

Dar Al Takaful PJSC
Dubai - United Arab Emirates

Condensed interim consolidated financial statements (Unaudited)
For the period ended 31 March 2020

**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 2020, the related condensed interim consolidated income statement, condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of changes in equity and condensed interim consolidated statement of cash flows 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, 14 May 2020



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

Condensed interim consolidated statement of financial position
As at 31st March 2020

	Notes	(Unaudited) 31 March 2020 AED	(Audited) 31 December 2019 AED
ASSETS			
Takaful operations' assets			
Available-for-sale investments	4	3,300,591	3,350,308
Held to maturity	4	2,001,297	2,001,297
Deferred policy cost		22,183,149	19,537,186
Retakaful contract assets:			
Unearned contribution		43,869,452	37,697,630
Claims reported unsettled		31,598,509	28,675,068
Claims incurred but not reported		10,225,611	13,500,322
Contribution deficiency reserve		-	25,537
Takaful and other receivables	5	153,336,077	162,906,724
Prepayments and other receivables		5,342,103	4,425,368
Wakala deposits	6	113,017,216	107,898,591
Investment properties	7	19,531,036	19,531,036
Cash and cash equivalents	8	30,369,723	21,205,716
Total takaful operations' assets		434,774,764	420,754,783
Shareholders' assets			
Property and equipment		9,106,806	9,504,157
Intangible assets		1,105,769	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	54,251,618	54,251,618
Due from policyholders	10	16,759,463	12,933,881
Prepayments and other receivables		3,670,888	3,733,537
Cash and cash equivalents	8	5,860,545	6,172,340
Assets included in subsidiary classified as held for sale	17	607,882	872,007
Total shareholders' assets		140,516,195	137,859,942
Total assets		575,290,959	558,614,725

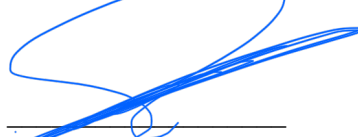
The notes from 1 to 22 form an integral part of these condensed interim consolidated financial statements.

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

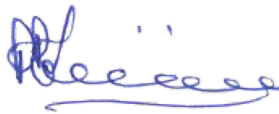
Condensed interim consolidated statement of financial position
As at 31 March 2020 (continued)

	Notes	(Unaudited) 31 March 2020 AED	(Audited) 31 December 2019 AED
LIABILITIES, POLICYHOLDERS' FUND AND EQUITY			
Takaful operations' liabilities and policyholders' fund			
Takaful operations' liabilities			
Deferred discount		3,173,270	2,251,897
Takaful contract liabilities:			
Unearned contribution		203,273,494	198,156,600
Claims reported unsettled		75,651,401	64,893,012
Claims incurred but not reported		20,858,936	26,154,504
Unallocated loss adjustment expenses		3,061,985	3,112,732
Contribution deficiency reserve		59,552	692,348
Takaful payables	11	112,084,637	112,658,068
Due to shareholders	10	16,759,465	12,933,881
Total takaful operations' liabilities		434,922,740	420,853,042
Takaful operations' deficit			
Qard Hassan against deficit in policyholders' fund		(74,295,089)	(66,870,344)
Less: Provision against Qard Hassan to policyholders' fund		74,295,089	66,870,344
Available-for-sale investments reserve		(147,974)	(98,257)
Total deficit from takaful operations		(147,974)	(98,257)
Total takaful operations' liabilities and deficit		434,774,766	420,754,785
Shareholders' liabilities and equity			
Shareholders' liabilities			
Other liabilities		9,817,136	9,636,548
Liabilities included in subsidiary classified as held for sale	17	457,635	526,994
Total shareholders' liabilities		10,274,771	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		(22,976,567)	(25,521,591)
Total shareholders' equity		130,241,422	127,696,398
Total shareholders' liabilities and equity		140,516,193	137,859,940
Total liabilities, policyholders' fund and equity		575,290,959	558,614,725

The condensed interim consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 14 May 2020.



Shahab Ahmed Lutfi
Vice Chairman



A.R. Srinivasan
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 three months period ended 31 March 2020

	Notes	(Unaudited) Three months period ended 31 March 2020 AED	(Unaudited) Three months period ended 31 March 2019 AED
Attributable to policyholders			
Takaful income			
Gross takaful contribution		104,388,641	88,477,650
Accepted business		398,202	75,622
Retakaful share of ceded business		(36,258,077)	(52,405,956)
Net takaful contribution		68,528,766	36,147,316
Net transfer to unearned contribution reserves		1,054,927	1,184,105
Net takaful contribution earned		69,583,693	37,331,421
Discount earned		1,662,743	1,535,304
Policy fees and other income		1,197	19,915
Total underwriting income		71,247,633	38,886,640
Takaful expenses			
Gross claims paid		(69,047,774)	(47,177,387)
Retakaful share of ceded business claims		26,971,841	25,528,088
Net claims paid		(42,075,933)	(21,649,299)
Change in provision for outstanding claims		(10,758,389)	(1,630,268)
Change in retakaful share of outstanding claims		2,923,440	(447,773)
Change in incurred but not reported claims		2,020,856	3,483,185
Change in unallocated loss adjustment expenses reserve		50,747	(88,897)
Changes in the provision for contribution deficiency reserve		607,259	(785,487)
Net takaful claims incurred		(47,232,020)	(21,118,539)
Excess of loss of takaful contribution		(539,174)	(547,207)
Total Takaful income		23,476,439	17,220,894
Wakala fees	16	(31,436,054)	(30,108,113)
Mudarib's fee	16	(373,561)	(353,311)
Investment and other income		1,089,721	1,122,766
Provision for reinsurance reserve		(181,290)	-
Loss for the period attributable to policyholders		(7,424,745)	(12,117,764)

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 31 March 2020 (continued)

	Notes	(Unaudited) Three months period ended 31 March 2020 AED	(Unaudited) Three months period ended 31 March 2019 AED
Attributable to shareholders			
Wakala fees from policyholders	16	31,436,054	30,108,113
Mudarib's fee	16	373,561	353,311
Investment income		893,886	913,296
General and administrative expenses		(10,426,409)	(8,914,458)
Policy acquisition cost		(11,433,829)	(7,828,708)
Other underwriting expenses		(597,711)	(383,581)
Loss for the period from subsidiary classified as held for sale	17	(275,783)	-
Income for the period before Qard Hassan		9,969,769	14,247,973
Provision against Qard Hassan to policyholders		(7,424,745)	(12,117,764)
Profit for the period attributable to shareholders		2,545,024	2,130,209
Earnings per share (AED)			
Basic and diluted	14	0.017	0.014

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 31 March 2020

	(Unaudited) Three months period ended 31 March 2020 AED	(Unaudited) Three months period ended 31 March 2019 AED
Attributable to policyholders		
Loss for the period	<u>(7,424,745)</u>	<u>(12,117,764)</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	142,080
Unrealised loss on available-for-sale investments	(147,974)	(90,993)
Other comprehensive (loss)/income for the period	<u>(49,717)</u>	<u>51,087</u>
Total comprehensive loss for the period attributable to policyholders	<u>(7,474,462)</u>	<u>(12,066,677)</u>
Attributable to shareholders		
Profit for the period	<u>2,545,024</u>	<u>2,130,209</u>
Other comprehensive income	-	-
Total comprehensive income for the period attributable to shareholders	<u>2,545,024</u>	<u>2,130,209</u>

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 31 March 2020

	Share capital	Statutory reserve	Accumulated losses	Available-for- sale investments reserve	Total
	AED	AED	AED	AED	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	-	-	2,130,209	-	2,130,209
Total comprehensive income for the period	-	-	2,130,209	-	2,130,209
As at 31st March 2019 (Unaudited)	150,000,000	2,727,473	(27,806,026)	49,623	124,971,070
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 31st March 2020 (Unaudited)	150,000,000	3,217,989	(22,976,567)	-	130,241,422

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 31 March 2020

	(Unaudited) Three months period ended 31 March 2020 AED	(Unaudited) Three months period ended 31 March 2019 AED
Cash flows from operating activities		
Profit for the period	2,545,024	2,130,209
Adjustments for:		
Depreciation of property and equipment	678,618	495,558
Changes in the fair value of financial assets	-	(39,906)
Realised loss on sale of financial assets at FVTOCI	-	201,132
Income from wakala deposits	(1,194,476)	(1,332,026)
Income from sukuk investments	(201,988)	(205,256)
Rental income	(438,179)	(549,114)
Provision for doubtful receivables	483,095	247,631
Provision for employees' end of service benefits	187,267	71,149
Operating cash flows before changes in working capital	2,059,361	1,019,377
Decrease/(increase) in takaful and other receivables	9,087,552	(23,779,824)
Increase in retakaful assets	(5,795,015)	(17,031,391)
Increase in prepayments and other receivables	(854,086)	(2,431,341)
Increase in takaful contract liabilities	9,896,172	15,316,526
(Decrease)/increase in takaful payables	(573,431)	31,225,051
Increase/(decrease) in other liabilities	53,372	(1,348,545)
Increase in deferred policy cost	(2,645,963)	(403,980)
Increase in deferred discount	921,373	397,801
Net changes in assets and liabilities of subsidiary held for sale	208,728	-
Cash generated from operations	12,358,063	2,963,674
Employee's end of service benefits paid	(60,051)	(8,793)
Net cash generated from operating activities	12,298,012	2,954,881
Cash flows from investing activities		
Purchase of property and equipment	(711)	(237,612)
Proceeds from sale of investment securities	-	265,230
Income received on wakala deposits	1,194,476	1,332,026
Rental income received	438,179	549,114
Income received from sukuk	201,988	205,256
Wakala deposits made	(5,118,625)	(11,081,778)
Net cash used in investing activities	(3,284,693)	(8,967,764)
Cash flows from financing activities		
Payment of lease liabilities	(147,145)	-
Net cash used in financing activities	(147,145)	-
Net change in cash and cash equivalents	8,866,174	(6,012,883)
Included in the subsidiary classified as held for sale (note 17)	(13,962)	-
Cash and cash equivalents, beginning of period	27,378,056	25,038,123
Cash and cash equivalents, end of period (note 8)	36,230,268	19,025,240

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 31 March 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 31 March 2020, the Company had the following subsidiary:

Name of subsidiary	Proportion of ownership interest		Country of incorporation	Principal activities
	31 March 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 three months period ended 31 March 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 31 March 2020 therefore the Group have 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 31 March 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 31 March 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 31 March 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 31 March 2020

4 Investment in securities

4.1 *Available-for-sale investments*

Available-for-sale investments comprise the following:

	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Quoted debt securities in U.A.E.	2,300,591	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
	10,819,461	10,869,178
Attributable to:		
Policyholders	3,300,591	3,350,308
Shareholders	7,518,870	7,518,870
	10,819,461	10,869,178

4.2 *Held to maturity*

Financial assets held to maturity comprises the following:

	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Quoted debt securities inside U.A.E.	2,001,297	2,001,297
Quoted debt securities outside U.A.E.	5,042,890	5,042,890
Unquoted debt securities outside U.A.E.	3,680,000	3,680,000
	10,724,187	10,724,187
Attributable to:		
Policyholders	2,001,297	2,001,297
Shareholders	8,722,890	8,722,890
	10,724,187	10,724,187

5 Takaful and other receivables

	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Contributions receivable	158,746,686	168,441,653
Receivable from retakaful and other takaful companies	3,119,538	2,265,505
Other receivables	3,868,322	4,114,940
	165,734,547	174,822,098
Less: Provisions for doubtful receivables	(12,398,469)	(11,915,374)
	153,336,077	162,906,724

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)
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For the period ended 31 March 2020

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.

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 2020. The carrying value of the investment properties as at 31 March 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 31 March 2020 (31 December 2019: Level 3).

8 Cash and cash equivalents

	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Cash on hand	31,006	194,162
Bank balances:		
Current accounts	26,358,704	22,260,960
Call accounts	9,840,558	4,922,934
	<u>36,230,268</u>	<u>27,378,056</u>
Attributable to:		
Policyholders	30,369,723	21,205,716
Shareholders	5,860,545	6,172,340
	<u>36,230,268</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 16.8 million (31 December 2019: AED 12.9 million).

11 Takaful payables

	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
Due to takaful companies, garages and other third parties	52,581,610	64,935,042
Due to retakaful companies	57,514,569	45,111,354
Other payables	1,988,458	2,611,672
	<u>112,084,637</u>	<u>112,658,068</u>

Dar Al Takaful PJSC
Condensed interim consolidated financial statements (Unaudited)
Notes to the condensed interim consolidated financial statements
For the period ended 31 March 2020

12 Share capital

	31 March 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)	150,000,000	150,000,000

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 has been made during the three months period ended 31 March 2020 (three months period ended 31 March 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 31 March	
	2020 (Unaudited)	2019 (Unaudited)
Profit for the period attributable to shareholders (in AED)	2,545,024	2,130,209
Number of ordinary shares outstanding (shares)	150,000,000	150,000,000
Basic and diluted earnings per share (in AED)	0.017	0.014

Diluted earnings per share as of 31 March 2020 and 31 March 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 consolidated statement of financial position are as follows:

	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
<i>Wakala deposits</i>		
Major shareholders	30,000,000	30,000,000

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15 Related party transactions (continued)

a) Balances with related parties (continued)

	31 March 2020 (Unaudited) AED	31 December 2019 (Audited) AED
<i>Takaful and other receivables</i>		
Major shareholders	348,087	313,129
<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 months period ended 31 March	
	2020 AED (Unaudited)	2019 AED (Unaudited)
<i>Contributions written</i>		
Major shareholders	459,832	566,687
Other related parties	3,382,620	13,516,058
	3,842,452	14,082,745
<i>Management charges paid</i>		
Major shareholders	7,500	66,000

c) Compensation of key management personnel

	Three months period ended 31 March	
	2020 AED (Unaudited)	2019 AED (Unaudited)
Short-term benefits	830,580	803,880
Employees' end of service benefits	30,835	28,425
	861,415	832,305

16 Wakala and Mudarib's fees

Wakala fees

Wakala fees for the period ended 31 March 2020 amounted to AED 31.4 million (31 March 2019: AED 30.1 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 2020 amounted to AED 0.374 million (31 March 2019: AED 0.353 million).

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17 Subsidiary classified as held for sale

At the end of 2019, management has decided to discontinue operations of Auto Crew Workshop LLC in line with Group's strategy to close loss making operations and focus on core insurance activities. Consequently, revenue and expenses, gains and losses relating to the discontinuation of this subgroup have been eliminated from profit or loss of the Group's continuing operations and are shown as a single line item in the statement of income. Cash flows of the disposal group are not disclosed separately considering such amounts are not material.

At 31 March 2020, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities.

	31 March 2020 AED	31 December 2019 AED
Current assets:		
Property and equipment	492,533	504,944
Trade and other receivables	101,387	272,489
Cash and bank	13,962	94,574
Assets classified as held for sale	<u>607,882</u>	<u>872,007</u>
Current liabilities:		
Trade and other payables	457,635	526,994
Liabilities classified as held for sale	<u>457,635</u>	<u>526,994</u>

Operating results of the disposal group for the period ended 31 March 2020 are summarised as follows:

	Three months period ended 31 March 2020 AED
Revenue	569,585
Cost of sales	<u>(643,942)</u>
Operating profit	<u>(74,357)</u>
Indirect expenses	<u>(201,426)</u>
Loss for the period	<u><u>(275,783)</u></u>

18 Commitments and guarantees

Commitments

The Group has the following commitments at the reporting date:

	31 March 2020 AED (Unaudited)	31 December 2019 AED (Audited)
Software development	<u>183,500</u>	<u>183,500</u>

Guarantees

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

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19 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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19 Segment information (continued)

Three months period ended 31 March 2020 (Unaudited)

	General takaful AED	Employee benefits AED	Investments AED	Total AED
Attributable to policyholders				
Takaful income				
Gross contribution written	100,067,636	4,321,005	-	104,388,641
Retakaful share of 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)
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 year 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

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19 Segment information (continued)

Three months period ended 31 March 2019 (Unaudited)

	General takaful AED	Employee benefits AED	Investments AED	Total AED
Attributable to policyholders				
Takaful income				
Gross contribution written	84,522,266	3,955,384	-	88,477,650
Retakaful share of accepted business	75,622	-	-	75,622
Retakaful share of ceded business	(48,600,347)	(3,805,609)	-	(52,405,956)
Net takaful contributions	35,997,541	149,775	-	36,147,316
Net transfer to unearned contributions reserve	1,096,942	87,163	-	1,184,105
Net takaful contributions earned	37,094,483	236,938	-	37,331,421
Discount earned	1,472,732	62,572	-	1,535,304
Policy fee	19,915	-	-	19,915
Total takaful Income	38,587,130	299,510	-	38,886,640
Takaful expenses				
Gross claims paid	(45,651,484)	(1,525,903)	-	(47,177,387)
Retakaful share of ceded business Paid	24,110,953	1,417,135	-	25,528,088
Net takaful claims paid	(21,540,531)	(108,768)	-	(21,649,299)
Provision for outstanding claims	631,860	(2,262,128)	-	(1,630,268)
Retakaful share of outstanding claims	(2,660,649)	2,212,876	-	(447,773)
Change in incurred but not reported claims	3,483,185	-	-	3,483,185
Change in unallocated loss adjustment expenses reserve	(88,897)	-	-	(88,897)
Changes in the provision for contribution deficiency reserve	(785,487)	-	-	(785,487)
Net claims incurred	(20,960,519)	(158,020)	-	(21,118,539)
Excess of loss of takaful contribution	(547,207)	-	-	(547,207)
Total takaful income	17,079,404	141,490	-	17,220,894
Wakala (fees)/income	(28,763,282)	(1,344,831)	30,108,113	-
Mudarib's (fee)/income	(353,311)	-	353,311	-
Policy acquisition cost	-	-	(7,828,708)	(7,828,708)
Other underwriting expenses	-	-	(383,581)	(383,581)
General and administrative expenses	-	-	(8,914,458)	(8,914,458)
Investment and other income	1,122,766	-	913,296	2,036,062
(Loss)/profit for the period	(10,914,423)	(1,203,341)	14,247,973	2,130,209

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19 Segment information (continued)

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

31 March 2020 (Unaudited)

	Takaful AED	Investment AED	Total AED
Total assets	434,774,764	140,516,195	575,290,959
Total liabilities	434,922,740	10,274,771	445,197,511

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

20 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
31 March 2020 (Unaudited)				
Available-for-sale investments	2,300,591	-	8,518,870	10,819,461
31 December 2019 (Audited)				
Available-for-sale investments	2,350,308	-	8,518,870	10,869,178

21 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.

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22 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. 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 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.