

**TAKAFUL EMARAT - INSURANCE (PSC)
AND ITS SUBSIDIARY**

**Review report and condensed consolidated
interim financial information
for the six month period ended 30 June 2020**

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

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INDEPENDENT AUDITOR'S REVIEW REPORT

**The Board of Directors of
Takaful Emarat – Insurance (PSC) and its Subsidiary
Dubai, United Arab Emirates**

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Takaful Emarat – Insurance (PSC) (the “Company”) and its Subsidiary (together the “Group”) – Dubai, United Arab Emirates** as at 30 June 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with International Accounting Standard 34: “*Interim Financial Reporting*” as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.” A review of condensed consolidated 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 consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: “*Interim Financial Reporting*”.

Other Matter

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2019 and the annual consolidated financial statements for the year ended 31 December 2019 were reviewed and audited by other auditors, whose review report dated 23 July 2019 and audit report dated 10 March 2020 expressed an unmodified conclusion and opinion respectively.

Deloitte & Touche (M.E.)



Signed by:
Akbar Ahmad
Registration No. 1141
12 August 2020
Sharjah, United Arab Emirates

**Condensed consolidated statement of financial position
at 30 June 2020**

	Notes	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Takaful Operations' Assets			
Investment properties	6	51,405,223	41,390,000
Financial instruments	7	329,032,305	300,952,361
Deposit		-	7,373,754
Takaful receivables and other assets		197,791,881	207,978,959
Retakaful contract assets	8	134,347,305	222,171,164
Deferred policy acquisition cost		75,803,233	72,120,966
Cash and bank balances	9	35,745,886	57,583,140
Total Takaful Operations' Assets		824,125,833	909,570,344
Shareholders' Assets			
Property and equipment		49,650,918	50,528,844
Intangible assets		3,797,675	4,182,116
Financial instruments	7	22,344,509	24,079,343
Statutory deposit	10	4,000,000	4,000,000
Other receivables		20,218,806	25,394,182
Receivable from policyholders		109,595,086	73,240,962
Cash and bank balances	9	8,858,860	11,796,580
Total Shareholders' Assets		218,465,854	193,222,027
Total Assets		1,042,591,687	1,102,792,371
Takaful Operations Liabilities and Deficit			
Takaful operations liabilities			
Takaful contract liabilities	8	600,013,505	619,550,234
Takaful and other payables		108,011,285	190,030,708
Payable to shareholders		109,595,086	73,240,962
Total Takaful operations liabilities		817,619,876	882,821,904
Deficit in Policyholders' Fund and Qard Hassan from Shareholders			
Deficit in policyholders' fund	11	(6,505,957)	(9,268,009)
Qard Hassan from shareholders	11	6,505,957	9,268,009
Net deficit in Policyholders' Fund and Qard Hassan from Shareholders		-	-
Total Takaful operations liabilities and Deficit		817,619,876	882,821,904

The accompanying notes form an integral part of these condensed consolidated interim financial information.

Condensed consolidated statement of financial position
at 30 June 2020 (continued)

	Notes	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Shareholders' Liabilities and Equity			
Shareholders' Liabilities			
Borrowings	12	38,572,432	40,322,432
Takaful and other payables		62,937,969	58,209,041
Provision for employees' end of service benefits		3,001,192	2,914,064
Total Shareholders' Liabilities		104,511,593	101,445,537
Shareholders' and Policyholders' equity			
Share capital	13	150,000,000	150,000,000
Statutory reserve		6,526,302	6,526,302
Accumulated losses		(59,634,094)	(55,481,803)
Cumulative changes in fair value of investments – policyholders'		23,568,010	17,480,431
Total Shareholders' and Policyholders' Equity		120,460,218	118,524,930
Total Shareholders' Liabilities and Equity		224,971,811	219,970,467
Total Takaful Operations Liabilities and Deficit and Shareholders' Liabilities and Equity		1,042,591,687	1,102,792,371

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated interim financial information presents fairly in all material respects the condensed consolidated financial position, condensed consolidated financial performance and condensed consolidated cash flows of the Group.


Wael Al Sharif
Chief Executive Officer




Sayed Abdulrazak
Senior Manager – Finance

The accompanying notes form an integral part of these condensed consolidated interim financial information.

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**Condensed consolidated statement of profit or loss (unaudited)
for the six month period ended 30 June 2020**

	Notes	Three months ended 30 June		Six months ended 30 June	
		2020 AED	2019 AED	2020 AED	2019 AED
Attributable to policyholders:					
Gross contributions written	14	103,219,549	106,239,195	303,784,979	329,640,639
Changes in unearned contributions	14	42,656,210	49,418,487	(11,018,814)	(25,825,568)
Takaful contributions earned		<u>145,875,759</u>	<u>155,657,682</u>	<u>292,766,165</u>	<u>303,815,071</u>
Retakaful contributions	14	(23,570,946)	(35,586,076)	(57,735,127)	(156,295,666)
Change in unearned contributions	14	(20,151,948)	(42,331,775)	(33,483,562)	3,703,512
Retakaful contributions earned		<u>(43,722,894)</u>	<u>(77,917,851)</u>	<u>(91,218,689)</u>	<u>(152,592,154)</u>
Net earned contributions		<u>102,152,865</u>	<u>77,739,831</u>	<u>201,547,476</u>	<u>151,222,917</u>
Gross claims incurred		(92,572,264)	(117,636,289)	(186,673,286)	(226,219,035)
Retakaful share of claims incurred		29,257,596	75,031,876	63,648,231	147,359,517
Net claims incurred		<u>(63,314,668)</u>	<u>(42,604,413)</u>	<u>(123,025,055)</u>	<u>(78,859,518)</u>
Change in reserve	8.1	(2,842,100)	(8,033,532)	(50,087,611)	(14,957,550)
Net change in fair value of policyholders investment linked contracts		(16,765,757)	(6,323,434)	9,585,695	(15,493,401)
Net takaful income		<u>19,230,340</u>	<u>20,778,452</u>	<u>38,020,505</u>	<u>41,912,448</u>
Wakalah fees	15	(19,437,589)	(20,922,856)	(37,874,748)	(42,416,329)
Investment (loss)/ income		(536,074)	239,853	2,616,295	2,008,882
Net (deficit)/ surplus from takaful operations		<u>(743,323)</u>	<u>95,449</u>	<u>2,762,052</u>	<u>1,505,001</u>
Attributable to Shareholders:					
Wakalah fees from policyholders	15	19,437,589	20,922,856	37,874,748	42,416,329
Investment income		1,013,098	10,559,618	540,805	14,493,832
Other income		3,470,065	800,643	6,678,126	3,281,691
Commission incurred		(9,676,184)	(11,632,380)	(20,549,928)	(20,527,932)
General, administrative and other expenses		(15,108,929)	(19,558,611)	(31,093,594)	(39,657,711)
(Provision for)/recovery of Qard Hassan to policyholders' fund		(743,323)	95,449	2,762,052	1,505,001
(Loss)/profit for the period attributable to Shareholders		<u>(1,607,684)</u>	<u>1,187,575</u>	<u>(3,787,791)</u>	<u>1,511,210</u>
Basic and diluted (loss)/earning per share (AED)	16	<u>(0.011)</u>	<u>0.008</u>	<u>(0.025)</u>	<u>0.010</u>

The accompanying notes form an integral part of these condensed consolidated interim financial information.

**Condensed consolidated statement of comprehensive income (unaudited)
for the six month period ended 30 June 2020**

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	AED	AED	AED	AED
(Loss)/profit for the period attributable to Shareholders	(1,607,684)	1,187,575	(3,787,791)	1,511,210
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Net changes in fair value of available for sale investments	1,982,003	(991,001)	6,087,579	424,715
Other comprehensive income /(loss) for the period	1,982,003	(991,001)	6,087,579	424,715
Total comprehensive income for the period	374,319	196,574	2,299,788	1,935,925

The accompanying notes form an integral part of these condensed consolidated interim financial information.

**Condensed consolidated statement of changes in equity
for the six month period ended 30 June 2020**

	<u>Attributable to shareholders</u>			<u>Attributable to policyholders</u>	<u>Total AED</u>
	<u>Share capital AED</u>	<u>Statutory reserve AED</u>	<u>Accumulated losses AED</u>	<u>Cumulative changes in fair value AED</u>	
Balance at 1 January 2019	150,000,000	6,526,302	(7,135,626)	15,640,000	165,030,676
Total comprehensive income for the period	-	-	1,511,210	424,715	1,935,925
Dividend paid	-	-	(10,500,000)	-	(10,500,000)
Transfer to statutory reserve	-	151,121	(151,121)	-	-
Balance at 30 June 2019 (unaudited)	<u>150,000,000</u>	<u>6,677,423</u>	<u>(16,275,537)</u>	<u>16,064,715</u>	<u>156,466,601</u>
Balance at 1 January 2020	150,000,000	6,526,302	(55,481,803)	17,480,431	118,524,930
Total comprehensive (loss)/income for the period	-	-	(3,787,791)	6,087,579	2,299,788
Zakat	-	-	(364,500)	-	(364,500)
Balance at 30 June 2020 (unaudited)	<u>150,000,000</u>	<u>6,526,302</u>	<u>(59,634,094)</u>	<u>23,568,010</u>	<u>120,460,218</u>

The accompanying notes form an integral part of these condensed consolidated interim financial information.

**Condensed consolidated statement of cash flows (unaudited)
for the six month period ended 30 June 2020**

	Six month period ended 30 June	
	2020	2019
	AED	AED
Cash flows from operating activities		
(Loss)/profit for the period	(3,787,791)	1,511,210
Adjustments for:		
Depreciation of property and equipment and amortisation intangible assets	2,330,631	2,148,182
Loss/(gain) on revaluation of investments carried at FVTPL	521,165	(26,092,341)
Provision for employees' end of service benefits	515,803	686,352
Provision for doubtful debts	-	763,116
	<hr/>	<hr/>
Operating cash flows before changes in operating assets and liabilities	(420,192)	(20,983,481)
Decrease/(increase) in retakaful contract assets	87,823,859	(15,152,033)
Decrease/(increase) in takaful receivables and other assets	15,362,454	(128,259,605)
Increase in deferred policy acquisition cost	(3,682,267)	(5,829,302)
(Decrease)/increase in takaful contract liabilities	(19,536,729)	74,033,740
(Decrease)/increase in takaful and other payables	(77,290,495)	68,457,231
	<hr/>	<hr/>
Net cash generated from/(used in) operations	2,256,630	(27,733,450)
Employees' end of service benefits paid	(428,675)	(175,472)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	1,827,955	(27,908,922)
Cash flows from investing activities		
Purchase of investments at FVTPL	(101,480,976)	(57,890,734)
Change in deposits with original maturity more than 3 months	-	4,056,000
Proceeds from sale of investments at FVTPL	80,702,280	56,412,249
Matured/(purchase) of deposit	7,373,754	(7,373,754)
Purchase of property and equipment	(831,320)	(5,548,357)
Purchase of intangible assets	(236,944)	(2,764,115)
Addition to investments properties	(10,015,223)	(3,292,707)
	<hr/>	<hr/>
Net cash used in investing activities	(24,488,429)	(16,401,418)
Cash flows from financing activities		
Dividend paid	-	(10,500,000)
Zakat payment	(364,500)	-
Repayment of borrowings	(1,750,000)	(12,425,000)
	<hr/>	<hr/>
Cash used in financing activities	(2,114,500)	(22,925,000)
Net decrease in cash and cash equivalents	(24,774,974)	(67,235,340)
Cash and cash equivalents at the beginning of the period	52,129,720	102,214,037
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	27,354,746	34,978,697
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The accompanying notes form an integral part of these condensed consolidated interim financial information.

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020**

1. General information

Takaful Emarat - Insurance (PSC), Dubai, United Arab Emirates (the "Company") is a public stock company incorporated in the Emirate of Dubai – United Arab Emirates, pursuant to decree No. 62 for the year 2007 issued by the Ministry of Economy on 6 February, 2007, and is subject to the provisions of the UAE Federal Law No. 2 of 2015 ("Companies Law").

The Company carries out takaful activities in Health Insurance, Life Insurance and Credit and Saving Insurance in accordance with the Islamic Sharia'a and within the provisions of the Articles of Association of the Company.

The registered address of the Company is P.O. Box 64341, Dubai, United Arab Emirates.

These consolidated financial statements incorporate the financial statements of the Company and its subsidiary (collectively referred to as the "Group").

<u>Subsidiary</u>	<u>Principal activity</u>	<u>Country of incorporation</u>	<u>Ownership</u>	
			2020	2019
<i>Directly owned</i>				
Modern Tech Investment	Investment	United Arab Emirates	100%	99%

Coronavirus (COVID-19) outbreak and its impact on the Group

With the recent and rapid development of the coronavirus disease (COVID-19) outbreak, the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations including the United Arab Emirates (UAE).

Management has considered the unique circumstances and the risk exposures of the Group that could have a material impact on the business operations and has concluded that the main impacts on the Group's profitability/liquidity position may arise from:

- Recoverability of takaful and other receivables,
- fair value measurement of financial instruments,
- fair value measurement of investment properties,
- provision for outstanding claims and claims incurred but not reported,
- unavailability of personnel, and
- reduction in gross contribution due to non-renewal of policies.

Based on the above consideration, management has concluded that there is no significant impact on the Group's profitability position as at reporting date other than the change which is already reflected in the condensed consolidated interim financial information.

The Group has performed stress testing as required by the Insurance Authority of UAE on a monthly basis approved by the Board of Directors, who are satisfied that the Group will continue to operate as a going concern. Accordingly, these condensed consolidated interim financial information have been prepared on a going concern basis. Management will continue to monitor the situation and, will take necessary and appropriate actions on a timely basis to respond to this unprecedented situation.

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020 (continued)****2. Application of new and revised International Financial Reporting Standards (IFRSs)****2.1 New and revised IFRSs applied with no material effect on the condensed consolidated interim financial information**

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these condensed consolidated interim financial information. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Definition of Material – Amendments to IAS 1 ‘Presentation of Financial Statements’ and IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’.
- Definition of a Business – Amendments to IFRS 3 ‘Business Combinations’.
- Amendments to References to the Conceptual Framework in IFRS Standards related IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.
- Amendments in IFRS 7, 9 and IAS 39 regarding pre-replacement issues in the context of the IBOR reform.
- Amendment to IFRS 16 ‘Leases’ to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The effective date is 1 June 2020.

2.2 New and revised IFRS standards and interpretations but 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*. Effective for annual period beginning on or after 1 January 2023
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures (2011)* relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. Effective date deferred indefinitely. Adoption is permitted.
- IAS 1: *Presentation of Financial Statements – Amendments on Classifications*. Effective for annual period beginning on or after 1 January 2023.
- Amendments relating to IAS 16, IAS 37, IFRS 3 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning after 1 January 2022)
- IFRS 4: *Insurance Contracts*. Amendments regarding the expiry date of the deferral approach. The fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 is now 1 January 2023.

2.3 Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*

In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9 Financial instruments and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the ‘overlay approach’. Both approaches are optional.

IFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the ‘overlay approach’ are expected to cease to be applicable when the new insurance standards becomes effective.

The Group has performed an assessment of the amendment and concluded that its activities are predominantly connected with insurance. Management has applied the temporary exemption in its reporting period starting on 1 January 2018. The Group has decided to opt for the options to defer application of IFRS 9 given in said amendments to IFRS 4 "Insurance contracts" and concluded to apply IFRS 9 w.e.f. from 1 January 2023.

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020 (continued)****3. Summary of significant accounting policies****3.1 Basis of preparation**

These condensed consolidated interim financial information have been prepared in accordance with International Accounting Standard (IAS) No. 34, “*Interim Financial Reporting*” and also comply with the applicable requirements of the law in the U.A.E.

The condensed consolidated interim financial information are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group’s transactions are denominated.

These condensed consolidated interim financial information have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties.

The accounting policies, presentation and methods in this condensed consolidated interim financial information are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2019.

This condensed consolidated interim financial information does not include all the information required for full audited annual consolidated financial statements and should be read in conjunction with the Group’s audited annual consolidated financial statements as at and for the year ended 31 December 2019. In addition, results for the six month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

4. Changes in judgements and estimation uncertainty

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2019, with the exception of the impact of the novel coronavirus (COVID-19) outbreak on the Group which is detailed below.

As of to date, the actual scope of the impact is very difficult to measure, and until now, only subjective assessment of the impact can be used.

Recoverability of takaful and other receivables

The COVID-19 outbreak led to a significant increase in the credit risk of companies within the economy as a result of operational disruption.

Based on management’s assessment, the Group has not identified any material impact on the recoverability of takaful and other receivables for the period ended 30 June 2020.

Fair value measurement of financial instruments

COVID-19 outbreak led to significant market turmoil and price volatility on the global financial markets. The Group is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario.

Based on management’s assessment, the Group has not identified any material impact on the fair values of financial assets and liabilities for the period as at 30 June 2020 other than the change which is already reflected in the condensed consolidated interim financial information.

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020 (continued)**

4. Changes in judgements and estimation uncertainty (continued)

Fair value measurement of investment properties

Based on management's assessment, there is limited information available on the 2020 outlook for the real estate market and how the situation will progress in light of COVID-19. The Group has not identified any significant impact to the fair values of investment properties for as at 30 June 2020. The Group will consistently monitor the market and ensure that the prices used by the Group are an accurate representation of fair values.

Provision for outstanding claims and claims incurred but not reported

The Group has performed an assessment of the impact of COVID-19 on its contractual arrangements, provisions for outstanding claims and claims incurred but not reported which included regular sensitivity analyses. The Group determined that there is no material impact on its risk position and provision balances for outstanding claims and claims incurred but not reported as at 30 June 2020. The Group will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

5. Takaful and financial risk management

The Group's activities expose it to a variety of takaful and financial risks: underwriting risk, market risk (which includes foreign currency risk, profit rate risk and price risk), credit risk and liquidity risk.

The condensed interim consolidated financial information does not include all takaful and financial risk management information and disclosures required in the annual consolidated financial statements; therefore, they should be read in conjunction with the Group's audited annual consolidated financial statements for the year ended 31 December 2019.

There have been no changes in the risk management department or in any risk management policies since the year end.

6. Investment properties

	30 June 2020 AED (unaudited)	31 December 2019 AED (audited)
Land	15,401,896	15,401,896
Residential apartments	20,290,000	20,290,000
	<hr/>	<hr/>
	35,691,896	35,691,896
Work in progress	15,713,327	5,698,104
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	51,405,223	41,390,000
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Management estimates that there has been no change in the fair value of investment properties. Investment properties are classified as Level 3 in the fair value hierarchy as at 30 June 2020 (31 December 2019: Level 3).

Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020 (continued)

7. Financial instruments

	30 June 2020 AED (unaudited)	31 December 2019 AED (audited)
<i>Takaful operations' assets</i>		
At fair value through profit or loss (Note 7.1)	288,542,827	266,550,462
Available-for-sale (Note 7.2)	40,489,478	34,401,899
	<u>329,032,305</u>	<u>300,952,361</u>
<i>Shareholders' assets</i>		
At fair value through profit or loss (Note 7.1)	22,344,509	24,079,343
Total	<u><u>351,376,814</u></u>	<u><u>325,031,704</u></u>

7.1 Financial instruments at fair value through profit or loss

	30 June 2020 (unaudited)			
	Attributable to individual life policyholders AED	Attributable to shareholders AED	Attributable to takaful operations AED	Total AED
Mutual funds	158,853,666	-	-	158,853,666
Sukuk investments	37,971,010	-	26,170,808	64,141,818
Equity investments – quoted	-	-	65,547,343	65,547,343
Equity investments – unquoted	-	22,344,509	-	22,344,509
Total	<u>196,824,676</u>	<u>22,344,509</u>	<u>91,718,151</u>	<u>310,887,336</u>

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020 (continued)**

7. Investments (continued)

7.1 Financial instruments at fair value through profit or loss (continued)

	31 December 2019 (audited)			
	Attributable to individual life policyholders AED	Attributable to shareholders AED	Attributable to takaful operations AED	Total AED
Mutual funds	145,045,251	1,734,834	-	146,780,085
Sukuk investments	32,681,059	-	30,521,013	63,202,072
Equity investments – quoted	-	-	58,303,139	58,303,139
Equity investments – unquoted	-	22,344,509	-	22,344,509
Total	177,726,310	24,079,343	88,824,152	290,629,805

The borrowing of AED 10.9 million is utilised to purchase Sukuks of an equivalent amount, which is pledged against the borrowing (Note 12).

Movements during the period/year were as follows:

	30 June 2020 AED (unaudited)	31 December 2019 AED (audited)
At beginning of the period/year	290,629,805	253,310,213
Purchases during the period/year	101,480,976	127,129,408
Disposals during the period/year	(80,702,280)	(117,434,567)
Change in fair value during the period/year	(521,165)	27,624,751
At end of the period/year	310,887,336	290,629,805

7.2 Available-for-sale (AFS)

	30 June 2020 AED (unaudited)	31 December 2019 AED (audited)
Shares – quoted	40,489,478	34,401,899

The fair value gain amounting to AED 6.09 million (30 June 2019: AED 0.42 million) has been recognised in the condensed consolidated statement of comprehensive income.

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020 (continued)**

7. Investments (continued)

7.3 Investment concentration

The UAE Insurance Authority has set the maximum limit for aggregate exposure in various investments category. As at 30 June 2020, the Group has invested over the limit in other invested assets category by AED 4,907,698 (31 December 2019: AED 2,131,565), whereas, it has exceeded the sub-limits in all other categories except real estate investments by AED 112,069,237 (31 December 2019: AED 106,251,396).

8. Takaful contract liabilities and retakaful contract assets

	30 June 2020 AED (unaudited)	31 December 2019 AED (audited)
Gross takaful contract liabilities		
Claims reported	151,853,582	184,644,225
Claims incurred but not reported	47,552,404	66,860,214
Unearned contributions	196,449,916	185,431,102
Mathematical reserves	6,139,605	4,888,383
Policyholders' investment linked contracts at fair value	198,017,998	177,726,310
	600,013,505	619,550,234
Retakaful contract assets		
Retakaful share of claims reported	62,421,923	110,662,993
Retakaful share of claims incurred but not reported	17,087,613	23,132,191
Retakaful share of unearned contributions	51,859,734	85,343,296
Retakaful share of mathematical reserve	2,978,035	3,032,684
	134,347,305	222,171,164
Net takaful contract liabilities		
Claims reported	89,431,659	73,981,232
Claims incurred but not reported	30,464,791	43,728,023
Unearned contributions	144,590,182	100,087,806
Mathematical reserves	3,161,570	1,855,699
Policyholders' investment linked contracts at fair value	198,017,998	177,726,310
	465,666,200	397,379,070

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020 (continued)**

8. Takaful contract liabilities and retakaful contract assets (continued)

	30 June 2020 AED (unaudited)	31 December 2019 AED (audited)
Movement in payable to policyholders of investment linked contracts		
Opening balance	177,726,310	117,529,436
Gross contribution	50,495,831	90,828,568
Allocation charges	(8,139,292)	(21,019,577)
Redemptions during the period/year	(12,479,158)	(29,743,408)
Change in fair value	(9,585,693)	20,131,291
Closing balance	198,017,998	177,726,310

8.1 Change in reserves

	Three month period ended 30 June		Six month period ended 30 June	
	2020 AED (unaudited)	2019 AED (unaudited)	2020 AED (unaudited)	2019 AED (unaudited)
Changes in mathematical reserve – takaful life	(469,119)	(199,564)	(1,305,871)	(699,620)
Change in reserve relating to takaful life products	(19,138,738)	(14,157,402)	(39,196,045)	(29,751,331)
Change in fair value-individual life policyholders (Note 8)	16,765,757	6,323,434	(9,585,695)	15,493,401
	(2,842,100)	(8,033,532)	(50,087,611)	(14,957,550)

9. Cash and bank balances

	30 June 2020 (unaudited)		31 December 2019 (audited)	
	Takaful Operations AED	Shareholders' Operations AED	Takaful Operations AED	Shareholders' Operations AED
Cash and bank balances	18,495,886	8,858,860	40,333,140	11,796,580
Deposit	17,250,000	-	17,250,000	-
	35,745,886	8,858,860	57,583,140	11,796,580
Less: Deposits maturing in more than three months	(17,250,000)	-	(17,250,000)	-
Total	18,495,886	8,858,860	40,333,140	11,796,580

The deposits carry profit rates ranging from 1.75% to 2.40% (2019: 1.75% to 2.40%) per annum with maturity dates ranging from 20 September 2020 to 28 September 2020.

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020 (continued)**

10. Statutory deposit

Statutory deposit is maintained in accordance with the requirements of UAE Federal Law No. 6 of 2007 for the purpose of carrying on takaful operations in the United Arab Emirates and is not available to finance the day to day operations of the Company. This deposit carries a profit rate of 3.40% (2019: 3.40%) per annum.

11. Deficit in policyholders' fund

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Deficit in policyholders' fund		
Balance at the beginning of the period/ year	(9,268,009)	(30,905,151)
Surplus/(deficit) during the period/year	2,762,052	(9,268,009)
Qard Hassan written off	-	30,905,151
	<hr/>	<hr/>
Balance at the end of the period/ year	(6,505,957)	(9,268,009)
Qard Hassan from shareholders		
Balance at beginning of period/year	9,268,009	30,905,151
(Deficit)/surplus during the period/year	(2,762,052)	9,268,009
Qard Hassan written off	-	(30,905,151)
	<hr/>	<hr/>
Balance at the end of the period/year	6,505,957	9,268,009
	<hr/>	<hr/>
Total deficit in policyholders' fund	-	-
	<hr/> <hr/>	<hr/> <hr/>

12. Borrowings

The borrowings of AED 38.6 million (31 December 2019: 40.32 million) consist of two parts. AED 10.92 million which has been utilised to purchase Tier 1 Sukuks, and are pledged against the borrowings (Note 7). The value of pledged Sukuks as at 30 June 2020 was AED 10.9 million (31 December 2019: AED 12.4 million). The borrowings carry a profit rate of 2.5% per annum above the 3-month EIBOR and have a maturity period of three months. AED 35 million loan was obtained in 2017 for the purchase of new building being used as office space, of which the outstanding principal amount is AED 27.68 million (31 December 2019 : AED 29.40 million).

13. Share capital

	30 June 2020 AED (unaudited)	31 December 2019 AED (audited)
Authorised, Issued and fully paid:		
150,000,000 ordinary shares of AED 1 each	150,000,000	150,000,000
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**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020 (continued)**

14. Net earned contributions (unaudited)

	Three month period ended 30 June 2020			Three month period ended 30 June 2019		
	Medical AED	Life and savings AED	Total AED	Medical AED	Life and savings AED	Total AED
Gross contributions written	75,370,496	27,849,053	103,219,549	83,122,788	23,116,407	106,239,195
Change in unearned contributions	44,861,616	(2,205,406)	42,656,210	49,124,012	294,475	49,418,487
Takaful contributions earned	120,232,112	25,643,647	145,875,759	132,246,800	23,410,882	155,657,682
Retakaful contributions	(19,477,502)	(4,093,444)	(23,570,946)	(33,908,532)	(1,677,544)	(35,586,076)
Change in unearned contributions	(22,127,836)	1,975,888	(20,151,948)	(42,062,193)	(269,582)	(42,331,775)
Retakaful contributions ceded	(41,605,338)	(2,117,556)	(43,722,894)	(75,970,725)	(1,947,126)	(77,917,851)
Net earned contributions	78,626,774	23,526,091	102,152,865	56,276,075	21,463,756	77,739,831
	Six month period ended 30 June 2020			Six month period ended 30 June 2019		
	Medical AED	Life and savings AED	Total AED	Medical AED	Life and savings AED	Total AED
Gross contributions written	249,164,137	54,620,842	303,784,979	283,408,150	46,232,489	329,640,639
Change in unearned contributions	(9,684,358)	(1,334,456)	(11,018,814)	(26,930,628)	1,105,060	(25,825,568)
Takaful contributions earned	239,479,779	53,286,386	292,766,165	256,477,522	47,337,549	303,815,071
Retakaful contributions	(52,259,853)	(5,475,274)	(57,735,127)	(152,418,799)	(3,876,867)	(156,295,666)
Change in unearned contributions	(34,765,379)	1,281,817	(33,483,562)	4,675,936	(972,424)	3,703,512
Retakaful contributions ceded	(87,025,232)	(4,193,457)	(91,218,689)	(147,742,863)	(4,849,291)	(152,592,154)
Net earned contributions	152,454,547	49,092,929	201,547,476	108,734,659	42,488,258	151,222,917

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020 (continued)**

15. Wakalah fees

For group life and group medical policies, wakalah fees were charged at up to 16.75% to 25% (2019: 16.75% to 25%) of gross takaful contributions. For life takaful policies, wakalah fees were charged at a maximum of 50% of takaful risk contributions. Wakalah fees are approved by the Sharia'a Supervisory Board and is charged to the condensed consolidated statement of profit or loss when incurred.

16. Basic and diluted (loss)/earning per share

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
(Loss)/profit for the period attributable to shareholders (AED)	(1,607,684)	1,187,575	(3,787,791)	1,511,210
Weighted average number of shares outstanding during the period	150,000,000	150,000,000	150,000,000	150,000,000
(Loss)/earning per share (AED)	(0.011)	0.008	(0.025)	0.010

No figures for diluted (loss)/earnings per share are presented as the Group has not issued any instruments which would have an impact on (loss)/earnings per share when exercised.

17. Related party transactions and balances

Related parties represent, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the Group's management.

The significant balances outstanding at 30 June in respect of related parties included in the consolidated financial statements are as follows:

	30 June	31 December
	2020	2019
	(unaudited)	(audited)
	AED	AED
<i>Affiliates of major shareholders:</i>		
Deposit	-	7,373,754
Outstanding claims	1,058,218	786,445
Equity Investments – quoted	2,936,820	3,775,038
	3,995,038	11,935,237

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020 (continued)**

17. Related party transactions and balances (continued)

	Three month period ended 30 June		Six month period ended 30 June	
	2020 (unaudited) AED	2019 (unaudited) AED	2020 (unaudited) AED	2019 (unaudited) AED
Compensation of key management personnel:				
Short and long term benefits	551,006	2,439,269	1,365,305	4,479,266
Transactions with related parties during the period				
Gross written contribution	1,506,403	2,358,540	5,598,133	8,251,591
Gross claim incurred	628,578	(1,716,362)	1,727,987	2,403,104

Outstanding balances at the period/year-end arise in the normal course of business. The Group has not recorded any impairment of amounts owed by related parties.

18. Contingencies and commitments

	30 June 2020 (unaudited) AED	31 December 2019 (audited) AED
Letters of guarantee	345,593	343,593

Legal claims

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Group's income or financial condition.

19. Segment information

For management purposes, the Company is organised into two business segments; takaful and investment operations. The takaful operations comprise the takaful business undertaken by the Company on behalf of policyholders. Investment operations comprise investments and cash management for the Company'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.

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020 (continued)**

19. Segment information (continued)

Except for Wakalah fees, allocation charges and Qard Hassan, no other inter-segment transactions occurred during the period. Segment income, expenses and results include transactions between business segments which will then be eliminated on consolidation shown below.

	Three month period ended 30 June 2020 (unaudited)					
	Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	120,232,112	25,643,647	145,875,759	1,013,098	22,907,654	23,920,752
Segment result	19,860,978	(1,166,712)	18,694,266	1,013,098	22,907,654	23,920,752
Wakala fees	(15,210,886)	(4,226,703)	(19,437,589)	-	-	-
Commission incurred	-	-	-	-	(9,676,184)	(9,676,184)
General and administrative expenses	-	-	-	-	(15,108,929)	(15,108,929)
Provision for Qard Hassan to policyholders' fund	-	-	-	-	(743,323)	(743,323)
Profit/(loss) attributable to policyholders/ shareholders	4,650,092	(5,393,415)	(743,323)	1,013,098	(2,620,782)	(1,607,684)
	Three month period ended 30 June 2019 (unaudited)					
	Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	132,246,800	23,410,882	155,657,682	10,559,618	21,723,499	32,283,117
Segment result	14,205,412	6,812,893	21,018,305	10,559,618	21,723,499	32,283,117
Wakala fees	(13,799,005)	(7,123,851)	(20,922,856)	-	-	-
Commission incurred	-	-	-	-	(11,632,380)	(11,632,380)
General and administrative expenses	-	-	-	-	(19,558,611)	(19,558,611)
Recovery of Qard Hassan to policyholders' fund	-	-	-	-	95,449	95,449
Profit/(loss) attributable to policyholders/ shareholders	406,407	(310,958)	95,449	10,559,618	(9,372,043)	1,187,575

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020 (continued)**

19. Segment information (continued)

	Six month period ended 30 June 2020 (unaudited)					
	Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	239,479,779	53,286,386	292,766,165	540,805	44,552,874	45,093,679
Segment result	36,616,124	4,020,676	40,636,800	540,805	44,552,874	45,093,679
Wakala fees	(28,316,958)	(9,557,790)	(37,874,748)	-	-	-
Commission incurred	-	-	-	-	(20,549,928)	(20,549,928)
General and administrative expenses	-	-	-	-	(31,093,594)	(31,093,594)
Recovery of Qard Hassan to policyholders' fund	-	-	-	-	2,762,052	2,762,052
Profit/(loss) attributable to policyholders/ shareholders	8,299,166	(5,537,114)	2,762,052	540,805	(4,328,596)	(3,787,791)
	Six month period ended 30 June 2019 (unaudited)					
	Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	256,477,522	47,337,549	303,815,071	14,493,832	45,698,020	60,191,852
Segment result	31,767,163	12,154,167	43,921,330	14,493,832	45,698,020	60,191,852
Wakala fees	(30,132,000)	(12,284,329)	(42,416,329)	-	-	-
Commission incurred	-	-	-	-	(20,527,932)	(20,527,932)
General and administrative expenses	-	-	-	-	(39,657,711)	(39,657,711)
Recovery of Qard Hassan to policyholders' fund	-	-	-	-	1,505,001	1,505,001
Profit/(loss) attributable to policyholders/ shareholders	1,635,163	(130,162)	1,505,001	14,493,832	(12,982,622)	1,511,210

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020 (continued)**

19. Segment information (continued)

	30 June 2020 (unaudited)						
	Medical AED	Life and saving AED	Underwriting total AED	Shareholders' investments AED	Unallocated others AED	Total AED	Total AED
Segment assets	514,220,080	309,905,753	824,125,833	31,203,369	77,667,399	108,870,768	932,996,601
Segment liabilities	473,220,435	234,804,355	708,024,790	10,922,432	93,589,161	104,511,593	812,536,383
	As at 31 December 2019 (Audited)						
	Medical AED	Life and saving AED	Underwriting total AED	Shareholders' investments AED	Unallocated others AED	Total AED	Total AED
Segment assets	602,097,336	307,473,008	909,570,344	35,875,923	84,105,142	119,981,065	1,029,551,409
Segment liabilities	583,441,458	226,139,484	809,580,942	10,922,432	90,523,105	101,445,537	911,026,479

20. Fair value of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020 (continued)**

20. Fair value of financial instruments (continued)

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Fair value hierarchy of assets and liabilities measured at fair value

The following table analyses assets and liabilities measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the consolidated statement of financial position.

	30 June 2020 (unaudited)			
	Level 1	Level 2	Level 3	Total
	AED	AED	AED	AED
Assets				
Investments at fair value through profit or loss				
Equity investments – quoted	65,547,343	-	-	65,547,343
Equity investments – unquoted	-	-	22,344,509	22,344,509
Mutual funds	-	158,853,666	-	158,853,666
Sukuk investments	64,141,818	-	-	64,141,818
Available-for-sale	40,489,478	-	-	40,489,478
	<u>170,178,639</u>	<u>158,853,666</u>	<u>22,344,409</u>	<u>351,376,814</u>
Liabilities				
Investment linked contracts	-	198,017,998	-	198,017,998

**Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2020 (continued)**

20. Fair value of financial instruments (continued)

Fair value hierarchy of assets and liabilities measured at fair value (continued)

	31 December 2019 (Audited)			Total AED
	Level 1 AED	Level 2 AED	Level 3 AED	
Assets				
Investments at fair value through profit or loss				
Equity investments – quoted	58,303,139	-	-	58,303,139
Equity investments – unquoted	-	-	22,344,509	22,344,509
Mutual funds	-	146,780,085	-	146,780,085
Sukuk investments	63,202,072	-	-	63,202,072
Available-for-sale	34,401,899	-	-	34,401,899
	<u>155,907,110</u>	<u>146,780,085</u>	<u>22,344,509</u>	<u>325,031,704</u>
Liabilities				
Investment linked contracts	-	177,726,310	-	177,726,310

20.1 Movement in financial assets at level 3

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Balance at the beginning of the period/year	22,344,509	13,936,767
Changes in value	-	8,407,742
Balance at the end of period/year	22,344,509	22,344,509

There were no transfers between the levels during the period.

21. Seasonality of results

No income of seasonal nature was recorded in the statement of income for the six months period ended 30 June 2020.

22. Approval of the condensed consolidated financial information

The condensed consolidated financial information were approved by the Board of Directors and authorised for issue on 12 August 2020.