

Dar Al Takaful PJSC
Dubai - United Arab Emirates

Condensed interim consolidated financial statements
(Unaudited)

For the period ended 30 June 2020

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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 2020, 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 for the six months period then ended and other related explanatory notes. Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

Scope of review

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

Conclusion

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


GRANT THORNTON
Farouk Mohamed

Registration No: 86
Dubai, 13 August 2020



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

Condensed interim consolidated statement of financial position
As at 30 June 2020

	Notes	(Unaudited) 30 June 2020 AED	(Audited) 31 December 2019 AED
ASSETS			
Takaful operations' assets			
Available-for-sale investments	4	1,000,000	3,350,308
Held to maturity	4	13,390,076	2,001,297
Deferred policy cost		22,158,542	19,537,186
Retakaful contract assets:			
Unearned contribution		40,675,310	37,697,630
Claims reported unsettled		38,569,811	28,675,068
Claims incurred but not reported		6,692,826	13,500,322
Contribution deficiency reserve		-	25,537
Takaful and other receivables	5	135,897,756	162,906,724
Prepayments and other receivables		4,449,442	4,425,368
Wakala deposits	6	108,295,146	107,898,591
Investment properties	7	19,531,036	19,531,036
Cash and cash equivalents	8	24,834,818	21,205,716
Total takaful operations' assets		415,494,763	420,754,783
Shareholders' assets			
Property and equipment		8,774,011	9,504,157
Intangible assets		1,046,039	1,239,178
Investment properties	7	26,911,464	26,911,464
Available-for-sale investments	4	7,518,870	7,518,870
Held to maturity	4	8,722,890	8,722,890
Restricted deposit	9	6,000,000	6,000,000
Wakala deposits	6	65,240,009	54,251,618
Due from policyholders	10	1,819,015	12,933,881
Prepayments and other receivables		5,317,512	3,733,537
Cash and cash equivalents	8	10,378,781	6,172,340
Assets classified as held for sale		-	872,007
Total shareholders' assets		141,728,591	137,859,942
Total assets		557,223,354	558,614,725

The notes from 1 to 22 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 2020 (continued)

	Notes	(Unaudited) 30 June 2020 AED	(Audited) 31 December 2019 AED
LIABILITIES, POLICYHOLDERS' FUND AND EQUITY			
Takaful operations' liabilities and policyholders' fund			
Takaful operations' liabilities			
Deferred discount		3,904,618	2,251,897
Takaful contract liabilities:			
Unearned contribution		195,271,692	198,156,600
Claims reported unsettled		88,898,573	64,893,012
Claims incurred but not reported		17,697,180	26,154,504
Unallocated loss adjustment expenses		3,214,263	3,112,732
Contribution deficiency reserve		2,778,075	692,348
Takaful payables	11	101,911,347	112,658,068
Due to shareholders	10	1,819,015	12,933,881
Total takaful operations' liabilities		415,494,763	420,853,042
Takaful operations' deficit			
Qard Hassan against deficit in policyholders' fund		(80,268,216)	(66,870,344)
Less: Provision against Qard Hassan to policyholders' fund		80,268,216	66,870,344
Available-for-sale investments reserve		-	(98,257)
Total deficit from takaful operations		-	(98,257)
Total takaful operations' liabilities and deficit		415,494,763	420,754,785
Shareholders' liabilities and equity			
Shareholders' liabilities			
Other liabilities		8,546,416	10,163,542
Total shareholders' liabilities		8,546,416	10,163,542
Shareholders' equity			
Share capital	12	150,000,000	150,000,000
Statutory reserve	13	3,217,989	3,217,989
Accumulated losses		(20,035,814)	(25,521,591)
Total shareholders' equity		133,182,175	127,696,398
Total shareholders' liabilities and equity		141,728,591	137,859,940
Total liabilities, policyholders' fund and equity		557,223,354	558,614,725

The condensed interim consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 13 August 2020.



Shahab Ahmed Lutfi
Vice Chairman



Rajesh Sethi
Chief Executive Officer

The notes from 1 to 22 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated income statement
For the period ended 30 June 2020

	(Unaudited) Three months period ended 30 June 2020 AED	(Unaudited) Three months period ended 30 June 2019 AED	(Unaudited) Six months period ended 30 June 2020 AED	(Unaudited) Six months period ended 30 June 2019 AED
Attributable to policyholders				
Takaful income				
Gross takaful contribution	93,357,856	72,083,471	197,746,497	160,561,121
Accepted business	3,781,581	213,780	4,179,783	289,402
Retakaful share of ceded business	(23,714,605)	(35,501,830)	(59,972,682)	(87,907,786)
Net takaful contribution	73,424,832	36,795,421	141,953,598	72,942,737
Net transfer to unearned contribution reserves	4,807,660	205,873	5,862,587	1,389,978
Net takaful contribution earned	78,232,492	37,001,294	147,816,185	74,332,715
Discount earned	2,203,600	1,533,213	3,866,343	3,068,517
Policy fees and other income	5,820	14,662	7,017	34,577
Provision for retakaful reserve	(118,575)	-	(299,865)	-
Total underwriting income	80,323,337	38,549,169	151,389,680	77,435,809
Takaful expenses				
Gross claims paid	(63,367,496)	(39,386,349)	(132,415,270)	(86,563,736)
Retakaful share of ceded business claims	15,576,907	20,763,886	42,548,748	46,291,974
Net claims paid	(47,790,589)	(18,622,463)	(89,866,522)	(40,271,762)
Change in provision for outstanding claims	(13,247,172)	(8,344,373)	(24,005,561)	(9,974,641)
Change in retakaful share of outstanding claims	6,971,302	4,945,973	9,894,742	4,498,200
Change in incurred but not reported claims	(371,029)	(464,332)	1,649,827	3,018,853
Change in unallocated loss adjustment expenses reserve	(152,278)	(539,441)	(101,531)	(628,338)
Changes in the provision for contribution deficiency reserve	(2,718,523)	(968,007)	(2,111,264)	(1,753,494)
Net takaful claims incurred	(57,308,289)	(23,992,643)	(104,540,309)	(45,111,182)
Excess of loss of takaful contribution	(459,605)	(531,245)	(998,779)	(1,078,452)
Total takaful income	22,555,443	14,025,281	45,850,592	31,246,175
Wakala fees	(29,141,830)	(24,582,515)	(60,577,884)	(54,690,628)
Mudarib's fee	(279,661)	(470,631)	(653,222)	(823,942)
Investment and other income	892,921	1,337,350	1,982,642	2,460,116
Loss for the period attributable to policyholders	(5,973,127)	(9,690,515)	(13,397,872)	(21,808,279)

The notes from 1 to 22 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated income statement
For the period ended 30 June 2020 (continued)

	(Unaudited) Three months period ended 30 June 2020 AED	(Unaudited) Three months period ended 30 June 2019 AED	(Unaudited) Six months period ended 30 June 2020 AED	(Unaudited) Six months period ended 30 June 2019 AED
Attributable to shareholders				
Wakala fees from policyholders (note 16)	29,141,830	24,582,515	60,577,884	54,690,628
Mudarib's fee (note 16)	279,661	470,631	653,222	823,942
Investment income	887,295	601,119	1,505,398	1,514,415
General and administrative expenses	(9,932,052)	(9,016,987)	(20,358,461)	(17,931,445)
Policy acquisition cost	(11,966,172)	(7,626,673)	(23,400,001)	(15,455,381)
Other underwriting expenses	(258,411)	(325,185)	(856,122)	(708,766)
Gain on disposal of assets classified as held for sale	761,729	-	761,729	-
Income for the period before Qard Hassan	8,913,880	8,685,420	18,883,649	22,933,393
Provision against Qard Hassan to policyholders	(5,973,127)	(9,690,515)	(13,397,872)	(21,808,279)
Profit/(loss) for the period attributable to shareholders	2,940,753	(1,005,095)	5,485,777	1,125,114
Earnings per share (AED)				
Basic and diluted (note 14)	0.020	(0.007)	0.037	0.008

The notes from 1 to 22 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated statement of comprehensive income
For the period ended 30 June 2020

	(Unaudited) Three months period ended 30 June 2020 AED	(Unaudited) Three months period ended 30 June 2019 AED	(Unaudited) Six months period ended 30 June 2020 AED	(Unaudited) Six months period ended 30 June 2019 AED
Attributable to policyholders				
Loss for the period	(5,973,127)	(9,690,515)	(13,397,872)	(21,808,279)
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	142,080
Unrealised gain/(loss) on available-for sale investments	-	3,844	-	(87,149)
Other comprehensive income for the period	147,974	3,844	98,257	54,931
Total comprehensive loss for the period attributable to policyholders	(5,825,153)	(9,686,671)	(13,299,615)	(21,753,348)
Attributable to shareholders				
Profit/(loss) for the period	2,940,753	(1,005,095)	5,485,777	1,125,114
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	-	(49,623)	-	(49,623)
Other comprehensive loss for the period	-	(49,623)	-	(49,623)
Total comprehensive income/(loss) for the period attributable to shareholders	2,940,753	(1,054,718)	5,485,777	1,075,491

The notes from 1 to 22 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated statement of changes in equity
For the period ended 30 June 2020

	Share capital AED	Statutory reserve AED	Accumulated losses AED	Available-for-sale investments reserve AED	Total AED
As at 1 January 2019 (Audited)	150,000,000	2,727,473	(29,936,235)	49,623	122,840,861
Profit for the period	-	-	1,125,114	-	1,125,114
Other comprehensive loss for the period	-	-	-	(49,623)	(49,623)
Total comprehensive income for the period	-	-	1,125,114	(49,623)	1,075,491
As at 30th June 2019 (Unaudited)	150,000,000	2,727,473	(28,811,121)	-	123,916,352
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 30th June 2020 (Unaudited)	150,000,000	3,217,989	(20,035,814)	-	133,182,175

The notes from 1 to 22 form an integral part of these condensed interim consolidated financial statements.

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

Condensed interim consolidated statement of cash flows
For the period ended 30 June 2020

	(Unaudited) Six months period ended 30 June 2020 AED	(Unaudited) Six months period ended 30 June 2019 AED
Cash flows from operating activities		
Profit for the period	5,485,777	1,125,114
Adjustments for:		
Depreciation of property and equipment	790,363	802,797
Amortisation of intangible assets	262,013	104,214
Realised loss on sale of available-for-sale investments	206,591	195,119
Income from wakala deposits	(2,285,274)	(2,716,104)
Income from sukuk investments	(420,258)	(414,466)
Rental income	(839,742)	(1,061,457)
Provision for doubtful receivables	1,002,229	498,923
Gain on sale of assets classified as held for sale	(761,729)	-
Provision for employees' end of service benefits	306,577	199,533
Operating cash flows before changes in working capital	3,746,547	(1,266,327)
Decrease/(increase) in takaful and other receivables	27,218,251	(1,085,479)
Increase in retakaful assets	(6,039,390)	(15,944,868)
Increase in prepayments and other receivables	(1,608,049)	(4,570,887)
Increase in takaful contract liabilities	14,850,587	19,394,310
(Decrease)/increase in takaful payables	(10,746,721)	8,636,872
Decrease in other liabilities	(1,834,778)	(1,822,899)
Increase in deferred policy cost	(2,621,356)	(1,301,745)
Increase in deferred discount	1,652,721	862,846
Cash generated from operations	24,617,812	2,901,823
Employee's end of service benefits paid	(88,925)	(339,336)
Net cash generated from operating activities	24,528,887	2,562,487
Cash flows from investing activities		
Purchase of property and equipment	(172,716)	(213,679)
Transfer of property and equipment	112,499	971,746
Purchase of intangible assets	(68,874)	(1,245,859)
Proceed from disposal of assets classified as held for sale	422,224	-
Purchase of investments in securities	(11,388,779)	-
Proceeds from sale of investment securities	2,241,974	396,869
Income received on wakala deposits	2,285,274	2,716,104
Rental income received	839,742	1,061,457
Income received from sukuk	420,258	414,466
Wakala deposits made	(11,384,946)	(11,175,567)
Net cash used in investing activities	(16,693,344)	(7,074,463)
Net change in cash and cash equivalents	7,835,543	(4,511,976)
Cash and cash equivalents, beginning of period	27,378,056	25,038,123
Cash and cash equivalents, end of period (note 8)	35,213,599	20,526,147

The notes from 1 to 22 form an integral part of these condensed interim consolidated financial statements.

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)
Notes to the condensed interim consolidated financial statements
For the period ended 30 June 2020

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

The Company mainly issues short term takaful contracts in connection with non-life takaful such as motor, marine, fire, engineering, medical and general accident risks (collectively known as general takaful). The Company also invests its funds in investment securities.

The Company with its subsidiary is together referred to as the “Group” in these condensed interim consolidated financial statements. At 30 June 2020, the Company had the following subsidiary:

Name of subsidiary	Proportion of ownership interest		Country of incorporation	Principal activities
	30 June 2020	31 December 2019		
Auto Crew Workshop LLC	100%	100%	UAE	Auto mechanical repairing workshop

2 Basis of preparation

The condensed interim consolidated financial statements are for the six months period ended 30 June 2020 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 2019. Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

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 2020 therefore the Group has opted for the temporary exemption from the application of IFRS 9 and defer the implementation date of IFRS 9 until 31 December 2021.

Basis of consolidation

The condensed interim consolidated financial statements comprise the financial statements of the Group and its subsidiary as at 30 June 2020.

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.

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)
Notes to the condensed interim consolidated financial statements
For the period ended 30 June 2020

2 Basis of preparation (continued)

Basis of consolidation (continued)

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 Company's most recent annual financial statements for the year ended 31 December 2019. Certain amendments to accounting standards and annual improvements, as disclosed in the Company's most recent annual financial statements for the year ended 31 December 2019, are applicable on the Company but do not have any material impact on these condensed interim 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 2019 except for the changes in the accounting policies implemented by management from 1 January 2020.

Critical accounting estimates and judgments in applying accounting policies

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

Classification of 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.

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)
Notes to the condensed interim consolidated financial statements
For the period ended 30 June 2020

3 Significant accounting policies (continued)

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

Outstanding claims and technical provisions (continued)

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

Impairment losses on Takaful receivables

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

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

Liability adequacy test

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

Valuation of unquoted equity instruments

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

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)
Notes to the condensed interim consolidated financial statements
For the period ended 30 June 2020

4 Investment in securities

Available-for-sale investments

Available-for-sale investments comprise the following:

	30 June 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Quoted debt securities in U.A.E.	-	2,350,308
Unquoted equity securities in U.A.E.	7,518,870	7,518,870
Unquoted debt securities in U.A.E.	1,000,000	1,000,000
	<u>8,518,870</u>	<u>10,869,178</u>
Attributable to:		
Policyholders	1,000,000	3,350,308
Shareholders	7,518,870	7,518,870
	<u>8,518,870</u>	<u>10,869,178</u>

Held to maturity

Financial assets held to maturity comprises the following:

	30 June 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Quoted debt securities inside U.A.E.	9,477,980	2,001,297
Quoted debt securities outside U.A.E.	8,954,986	5,042,890
Unquoted debt securities outside U.A.E.	3,680,000	3,680,000
	<u>22,112,966</u>	<u>10,724,187</u>
Attributable to:		
Policyholders	13,390,076	2,001,297
Shareholders	8,722,890	8,722,890
	<u>22,112,966</u>	<u>10,724,187</u>

5 Takaful and other receivables

	30 June 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Contributions receivable	139,866,624	168,441,653
Receivable from retakaful and other takaful companies	5,132,336	2,265,505
Other receivables	3,816,399	4,114,940
	<u>148,815,359</u>	<u>174,822,098</u>
Less: Provision for doubtful receivables	(12,917,603)	(11,915,374)
	<u>135,897,756</u>	<u>162,906,724</u>

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.

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)
Notes to the condensed interim consolidated financial statements
For the period ended 30 June 2020

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 months period ended 30 June 2020. The carrying value of the investment properties as at 30 June 2020 is AED 46.4 million. (31 December 2019: AED 46.4 million).

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

8 Cash and cash equivalents

	30 June 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Cash on hand	137,373	194,162
Bank balances:		
Current accounts	30,951,209	22,260,960
Call accounts	4,125,017	4,922,934
	<u>35,213,599</u>	<u>27,378,056</u>
Attributable to:		
Policyholders	24,834,818	21,205,716
Shareholders	10,378,781	6,172,340
	<u>35,213,599</u>	<u>27,378,056</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 to the shareholders from the policyholders amounting to AED 1.8 million (31 December 2019: AED 12.9 million).

11 Takaful payables

	30 June 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Due to takaful companies, garages and other third parties	45,549,702	64,935,042
Due to retakaful companies	54,703,022	45,111,354
Other payables	1,658,623	2,611,672
	<u>101,911,347</u>	<u>112,658,068</u>

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12 Share capital

	30 June 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Issued and fully paid:		
150,000,000 ordinary shares of AED 1 each (31 December 2019: 150,000,000 ordinary shares)	<u>150,000,000</u>	<u>150,000,000</u>

13 Statutory reserve

In accordance with U.A.E. Law No. (2) of 2015, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law. No transfer to the statutory reserve have been made during the six months period ended 30 June 2020 (six months period ended 30 June 2019: Nil), as this will be based on the audited results for the year.

14 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 30 June 2020 (Unaudited)	Three months period ended 30 June 2019 (Unaudited)	Six months period ended 30 June 2020 (Unaudited)	Six months period ended 30 June 2019 (Unaudited)
Profit/(loss) for the period attributable to shareholders (in AED)	2,940,753	(1,005,095)	5,485,777	1,125,114
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>0.020</u>	<u>(0.007)</u>	<u>0.037</u>	<u>0.008</u>

Diluted earnings per share as of 30 June 2020 and 30 June 2019 are equivalent to basic earnings per share as the Group did not issue any new instrument that would impact earnings per share when executed.

15 Related party transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24: *Related Party Disclosures*. Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. Transactions with such related parties are made on substantially the same terms, as those prevailing at the same time for comparable transactions with external customers and parties.

a) Balances with related parties

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

	30 June 2020 (Unaudited) AED	31 December 2019 (Audited) AED
<i>Takaful and other receivables</i>		
Major shareholders	<u>170,217</u>	<u>313,129</u>
<i>Wakala deposits</i>		
Major shareholders	<u>30,000,000</u>	<u>30,000,000</u>

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15 Related party transactions (continued)

a) Balances with related parties (continued)

	30 June 2020 (Unaudited) AED	31 December 2019 (Audited) AED
<i>Takaful and other payables</i>		
Major shareholders	56,955	56,955

b) 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		Six month period ended 30 June	
	2020 AED (Unaudited)	2019 AED (Unaudited)	2020 AED (Unaudited)	2019 AED (Unaudited)
<i>Contributions written</i>				
Major shareholders	1,440	1,690,204	461,272	2,355,347
Other related parties	1,402,526	2,122,965	4,785,146	15,769,863
	1,403,966	3,813,169	5,246,418	18,125,210
<i>Management charges paid</i>				
Major shareholders	7,500	66,000	15,000	132,000

c) Compensation of key management personnel

	Three month period ended 30 June		Six month period ended 30 June	
	2020 AED (Unaudited)	2019 AED (Unaudited)	2020 AED (Unaudited)	2019 AED (Unaudited)
Short-term benefits	830,580	827,880	1,661,160	1,631,760
Employees' end of service benefits	30,835	28,742	61,670	57,167
	861,415	856,622	1,722,830	1,688,927

16 Wakala and Mudarib's fees

Wakala fees

Wakala fees for the period ended 30 June 2020 amounted to AED 60.6 million (30 June 2019: AED 54.7 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 33% of realised investment income. Mudarib's fees for the period ended 30 June 2020 amounted to AED 0.653 million (30 June 2019: AED 0.824 million).

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17 Commitments and guarantees

Commitments

The Group has the following commitments at the reporting date:

	30 June 2020 AED (Unaudited)	31 December 2019 AED (Audited)
Software development	183,500	183,500

Guarantees

As at 30 June 2020, the Group has outstanding bank guarantees amounting AED 299,940 (31 December 2019: AED 299,940).

18 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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18 Segment information (continued)

Six month period ended 30 June 2020 (Unaudited)

	General takaful AED	Employee benefits AED	Investments AED	Total AED
Attributable to policyholders				
Takaful income				
Gross contribution written	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)
Changes in the provision for contribution deficiency reserve	(2,275,290)	164,026	-	(2,111,264)
Net claims incurred	(104,501,180)	(39,129)	-	(104,540,309)
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

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18 Segment information (continued)

Six month period ended 30 June 2019 (Unaudited)

	General takaful AED	Employee benefits AED	Investments AED	Total AED
Attributable to policyholders				
Takaful income				
Gross contribution written	151,906,055	8,655,066	-	160,561,121
Accepted business	289,402	-	-	289,402
Retakaful share of ceded business	(79,846,734)	(8,061,052)	-	(87,907,786)
Net takaful contributions	72,348,723	594,014	-	72,942,737
Net transfer to unearned contributions reserve	1,474,614	(84,636)	-	1,389,978
Net takaful contributions earned	73,823,337	509,378	-	74,332,715
Discount earned	2,952,130	116,387	-	3,068,517
Policy fee	34,577	-	-	34,577
Total takaful Income	76,810,044	625,765	-	77,435,809
Takaful expenses				
Gross claims paid	(84,328,331)	(2,235,405)	-	(86,563,736)
Retakaful share of ceded business claims	44,194,935	2,097,039	-	46,291,974
Net takaful claims paid	(40,133,396)	(138,366)	-	(40,271,762)
Provision for outstanding claims	(5,636,948)	(4,337,693)	-	(9,974,641)
Retakaful share of outstanding claims	335,080	4,163,120	-	4,498,200
Change in incurred but not reported claims	3,018,853	-	-	3,018,853
Change in unallocated loss adjustment expenses reserve	(628,338)	-	-	(628,338)
Changes in the provision for contribution deficiency reserve	(1,753,494)	-	-	(1,753,494)
Net claims incurred	(44,798,243)	(312,939)	-	(45,111,182)
Excess of loss of takaful contribution	(1,078,452)	-	-	(1,078,452)
Total takaful income	30,933,349	312,826	-	31,246,175
Wakala (fees)/income	(51,747,905)	(2,942,723)	54,690,628	-
Mudarib's (fee)/income	(823,942)	-	823,942	-
Policy acquisition cost	-	-	(15,455,381)	(15,455,381)
Other underwriting expenses	-	-	(708,766)	(708,766)
General and administrative expenses	-	-	(17,931,445)	(17,931,445)
Investment and other income	2,460,116	-	1,514,415	3,974,531
(Loss)/profit for the period	(19,178,382)	(2,629,897)	22,933,393	1,125,114

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18 Segment information (continued)

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

30 June 2020 (Unaudited)

	Takaful AED	Investment AED	Total AED
Total assets	415,494,763	141,728,591	557,223,354
Total liabilities	415,494,763	8,546,416	424,041,179

31 December 2019 (Audited)

	Takaful AED	Investment AED	Total AED
Total assets	420,754,783	137,859,942	558,614,725
Total liabilities	420,853,042	10,163,542	431,016,584

19 Fair value measurements

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

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

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

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
30 June 2020 (Unaudited)				
Available-for-sale investments	11,388,778	-	8,518,870	19,907,648
31 December 2019 (Audited)				
Available-for-sale investments	2,350,308	-	8,518,870	10,869,178

20 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 Company 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.

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21 Seasonality of results and events effecting the operations

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. Further, the Group is continuing to monitor the impact of COVID-19 on its financial performance. To date, there has been no significant impact on the credit risk or instances of default. Accordingly, results for the period ended 30 June 2020 are not comparable to those relating to the comparative period and are not indicative of the results that might be expected for the year ending 31 December 2020.

22 Subsequent events

On 26 July 2020, the Group has acquired 100% of the share capital of Noor Takaful Family PJSC and Noor Takaful General PJSC.