TAKAFUL EMARAT - INSURANCE (PSC)
AND ITS SUBSIDIARY

Review report and condensed consolidated interim financial information for the nine month period ended 30 September 2020

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

Contents **Pages**

Independent auditor's review report	**1**
Condensed consolidated statement of financial position	**2 - 3**
Condensed consolidated statement of profit or loss (unaudited)	**4**
Condensed consolidated statement of comprehensive income (unaudited)	**5**
Condensed consolidated statement of changes in equity	**6**
Condensed consolidated statement of cash flows (unaudited)	**7**
Notes to the condensed consolidated interim financial information	**8 - 24**

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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 September 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine month period then ended and other explanatory notes. 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 nine months ended 30 September 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 27 October 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
11 November 2020
Sharjah, United Arab Emirates

Akbar Ahmad (1141), Cynthia Corby (995), Georges Najem (809), Mohammad Jallad (1164), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Obada Alkowatly (1056), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

Condensed consolidated statement of financial position at 30 September 2020

	Notes	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Takaful Operations' Assets			
Investment properties	**6**	**53,265,651**	41,390,000
Financial instruments	**7**	**329,402,946**	300,952,361
Deposit		**-**	7,373,754
Takaful receivables and other assets		**183,330,640**	207,978,959
Retakaful contract assets	**8**	**143,485,052**	222,171,164
Deferred policy acquisition cost		**79,389,253**	72,120,966
Cash and bank balances	**9**	**58,098,014**	57,583,140
Total Takaful Operations' Assets		**846,971,556**	909,570,344
Shareholders' Assets			
Property and equipment		**49,090,252**	50,528,844
Intangible assets		**3,381,709**	4,182,116
Financial instruments	**7**	**25,132,795**	24,079,343
Statutory deposit	**10**	**4,000,000**	4,000,000
Other receivables		**18,469,633**	25,394,182
Receivable from policyholders		**99,788,816**	73,240,962
Cash and bank balances	**9**	**12,120,445**	11,796,580
Total Shareholders' Assets		**211,983,650**	193,222,027
Total Assets		**1,058,955,206**	1,102,792,371
Takaful Operations Liabilities and Deficit			
Takaful operations liabilities			
Takaful contract liabilities	**8**	**598,544,010**	619,550,234
Takaful and other payables		**147,942,011**	190,030,708
Payable to shareholders		**99,788,816**	73,240,962
Total Takaful operations liabilities		**846,274,837**	882,821,904
Deficit in Policyholders' Fund and Qard Hassan from Shareholders			
Deficit in policyholders' fund	**11**	**(696,718)**	(9,268,009)
Qard Hassan from shareholders	**11**	**696,718**	9,268,009
Net deficit in Policyholders' Fund and Qard Hassan from Shareholders		**-**	-
Total Takaful operations liabilities and Deficit		**846,274,837**	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 September 2020 (continued)

	Notes	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Shareholders' Liabilities and Equity			
Shareholders' Liabilities			
Borrowings	12	**26,775,000**	40,322,432
Takaful and other payables		**58,100,233**	58,209,041
Provision for employees' end of service benefits		**2,849,599**	2,914,064
Total Shareholders' Liabilities		**87,724,832**	101,445,537
Shareholders' and Policyholders' equity			
Share capital	13	**150,000,000**	150,000,000
Statutory reserve		**6,540,426**	6,526,302
Accumulated losses		**(55,719,185)**	(55,481,803)
Cumulative changes in fair value of investments – policyholders'		**24,134,296**	17,480,431
Total Shareholders' and Policyholders' Equity		**124,955,537**	118,524,930
Total Shareholders' Liabilities and Equity		**212,680,369**	219,970,467
Total Takaful Operations Liabilities and Deficit and Shareholders' Liabilities and Equity		**1,058,955,206**	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

Adnan Sabaalaish
Senior Manager – Finance

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

Condensed consolidated statement of profit or loss (unaudited) for the nine month period ended 30 September 2020

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2020	2019	**2020**	2019
		AED	AED	**AED**	AED
Attributable to policyholders:					
Gross contributions written	**14**	**152,635,017**	154,947,475	**456,419,996**	484,588,114
Changes in unearned contributions	**14**	**(7,826,493)**	3,153,653	**(18,845,307)**	(22,671,915)
Takaful contributions earned		**144,808,524**	158,101,128	**437,574,689**	461,916,199
Retakaful contributions	**14**	**(60,587,144)**	3,066,006	**(118,322,271)**	(153,229,660)
Change in unearned contributions	**14**	**20,149,148**	(24,048,451)	**(13,334,414)**	(20,344,939)
Retakaful contributions ceded		**(40,437,996)**	(20,982,445)	**(131,656,685)**	(173,574,599)
Net earned contributions		**104,370,528**	137,118,683	**305,918,004**	288,341,600
Gross claims incurred		**(90,547,424)**	(108,887,446)	**(277,220,710)**	(335,106,481)
Retakaful share of claims incurred		**27,999,545**	711,544	**91,647,776**	148,071,061
Net claims incurred		**(62,547,879)**	(108,175,902)	**(185,572,934)**	(187,035,420)
Change in reserve	**8.1**	**(758,851)**	(15,123,477)	**(50,846,462)**	(30,081,027)
Net change in fair value of policyholders investment linked contracts		**(20,229,354)**	(1,387,641)	**(10,643,659)**	(16,881,042)
Net takaful income		**20,834,444**	12,431,663	**58,854,949**	54,344,111
Wakalah fees	**15**	**(17,968,068)**	(18,951,253)	**(55,842,816)**	(61,367,582)
Investment income/(loss)		**2,942,863**	(1,552,111)	**5,559,158**	456,771
Net surplus/(deficit) from takaful Operations		**5,809,239**	(8,071,701)	**8,571,291**	(6,566,700)
Attributable to Shareholders:					
Wakalah fees from policyholders	**15**	**17,968,068**	18,951,253	**55,842,816**	61,367,582
Investment (loss)/income		**(411,265)**	2,287,542	**129,540**	16,781,374
Other income		**5,067,504**	3,673,482	**11,745,630**	6,955,173
Commission incurred		**(11,407,279)**	(11,714,409)	**(31,957,207)**	(32,242,341)
General, administrative and other expenses		**(13,097,234)**	(24,209,622)	**(44,190,828)**	(63,867,333)
Recovery/(provision for) of Qard Hassan to policyholders' fund		**5,809,239**	(8,071,701)	**8,571,291**	(6,566,700)
Profit/(loss) for the period attributable to Shareholders		**3,929,033**	(19,083,455)	**141,242**	(17,572,245)
Basic and diluted profit/(loss) per share (AED)	**16**	**0.026**	(0.127)	**0.001**	(0.117)

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

Condensed consolidated statement of comprehensive income (unaudited) for the nine month period ended 30 September 2020

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	**2020**	2019
	AED	AED	**AED**	AED
Profit/(loss) for the period attributable to Shareholders	**3,929,033**	(19,083,455)	**141,242**	(17,572,245)
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss:				
Net changes in fair value of available for sale investments	**566,286**	1,415,716	**6,653,865**	1,840,431
Other comprehensive income for the period	**566,286**	1,415,716	**6,653,865**	1,840,431
Total comprehensive income/(loss) for the period	**4,495,319**	(17,667,739)	**6,795,107**	(15,731,814)

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

Condensed consolidated statement of changes in equity
for the nine month period ended 30 September 2020

	Attributable to shareholders			Attributable to policyholders	
	Share capital AED	**Statutory reserve AED**	**Accumulated losses AED**	**Cumulative changes in fair value AED**	**Total AED**
Balance at 1 January 2019	150,000,000	6,526,302	(7,135,626)	15,640,000	165,030,676
Total comprehensive (loss)/income for the period	-	-	(17,572,245)	1,840,431	(15,731,814)
Dividend paid	-	-	(10,500,000)	-	(10,500,000)
Balance at 30 September 2019 (unaudited)	150,000,000	6,526,302	(35,207,871)	17,480,431	138,798,862
Balance at 1 January 2020	150,000,000	6,526,302	(55,481,803)	17,480,431	118,524,930
Total comprehensive income for the period	-	-	141,242	6,653,865	6,795,107
Zakat	-	-	(364,500)	-	(364,500)
Transfer to statutory reserve	-	14,124	(14,124)	-	-
Balance at 30 September 2020 (unaudited)	**150,000,000**	**6,540,426**	**(55,719,185)**	**24,134,296**	**124,955,537**

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

Condensed consolidated statement of cash flows (unaudited) for the nine month period ended 30 September 2020

	Nine month period ended 30 September	
	2020	2019
	AED	AED
Cash flows from operating activities		
Profit/(loss) for the period	**141,242**	(17,572,245)
Adjustments for:		
Depreciation of property and equipment and amortisation of intangible assets	**3,493,938**	3,251,006
Gain on revaluation of investments carried at FVTPL	**(17,698,169)**	(26,820,255)
Provision for employees' end of service benefits	**364,210**	1,663,939
Provision for doubtful debts	**-**	851,018
Operating cash flows before changes in operating assets and liabilities	**(13,698,779)**	(38,626,537)
Decrease in retakaful contract assets	**78,686,112**	16,619,187
Decrease/(increase) in takaful receivables and other assets	**31,572,868**	(75,915,478)
Increase in deferred policy acquisition cost	**(7,268,287)**	(8,032,772)
(Decrease)/increase in takaful contract liabilities	**(21,006,224)**	112,202,628
Decrease in takaful and other payables	**(42,197,505)**	(24,683,681)
Net cash generated from/(used in) operations	**26,088,185**	(18,436,653)
Employees' end of service benefits paid	**(428,675)**	(893,321)
Net cash generated from/(used in) operating activities	**25,659,510**	(19,329,974)
Cash flows from investing activities		
Purchase of investments at FVTPL	**(142,526,597)**	(96,854,971)
Change in deposits with original maturity more than 3 months	**-**	4,224,000
Proceeds from sale of investments at FVTPL	**137,374,594**	78,629,405
Matured/(purchase) of deposit	**7,373,754**	(7,373,754)
Purchase of property and equipment	**(1,116,389)**	(2,795,070)
Purchase of intangible assets	**(138,550)**	(911,895)
Addition to investments properties	**(11,875,651)**	(3,770,100)
Net cash used in investing activities	**(10,908,839)**	(28,852,385)
Cash flows from financing activities		
Dividend paid	**-**	(10,500,000)
Zakat payment	**(364,500)**	-
Repayment of borrowings	**(13,547,432)**	(12,205,909)
Cash used in financing activities	**(13,911,932)**	(22,705,909)
Net increase/(decrease) in cash and cash equivalents	**838,739**	(70,888,268)
Cash and cash equivalents at the beginning of the period	**52,129,720**	102,214,037
Cash and cash equivalents at the end of the period	**52,968,459**	31,325,769

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

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 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").

Subsidiary	**Principal activity**	**Country of incorporation**	**Ownership**	
Directly owned			**2020**	2019
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, 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 nine month period ended 30 September 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 nine month period ended 30 September 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 nine month period ended 30 September 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 September 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 September 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 nine month period ended 30 September 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 September 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 September 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 September 2020 AED (unaudited)	31 December 2019 AED (audited)
Land	**15,401,896**	15,401,896
Residential apartments	**20,290,000**	20,290,000
	35,691,896	35,691,896
Work in progress	**17,573,755**	5,698,104
	53,265,651	41,390,000

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 September 2020 (31 December 2019: Level 3).

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

7. Financial instruments

	30 September 2020 AED (unaudited)	31 December 2019 AED (audited)
Takaful operations' assets		
At fair value through profit or loss (Note 7.1)	**288,347,182**	266,550,462
Available-for-sale (Note 7.2)	**41,055,764**	34,401,899
	329,402,946	300,952,361
Shareholders' assets		
At fair value through profit or loss (Note 7.1)	**25,132,795**	24,079,343
Total	**354,535,741**	325,031,704

7.1 Financial instruments at fair value through profit or loss

	30 September 2020 (unaudited)			
	Attributable to individual life policyholders AED	**Attributable to shareholders AED**	**Attributable to takaful operations AED**	**Total AED**
Mutual funds	**173,371,457**	**2,788,286**	**-**	**176,159,743**
Sukuk investments	**41,809,098**	**-**	**7,409,844**	**49,218,942**
Equity investments – quoted	**-**	**-**	**65,756,783**	**65,756,783**
Equity investments – unquoted	**-**	**22,344,509**	**-**	**22,344,509**
Total	**215,180,555**	**25,132,795**	**73,166,627**	**313,479,977**

	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

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

7. Financial instruments (continued)

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

Movements during the period/year were as follows:

	30 September 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	**141,972,744**	127,129,408
Disposals during the period/year	**(137,374,594)**	(117,434,567)
Change in fair value during the period/year	**18,252,022**	27,624,751
At end of the period/year	**313,479,977**	290,629,805

7.2 Available-for-sale (AFS)

	30 September 2020 AED (unaudited)	31 December 2019 AED (audited)
Shares – quoted	**41,055,764**	34,401,899

The fair value gain amounting to AED 6,653,865 (30 September 2019: AED 1,840,431) has been recognised in the condensed consolidated statement of comprehensive income.

7.3 Investment concentration

The UAE Insurance Authority has set the maximum limit for aggregate exposure in various investments category. As at 30 September 2020, the Group has invested over the limit in other invested assets category by AED 4,808,302 (31 December 2019: AED 2,131,565), whereas, it has exceeded the sub-limits in all other categories except real estate investments by AED 108,547,521 (31 December 2019: AED 106,251,396).

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

8. Takaful contract liabilities and retakaful contract assets

	30 September 2020 AED (unaudited)	31 December 2019 AED (audited)
Gross takaful contract liabilities		
Claims reported	**117,644,659**	184,644,225
Claims incurred but not reported	**51,887,153**	66,860,214
Unearned contributions	**204,276,409**	185,431,102
Mathematical reserves	**6,745,176**	4,888,383
Policyholders' investment linked contracts at fair value	**217,990,613**	177,726,310
	598,544,010	619,550,234
Retakaful contract assets		
Retakaful share of claims reported	**53,560,170**	110,662,993
Retakaful share of claims incurred but not reported	**14,937,965**	23,132,191
Retakaful share of unearned contributions	**72,008,882**	85,343,296
Retakaful share of mathematical reserve	**2,978,035**	3,032,684
	143,485,052	222,171,164
Net takaful contract liabilities		
Claims reported	**64,084,489**	73,981,232
Claims incurred but not reported	**36,949,188**	43,728,023
Unearned contributions	**132,267,527**	100,087,806
Mathematical reserves	**3,767,141**	1,855,699
Policyholders' investment linked contracts at fair value	**217,990,613**	177,726,310
	455,058,958	397,379,070
Movement in payable to policyholders of investment linked contracts		
Opening balance	**177,726,310**	117,529,436
Gross contribution	**75,797,535**	90,828,568
Allocation charges	**(11,604,751)**	(21,019,577)
Redemptions during the period/year	**(31,783,855)**	(29,743,408)
Change in fair value	**7,855,374**	20,131,291
Closing balance	**217,990,613**	177,726,310

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

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

8.1 Change in reserves

	Three month period ended 30 September		Nine month period ended 30 September	
	2020	2019	**2020**	2019
	AED	AED	**AED**	AED
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Changes in mathematical reserve – takaful life	**(605,571)**	(297,479)	**(1,911,442)**	(997,099)
Change in reserve relating to takaful life products	**(20,382,634)**	(16,213,639)	**(59,578,679)**	(45,964,970)
Change in fair value-individual life policyholders (Note 8)	**20,229,354**	1,387,641	**10,643,659**	16,881,042
Total	**(758,851)**	(15,123,477)	**(50,846,462)**	(30,081,027)

9. Cash and bank balances

	30 September 2020 (unaudited)		31 December 2019 (audited)	
	Takaful Operations	**Shareholders' Operations**	Takaful Operations	Shareholders' Operations
	AED	**AED**	AED	AED
Cash and bank balances	**40,848,014**	**12,120,445**	40,333,140	11,796,580
Deposit	**17,250,000**	**-**	17,250,000	-
	58,098,014	**12,120,445**	57,583,140	11,796,580
Less: Deposits maturing in more than three months	**(17,250,000)**	**-**	(17,250,000)	-
Total	**40,848,014**	**12,120,445**	40,333,140	11,796,580

The deposits carry profit rate of 1.75% to 2.5% (2019: 1.75% to 2.40%) per annum with maturity date of 30 September 2021.

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 1% (2019: 3.40%) per annum.

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

11. Deficit in policyholders' fund

	30 September 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	**8,571,291**	(9,268,009)
Qard Hassan written off	**-**	30,905,151
Balance at the end of the period/year	**(696,718)**	(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	**(8,571,291)**	9,268,009
Qard Hassan written off	**-**	(30,905,151)
Balance at the end of the period/year	**696,718**	9,268,009
Total deficit in policyholders' fund	**-**	-

12. Borrowings

The borrowing as at reporting period is against AED 35 million loan obtained in 2017 for the purchase of new building being used as office space, of which the outstanding principal amount is AED 26.775 million (31 December 2019 : AED 29.40 million). During the period Group settled borrowing amounting to AED 10.92 million.

13. Share capital

	30 September 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

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

14. Net earned contributions (unaudited)

	Three month period ended 30 September 2020			Three month period ended 30 September 2019		
	Medical AED	**Life and savings AED**	**Total AED**	Medical AED	Life and savings AED	Total AED
Gross contributions written	**126,826,632**	**25,808,385**	**152,635,017**	129,230,273	25,717,202	154,947,475
Change in unearned contributions	**(8,562,431)**	**735,938**	**(7,826,493)**	4,315,669	(1,162,016)	3,153,653
Takaful contributions earned	**118,264,201**	**26,544,323**	**144,808,524**	133,545,942	24,555,186	158,101,128
Retakaful contributions	**(59,257,160)**	**(1,329,984)**	**(60,587,144)**	6,184,596	(3,118,590)	3,066,006
Change in unearned contributions	**20,866,002**	**(716,854)**	**20,149,148**	(25,250,610)	1,202,159	(24,048,451)
Retakaful contributions ceded	**(38,391,158)**	**(2,046,838)**	**(40,437,996)**	(19,066,014)	(1,916,431)	(20,982,445)
Net earned contributions	**79,873,043**	**24,497,485**	**104,370,528**	114,479,928	22,638,755	137,118,683

	Nine month period ended 30 September 2020			Nine month period ended 30 September 2019		
	Medical AED	**Life and savings AED**	**Total AED**	Medical AED	Life and savings AED	Total AED
Gross contributions written	**375,990,769**	**80,429,227**	**456,419,996**	412,638,423	71,949,691	484,588,114
Change in unearned contributions	**(18,246,789)**	**(598,518)**	**(18,845,307)**	(22,614,959)	(56,956)	(22,671,915)
Takaful contributions earned	**357,743,980**	**79,830,709**	**437,574,689**	390,023,464	71,892,735	461,916,199
Retakaful contributions	**(111,517,013)**	**(6,805,258)**	**(118,322,271)**	(146,234,203)	(6,995,457)	(153,229,660)
Change in unearned contributions	**(13,899,377)**	**564,963**	**(13,334,414)**	(20,574,674)	229,735	(20,344,939)
Retakaful contributions ceded	**(125,416,390)**	**(6,240,295)**	**(131,656,685)**	(166,808,877)	(6,765,722)	(173,574,599)
Net earned contributions	**232,327,590**	**73,590,414**	**305,918,004**	223,214,587	65,127,013	288,341,600

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

15. Wakalah fees

Wakala fees for the period ended 30 September 2020 amounted to AED 55,842,816 (30 September 2019: AED 61,367,582).

For group life and group medical policies, wakalah fees were charged at up to 16.75% to 25% (2019: 13% 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 earnings/(loss) per share

	Three months ended 30 September		**Nine months ended 30 September**	
	2020 (unaudited)	2019 (unaudited)	**2020 (unaudited)**	2019 (unaudited)
Profit/(loss) for the period attributable to shareholders (AED)	**3,929,033**	(19,083,455)	**141,242**	(17,572,245)
Weighted average number of shares outstanding during the period	**150,000,000**	150,000,000	**150,000,000**	150,000,000
Profit/(loss) per share (AED)	**0.026**	(0.127)	**0.001**	(0.117)

No figures for diluted profit/(loss) per share are presented as the Group has not issued any instruments which would have an impact on profit/(loss) 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 September in respect of related parties included in the consolidated financial statements are as follows:

	30 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Affiliates of major shareholders:		
Deposit	**-**	7,373,754
Outstanding claims	**362,572**	786,445
Equity Investments – quoted	**2,612,547**	3,775,038
Contribution receivables	**3,964,475**	7,286,464
	6,939,594	19,221,701

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

17. Related party transactions and balances (continued)

	Three month period ended 30 September		Nine month period ended 30 September	
	2020 (unaudited) AED	2019 (unaudited) AED	**2020 (unaudited) AED**	2019 (unaudited) AED
Compensation of key management personnel:				
Short and long term benefits	**1,123,470**	(499,629)	**2,488,775**	3,979,637
Transactions with related parties during the period				
Gross written contribution	**(1,787,016)**	(239,121)	**3,811,117**	8,012,470
Gross claim incurred	**1,619,789**	742,459	**3,347,776**	3,145,563

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 September 2020 (unaudited) AED	31 December 2019 (audited) AED
Letters of guarantee	**345,593**	343,593
Capital commitments	**30,426,245**	42,301,896

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 nine month period ended 30 September 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 September 2020 (unaudited)					
	Underwriting			**Shareholders**		
	Medical AED	**Life AED**	**Total AED**	**Investments AED**	**Others AED**	**Total AED**
Segment revenue	**118,264,201**	**26,544,323**	**144,808,524**	**(411,265)**	**23,035,572**	**22,624,307**
Segment result	**17,555,270**	**6,222,037**	**23,777,307**	**(411,265)**	**23,035,572**	**22,624,307**
Wakala fees	**(13,955,470)**	**(4,012,598)**	**(17,968,068)**	**-**	**-**	**-**
Commission incurred	**-**	**-**	**-**	**-**	**(11,407,279)**	**(11,407,279)**
General and administrative expenses	**-**	**-**	**-**	**-**	**(13,097,234)**	**(13,097,234)**
Provision for Qard Hassan to policyholders' fund	**-**	**-**	**-**	**-**	**5,809,239**	**5,809,239**
Profit/(loss) attributable to policyholders/ shareholders	**3,599,800**	**2,209,439**	**5,809,239**	**(411,265)**	**4,340,298**	**3,929,033**

	Three month period ended 30 September 2019 (unaudited)					
	Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	133,545,942	24,555,186	158,101,128	2,287,542	22,624,735	24,912,277
Segment result	4,482,714	6,396,838	10,879,552	2,287,542	22,624,735	24,912,277
Wakala fees	(12,907,225)	(6,044,028)	(18,951,253)	-	-	-
Commission incurred	-	-	-	-	(11,714,409)	(11,714,409)
General and administrative expenses	-	-	-	-	(24,209,622)	(24,209,622)
Recovery of Qard Hassan to policyholders' fund	-	-	-	-	(8,071,701)	(8,071,701)
(Loss)/profit attributable to policyholders/shareholders	(8,424,511)	352,810	(8,071,701)	2,287,542	(21,370,997)	(19,083,455)

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

19. Segment information (continued)

	Nine month period ended 30 September 2020 (unaudited)					
	Underwriting			**Shareholders**		
	Medical AED	**Life AED**	**Total AED**	**Investments AED**	**Others AED**	**Total AED**
Segment revenue	**357,743,980**	**79,830,709**	**437,574,689**	**129,540**	**67,588,446**	**67,717,986**
Segment result	**54,171,394**	**10,242,713**	**64,414,107**	**129,540**	**67,588,446**	**67,717,986**
Wakala fees	**(42,272,428)**	**(13,570,388)**	**(55,842,816)**	**-**	**-**	**-**
Commission incurred	**-**	**-**	**-**	**-**	**(31,957,207)**	**(31,957,207)**
General and administrative expenses	**-**	**-**	**-**	**-**	**(44,190,828)**	**(44,190,828)**
Provision for Qard Hassan to policyholders' fund	**-**	**-**	**-**	**-**	**8,571,291**	**8,571,291**
Profit/(loss) attributable to policyholders/ shareholders	**11,898,966**	**(3,327,675)**	**8,571,291**	**129,540**	**11,702**	**141,242**

	Nine month period ended 30 September 2019 (unaudited)					
	Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	390,023,464	71,892,735	461,916,199	16,781,374	68,322,755	85,104,129
Segment result	36,249,877	18,551,005	54,800,882	16,781,374	68,322,755	85,104,129
Wakala fees	(43,039,225)	(18,328,357)	(61,367,582)	-	-	-
Commission incurred	-	-	-	-	(32,242,341)	(32,242,341)
General and administrative expenses	-	-	-	-	(63,867,333)	(63,867,333)
Recovery of Qard Hassan to policyholders' fund	-	-	-	-	(6,566,700)	(6,566,700)
Profit/(loss) attributable to policyholders/ shareholders	(6,789,348)	222,648	(6,566,700)	16,781,374	(34,353,619)	(17,572,245)

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

19. Segment information (continued)

	30 September 2020 (unaudited)						
	Medical AED	**Life and saving AED**	**Underwriting total AED**	**Shareholders' investments AED**	**Unallocated others AED**	**Total AED**	**Total AED**
Segment assets	**521,915,881**	**325,055,675**	**846,971,556**	**37,253,240**	**74,941,594**	**112,194,834**	**959,166,390**
Segment Liabilities	**512,092,895**	**234,393,126**	**746,486,021**	**-**	**87,724,832**	**87,724,832**	**834,210,853**

	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 nine month period ended 30 September 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 September 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	**65,756,783**	**-**	**-**	**65,756,783**
Equity investments – unquoted	**-**	**-**	**22,344,509**	**22,344,509**
Mutual funds	**-**	**176,159,743**	**-**	**176,159,743**
Sukuk investments	**-**	**49,218,942**	**-**	**49,218,942**
Available-for-sale	**41,055,764**	**-**	**-**	**41,055,764**
	106,812,547	**225,378,685**	**22,344,509**	**354,535,741**
Liabilities				
Investment linked contracts	**-**	**217,990,613**	**-**	**217,990,613**

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 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)			
	Level 1 AED	Level 2 AED	Level 3 AED	Total 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
	92,705,038	209,982,157	22,344,509	325,031,704
Liabilities				
Investment linked contracts	-	177,726,310	-	177,726,310

20.1 Movement in financial assets at level 3

	30 September 2020 (Unaudited) AED	31 December 2019 (Audited) AED
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 nine months period ended 30 September 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 11 November 2020.