	12,457,753
Accrued leave salary	1,184,569	1,224,129
Other payable	7,551,393	8,910,066
	<u>99,763,622</u>	<u>106,905,102</u>

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13 Murabaha payable

The Group got engaged in Murabaha facility of AED 215 million with 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 interest 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 Tranche A is repaid during the period ended 31 March 2021.

Tranche B consist of AED 115 million carrying flexible interest 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
- 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

	31 March 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

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15 Reserves

Statutory reserve

In accordance with U.A.E. Law No. (2) of 2015, the Group has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law. No transfer to the statutory reserve has been made during the three months period ended 31 March 2021 (three months period ended 31 March 2020: Nil), as this will be based on the audited results for the year.

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 months period ended	
	31 March	
	2021	2020
	(Unaudited)	(Unaudited)
Profit for the period attributable to shareholders (in AED)	7,258,506	2,545,024
Number of ordinary shares outstanding (shares)	150,000,000	150,000,000
Basic and diluted earnings per share (in AED)	0.048	0.017

Diluted earnings per share as of 31 March 2021 and 31 March 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.

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:

	31 March	31 December
	2021	2020
	(Unaudited)	(Audited)
	AED	AED
<i>Takaful and other receivables</i>		
Other related parties	43,807	58,602

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17 Related party transactions (continued)

Transactions with related parties

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

	Three months period ended	
	31 March	
	2021	2020
	AED	AED
	(Unaudited)	(Unaudited)
<i>Contributions written</i>		
Major shareholders	-	459,832
Other related parties	-	3,382,620
	<u>-</u>	<u>3,842,452</u>
<i>Management charges paid</i>		
Major shareholders	-	7,500

Compensation of key management personnel

	Three months period ended	
	31 March	
	2021	2020
	AED	AED
	(Unaudited)	(Unaudited)
Short-term benefits	2,103,210	830,580
Employees' end of service benefits	79,590	30,835
	<u>2,182,800</u>	<u>861,415</u>

18 Wakala and Mudarib's fees

Wakala fees

Wakala fees for the period ended 31 March 2021 amounted to AED 44.5 million (31 March 2020: AED 31.4 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 34% of realised investment income. Mudarib's fees for the period ended 31 March 2021 amounted to AED 0.219 million (31 March 2020: AED 0.374 million).

19 Commitments and guarantees

Commitments

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

	31 March	31 December
	2021	2020
	AED	AED
Software development	-	183,500

Guarantees

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

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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)

Three months period ended 31 March 2021 (Unaudited)

	General takaful AED	Employee benefits AED	Individual life AED	Investments AED	Total AED
Attributable to policyholders					
Takaful income					
Gross contribution written	154,832,309	32,227,816	15,725,184	-	202,785,309
Accepted business	24,630	-	-	-	24,630
Retakaful share of ceded business	(59,394,625)	(28,889,101)	(1,035,420)	-	(89,319,146)
Net takaful contributions	95,462,314	3,338,715	14,689,764	-	113,490,793
Net transfer to unearned contributions reserve	(5,484,421)	(221,198)	-	-	(5,705,619)
Net takaful contributions earned	89,977,893	3,117,517	14,689,764	-	107,785,174
Discount earned	3,560,765	1,216,256	-	-	4,777,021
Total takaful Income	93,538,658	4,333,773	14,689,764	-	112,562,195
Takaful expenses					
Gross claims paid	(98,860,095)	(17,373,386)	(314,729)	-	(116,548,210)
Retakaful share of ceded business paid	26,725,158	16,751,123	110,728	-	43,587,009
Net takaful claims paid	(72,134,937)	(622,263)	(204,001)	-	(72,961,201)
Provision for outstanding claims	11,424,849	13,028,290	150,000	-	24,603,139
Retakaful share of outstanding claims	(5,824,124)	(13,311,729)	(71,840)	-	(19,207,693)
Change in incurred but not reported claims	2,276,791	(236,771)	-	-	2,040,020
Change in unallocated loss adjustment expenses reserve	230,761	206,193	-	-	436,954
Changes in the provision for contribution deficiency reserve	1,587,887	50,493	-	-	1,638,380
Change in mathematical reserves	-	-	(23,435,350)	-	(23,435,350)
Net gain on assets held at fair value through profit or loss	-	-	13,575,478	-	13,575,478
Net claims incurred	(62,438,773)	(885,787)	(9,985,713)	-	(73,310,273)
Excess of loss of takaful contribution	(1,352,638)	-	-	-	(1,352,638)
Other takaful income/(expenses)	274,662	-	(1,327,436)	-	(1,052,774)
Total takaful income	30,021,909	3,447,986	3,376,615	-	36,846,510

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20 Segment information (continued)

Three months period ended 31 March 2021 (Unaudited) (continued)

	General takaful AED	Employee benefits AED	Individual life AED	Investments AED	Total AED
Wakala fee	(30,388,005)	(10,729,499)	(3,342,673)	44,460,177	-
Mudarib's (fee)/income	(225,573)	6,446	-	219,127	-
Policy acquisition cost	-	-	-	(11,422,852)	(11,422,852)
Other underwriting expenses	-	-	-	(994,529)	(994,529)
General and administrative expenses	-	-	-	(18,389,927)	(18,389,927)
Finance cost	-	-	-	(1,463,583)	(1,463,583)
Investment and other income	730,902	(10,130)	10,276	3,024,799	3,755,847
Decrease in bonus reserve	-	-	-	(1,072,960)	(1,072,960)
Profit / loss for the period	139,233	(7,285,197)	44,218	14,360,252	7,258,506

Three months period ended 31 March 2020 (Unaudited)

	General takaful AED	Employee benefits AED	Individual life AED	Investments AED	Total AED
Attributable to policyholders					
Takaful income					
Gross contribution written	100,067,636	4,321,005	-	-	104,388,641
Accepted business	398,202	-	-	-	398,202
Retakaful share of ceded business	(32,097,774)	(4,160,303)	-	-	(36,258,077)
Net takaful contributions	68,368,064	160,702	-	-	68,528,766
Net transfer to unearned contributions reserve	998,332	56,595	-	-	1,054,927
Net takaful contributions earned	69,366,396	217,297	-	-	69,583,693
Discount earned	1,597,314	65,429	-	-	1,662,743
Policy fee	1,197	-	-	-	1,197
Total takaful income	70,964,907	282,726	-	-	71,247,633
Takaful expenses					
Gross claims paid	(66,189,625)	(2,858,149)	-	-	(69,047,774)
Retakaful share of ceded business paid	24,277,670	2,694,171	-	-	26,971,841
Net takaful claims paid	(41,911,955)	(163,978)	-	-	(42,075,933)
Provision for outstanding claims	(9,368,435)	(1,389,954)	-	-	(10,758,389)
Retakaful share of outstanding claims	1,539,768	1,383,672	-	-	2,923,440
Change in incurred but not reported claims	1,968,122	52,734	-	-	2,020,856
Change in unallocated loss adjustment expenses reserve	10,633	40,114	-	-	50,747
Changes in the provision for contribution deficiency reserve	349,585	257,674	-	-	607,259
Net claims incurred	(47,412,282)	180,262	-	-	(47,232,020)

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20 Segment information (continued)

Three months period ended 31 March 2020 (Unaudited) (continued)

	General takaful AED	Employee benefits AED	Individual life AED	Investments AED	Total AED
Excess of loss of takaful contribution	(539,174)	-	-	-	(539,174)
Total takaful income	23,013,451	462,988	-	-	23,476,439
Wakala (fees)/income	(29,966,912)	(1,469,142)	-	31,436,054	-
Mudarib's (fee)/income	(373,561)	-	-	373,561	-
Policy acquisition cost	-	-	-	(11,433,829)	(11,433,829)
Other underwriting expenses	-	-	-	(597,711)	(597,711)
General and administrative expenses	-	-	-	(10,426,409)	(10,426,409)
Investment and other income	1,089,721	-	-	893,886	1,983,607
Provision of reinsurance reserve	(160,488)	(20,802)	-	-	(181,290)
Loss for the period from subsidiary classified as held for sale	-	-	-	(275,783)	(275,783)
(Loss)/profit for the period	(6,397,789)	(1,026,956)	-	9,969,769	2,545,024

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

31 March 2021 (Unaudited)

	Takaful AED	Investment AED	Total AED
Total assets	1,207,999,408	417,319,249	1,625,318,657
Total liabilities	1,207,458,945	265,165,957	1,472,624,902

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
	31 March 2021	31 March 2020				
	AED	AED				
Available for sale						
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						
Mutual funds units	435,347,099	429,885,226	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value.

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

The Board of Directors has proposed AED 0.092 per share cash dividend at their meeting held on 22 April 2021. 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 0.0327 per share amounting to AED 4,905,000 was declared and paid during the year ended 31 December 2020).

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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, there was an outbreak of a global pandemic (Novel Coronavirus disease), causing significant financial and economic impact on major economies across the globe and affecting multiple industries. As at the date of approval of the financial statements, management is in the process of assessing the impact of the said event on its subsequent period's financial results. Accordingly, results for the period ended 31 March 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.