# Orient UNB Takaful P.J.S.C.

Condensed interim financial information

*for the six-month period ended 30 June 2021*

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## Condensed interim financial information
*for the six-month period ended 30 June 2021*

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## Independent Auditors' Report on Review of Condensed Interim Financial Information

To the Shareholders of Orient UNB Takaful P.J.S.C.

*Introduction*

We have reviewed the accompanying 30 June 2021 condensed interim financial information of Orient UNB Takaful P.J.S.C. (the "Company"), which comprises:

- the condensed interim statement of financial position as at 30 June 2021;
- the condensed interim statement of profit or loss and other comprehensive income for the three month and six-month periods ended 30 June 2021;
- the condensed interim statement of changes in equity for the six-month period ended 30 June 2021;
- the condensed interim statement of cash flows for the six-month period ended 30 June 2021; and
- notes to the condensed interim financial information.

Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with IAS 34, *'Interim Financial Reporting'*. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

*Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of condensed 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 30 June 2021 condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34, _'Interim Financial Reporting'_.

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1146
Dubai, United Arab Emirates
Date: 10 August 2021

# Orient UNB Takaful P.J.S.C.

## Condensed interim statement of financial position

*as at 30 June 2021*

| | Note | (Unaudited) 30 June 2021 AED | (Audited) 31 December 2020 AED |
|---|---|---|---|
| **TAKAFUL OPERATIONS' ASSETS** | | | |
| Cash and cash equivalent | *7* | **46,902,591** | 53,176,260 |
| Retakaful contract assets | *8* | **285,888,090** | 234,816,797 |
| Takaful, retakaful and other receivable | *9* | **91,411,743** | 55,978,050 |
| Due from related parties | *19* | **70,444,714** | 43,747,254 |
| Other receivables | *10* | **6,688,353** | 7,753,922 |
| Receivable from shareholders | *11* | **43,822,073** | 34,813,645 |
| **Total takaful operations' assets** | | **545,157,564** | 430,285,928 |
| **SHAREHOLDERS' ASSETS** | | | |
| Cash and cash equivalent | *7* | **961,904** | 108,757,658 |
| Other receivables and prepayments | *12* | **5,100,211** | 2,045,002 |
| Wakala deposit | *13* | **241,000,000** | 116,000,000 |
| Statutory deposit | *14* | **6,000,000** | 6,000,000 |
| Due from related parties | *19* | **781,388** | 3,620,333 |
| Property and equipment | | **4,112,350** | 4,577,161 |
| Intangible assets | | **398,536** | 463,308 |
| **Total shareholders' assets** | | **258,354,389** | 241,463,462 |
| **Total assets** | | **803,511,953** | 671,749,390 |
| **TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT** | | | |
| **TAKAFUL OPERATIONS' LIABILITIES** | | | |
| Takaful contract liabilities | *8* | **361,437,454** | 292,127,729 |
| Payable to takaful, insurance, reinsurance and retakaful companies | *15* | **134,186,468** | 101,334,193 |
| Other takaful payables | *16* | **48,931,285** | 35,945,213 |
| Due to related parties | *19* | **602,357** | 878,793 |
| **Total takaful operations' liabilities** | | **545,157,564** | 430,285,928 |
| **TAKAFUL OPERATIONS' DEFICIT** | | | |
| Deficit in policyholders' fund | *17* | **(155,232,734)** | (119,498,232) |
| Provision against Qard Hassan | *17* | **155,232,734** | 119,498,232 |
| **Total takaful operations' deficit** | | **-** | - |
| **Total takaful operations' liabilities and deficit** | | **545,157,564** | 430,285,928 |

# Orient UNB Takaful P.J.S.C.

## Condensed interim statement of financial position (continued)

*as at 30 June 2021*

| | Note | (Unaudited) 30 June 2021 AED | (Audited) 31 December 2020 AED |
|---|---|---|---|
| **SHAREHOLDERS' LIABILITIES AND EQUITY** | | | |
| **SHAREHOLDERS' LIABILITIES** | | | |
| Due to related parties | *19* | **3,981,286** | 1,986,976 |
| Accruals, provisions and other payables | | **5,836,587** | 6,659,307 |
| Employees' end of service benefits | | **1,302,360** | 1,138,038 |
| Payable to policyholders - takaful operations | *11* | **43,822,073** | 34,813,645 |
| Lease liabilities | | **2,633,626** | 3,622,466 |
| **Total shareholders' liabilities** | | **57,575,932** | 48,220,432 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | *18* | **200,000,000** | 200,000,000 |
| Share premium | *18* | **1,198,390** | 1,198,390 |
| Statutory reserve | *18* | **727,323** | 727,323 |
| Retakaful risk reserve | *18* | **2,440,811** | - |
| Accumulated losses | | **(3,588,067)** | (8,682,683) |
| **Total shareholders' equity** | | **200,778,457** | 193,243,030 |
| **Total shareholders' liabilities and equity** | | **258,354,389** | 241,463,462 |
| **Total takaful operations' liabilities, deficit, shareholders' liabilities and equity** | | **803,511,953** | 671,749,390 |

To the best of our knowledge, nothing has come to our attention that causes us to believe that the condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

These condensed interim financial information were approved and authorised for issue by the Board of Directors on 10 August 2021 and signed on their behalf by:

Chairman | Chief Executive Officer | Senior Vice President Finance

The notes on pages 8 to 19 form an integral part of these condensed interim financial information.

The independent auditors' report on review of condensed interim financial information is set out on pages 1 and 2.

# Orient UNB Takaful P.J.S.C.

## Condensed interim statement of profit or loss and other comprehensive income

*for the six-months period ended 30 June 2021 (Un-audited)*

| | | For the three-month period ended | | For the six-month period ended | |
|---|---|---|---|---|---|
| | | **30 June 2021** | 30 June 2020 | **30 June 2021** | 30 June 2020 |
| | *Note* | **AED** | AED | **AED** | AED |
| **Attributable to policyholders'** | | | | | |
| Gross written contribution | *21* | **120,742,302** | 93,426,399 | **224,841,412** | 185,709,878 |
| Changes in unearned contribution reserve | | **(33,675,243)** | (22,902,707) | **(56,512,926)** | (53,835,943) |
| **Takaful contributions earned** | | **87,067,059** | 70,523,692 | **168,328,486** | 131,873,935 |
| Retakaful contributions | | **95,025,621** | 73,373,071 | **168,908,442** | 142,509,708 |
| Changes in retakaful share of unearned contribution | | **(29,702,444)** | (21,798,693) | **(41,475,696)** | (44,833,410) |
| **Retakaful share of earned contributions** | | **65,323,177** | 51,574,378 | **127,432,746** | 97,676,298 |
| **Net earned contributions** | | **21,743,882** | 18,949,314 | **40,895,740** | 34,197,637 |
| Commission earned | | **11,733,380** | 6,460,530 | **22,802,141** | 17,054,159 |
| **Gross takaful income** | | **33,477,262** | 25,409,844 | **63,697,881** | 51,251,796 |
| Gross claims paid | | **(33,538,287)** | (24,778,932) | **(66,152,493)** | (91,978,865) |
| Retakaful share of claims paid | | **24,399,734** | 19,018,684 | **48,615,808** | 74,661,378 |
| **Net claims paid** | | **(9,138,553)** | (5,760,248) | **(17,536,685)** | (17,317,487) |
| (Increase) / decrease in reserve for outstanding claims and unallocated loss adjustment expense | | **(5,672,694)** | (23,871,332) | **(8,262,527)** | 12,632,804 |
| Increase / (decrease) in reserve for retakaful share of outstanding claims | | **3,732,928** | 24,242,973 | **5,269,465** | (12,406,303) |
| Increase in reserve for incurred but not reported claims | | **(929,179)** | (1,712,435) | **(4,534,272)** | (5,440,763) |
| Increase in reserve for retakaful share of incurred but not reported claims | | **777,656** | (237,665) | **4,326,132** | 3,965,976 |
| **Net claims incurred** | | **(11,229,842)** | (7,338,707) | **(20,737,887)** | (18,565,773) |
| **Takaful results before wakala fees** | | **22,247,420** | 18,071,137 | **42,959,994** | 32,686,023 |
| Wakala fees | *11.1* | **(42,259,806)** | (32,699,240) | **(78,694,494)** | (64,998,458) |
| **Net deficit from takaful operations** | | **(20,012,386)** | (14,628,103) | **(35,734,500)** | (32,312,435) |
| **Attributable to shareholders'** | | | | | |
| Wakala fees income from policyholders | *11.1* | **42,259,806** | 32,699,240 | **78,694,494** | 64,998,458 |
| Income from deposits | | **1,895,417** | 1,780,949 | **3,697,128** | 3,575,907 |
| General and administrative expenses | | **(5,870,640)** | (5,267,304) | **(10,615,977)** | (10,613,084) |
| Commission expenses | | **(12,752,691)** | (8,056,776) | **(25,812,733)** | (20,481,934) |
| Other takaful expenses | | **(2,268,823)** | (2,334,387) | **(2,692,985)** | (3,867,829) |
| **Profit for the period before Qard Hassan** | | **23,263,069** | 18,821,722 | **43,269,927** | 33,611,518 |
| Provision against Qard Hassan to policyholders' | *17* | **(20,012,386)** | (14,628,103) | **(35,734,500)** | (32,312,435) |
| **Profit for the period attributable to shareholders'** | | **3,250,683** | 4,193,619 | **7,535,427** | 1,299,083 |
| Other comprehensive income | | | | | - |
| **Total comprehensive income for the period** | | **3,250,683** | 4,193,619 | **7,535,427** | 1,299,083 |
| **Earning per share** | *22* | **1.63** | 2.10 | **3.77** | 0.65 |

The notes on pages 8 to 19 form an integral part of these condensed interim financial information.

The independent auditors' report on review of condensed interim financial information is set out on pages 1 and 2.

# Orient UNB Takaful P.J.S.C.

## Condensed interim statement of changes in equity

*for the six-months period ended 30 June 2021 (Un-audited)*

| | Share capital AED | Share Premium AED | Statutory reserve AED | Retakaful risk reserve AED | Accumulated losses AED | Total AED |
|---|---|---|---|---|---|---|
| As at 1 January 2020 (Audited) | 200,000,000 | 1,198,390 | 111,141 | - | (14,228,318) | 187,081,213 |
| Total comprehensive income for the period | - | - | - | - | 1,299,083 | 1,299,083 |
| Transfer to reserve | - | - | - | | - | - |
| As at 30 June 2020 | **200,000,000** | **1,198,390** | **111,141** | **-** | **(12,929,235)** | **188,380,296** |
| As at 1 January 2021 (Audited) | 200,000,000 | 1,198,390 | 727,323 | - | (8,682,683) | 193,243,030 |
| Total comprehensive income for the period | | | | | 7,535,427 | 7,535,427 |
| **Transactions with owners directly recorded in equity** | | | | | | |
| Transfer to reserve | - | - | - | 2,440,811 | (2,440,811) | - |
| **As at 30 June 2021** | **200,000,000** | **1,198,390** | **727,323** | **2,440,811** | **(3,588,067)** | **200,778,457** |

The notes on pages 8 to 19 form an integral part of these condensed interim financial information.

# Orient UNB Takaful P.J.S.C.

## Condensed interim statement of cash flows

*for the six-months period ended 30 June 2021 (Un-audited)*

| | **30 June 2021 AED** | 30 June 2020 AED |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit for the period | **7,535,427** | 1,299,083 |
| *Adjustment for:* | | |
| Depreciation of property and equipment | **663,738** | 866,173 |
| Amortisation of intangible assets | **64,772** | 64,430 |
| Provision for employees' end of service benefits | **211,351** | 197,110 |
| Finance costs on lease liabilities | **83,405** | 108,221 |
| **Operating cash flows before movements in working capital** | **8,558,693** | 2,535,017 |
| *Change in:* | | |
| Retakaful contract assets | **(51,071,293)** | (36,393,083) |
| Takaful, retakaful and other receivable | **(35,433,693)** | (12,940,857) |
| Due from related parties (relating to takaful operations) | **(26,697,460)** | (35,522,747) |
| Other receivables (relating to takaful operations) | **1,065,569** | 1,785,904 |
| Other receivables and prepayments (relating to shareholders') | **(3,055,209)** | (4,568,880) |
| Due from related parties (relating to shareholders') | **2,838,945** | 647,582 |
| Takaful contract liabilities | **69,309,725** | 46,643,902 |
| Payable to takaful, insurance, reinsurance and retakaful companies | **32,852,275** | 48,818,335 |
| Other takaful payables | **12,986,072** | 2,022,358 |
| Due to related parties (relating to takaful operations) | **(276,436)** | (616,444) |
| Due to related parties (relating to shareholders') | **1,994,310** | (236,011) |
| Accruals, provisions and other payables | **(822,720)** | 2,257,023 |
| **Net cash generated from operations** | **12,248,778** | 14,432,099 |
| Employees' end of service benefits paid | **(47,029)** | (2,276) |
| **Net cash generated from operating activities** | **12,201,749** | 14,429,823 |
| **Cash flows from investing activities** | | |
| Purchase of property and equipment | **(198,927)** | (20,978) |
| Deposits with an Islamic bank | **(125,000,000)** | (29,930,875) |
| Maturity of deposit with an Islamic bank | **-** | 30,965,438 |
| **Net cash (used in) / generated from investing activities** | **(125,198,927)** | 1,013,585 |
| **Cash flows from financing activity** | | |
| Payment of lease liabilities | **(1,072,245)** | (1,048,854) |
| **Net cash used in financing activity** | **(1,072,245)** | (1,048,854) |
| Net (decrease) / increase in cash and cash equivalents | **(114,069,423)** | 14,394,554 |
| Cash and cash equivalents at 1 January | **161,933,918** | 10,091,741 |
| Cash and cash equivalents at 30 June (note 7) | **47,864,495** | 24,486,295 |

The notes on pages 8 to 19 form an integral part of these condensed interim financial information.

The independent auditors' report on review of condensed interim financial information is set out on pages 1 and 2.

## 1 Legal status and activities

Orient UNB Takaful P.J.S.C. (the "Company") is a public joint stock company registered under UAE Federal Law No. (2) of 2015 relating to the incorporation of commercial companies in the UAE, and UAE Federal Law No. (6) of 2007 (as amended) relating to the establishment of insurance companies. The registered address of the Company is P.O. Box 183368, Dubai, United Arab Emirates.

The Company was incorporated on 8 November 2016, while the formalities of issuance and allotment of shares to the public were finalised on 28 December 2016. The shares of the Company are listed on the Dubai Financial Market. The Company obtained a commercial license on 23 January 2017 and a license from the Insurance Authority of the UAE on 16 July 2017.

The principal activity of the Company is issuance of short term takaful contracts in connection with accidents and liabilities insurance, fire insurance, transportation risk insurance, other type of insurance and health insurance. The Company also invests its funds in wakala deposits.

During the year, Orient Insurance P.J.S.C., a public joint stock company incorporated in Dubai, United Arab Emirates acquired shares of the Company from Abu Dhabi Commercial Bank PJSC and Al Wifaq Finance Company to become the parent company and have taken control over the Company. The ultimate parent company is Al Futtaim Private Co. which is based in Dubai, United Arab Emirates.

As at reporting date the shareholding patterns are as follows:

| | **(Un-audited)<br>30 June<br>2021<br>AED** | (Audited)<br>31 December<br>2020<br>AED |
|---|---|---|
| Orient Insurance PJSC | **83.91%** | 34.85% |
| Abu Dhabi Commercial Bank PJSC | **-** | 35.00% |
| Al Wifaq Finance Company | **-** | 14.06% |
| Others | **16.09%** | 16.09% |
| | **100.00%** | 100.00% |

## 2 Basis of preparation

### a) Statement of compliance

These condensed interim financial information have been prepared in accordance with IAS 34 "Interim Financial Reporting", and comply with applicable requirements of the Federal Law No. (6) of 2007 concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the Federal Law No. (2) of 2015 concerning the Commercial Companies, Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies and Insurance Authority's Board of Directors Decision No. (23) of 2019 concerning Instructions Organizing Reinsurance Operations. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual financial statements as at and for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

Furthermore, the Federal Decree-Law No. 26 of 2020 has amended certain provisions of Federal Law No. 2 of 2015 on Commercial Companies which was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

### b) Basis of measurement

These condensed interim financial information have been prepared on the historical cost basis.

**2 Basis of preparation (continued)**

**c) Functional and presentation currency**

These condensed interim financial information are presented in UAE Dirhams (AED), which is the Company's functional currency. Except as otherwise indicated, financial information is presented in AED.

**d) Use of estimates and judgements**

In preparing the condensed interim financial information, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods effected.

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements for the year ended 31 December 2020 except the estimates and judgements which are applicable from 1 January 2021.

***(i) Impact of COVID-19***

On 11 March 2020, the World Health Organization (“WHO”) officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty, with governments and authorities having to instigate a host of measures to contain the spread of the virus.

**Insurance risk**

In its underwriting segment, the Company is primarily exposed to medical and business interruption policies. The Health Authorities in Dubai and Abu Dhabi have instructed all insurers to accept medical claims related to COVID-19 irrespective of cover terms and conditions. The Company anticipates that the impact of medical claims would be immaterial due to low rate of hospitalisation and deferral of elective medical procedures required.

With regards to Business Interruption (BI) policies, the Company has in place pandemic and infectious disease policy exclusions as well. The Company has evaluated all business interruption policies in force for which the Company may have to incur claim payouts. As a result of initial examination of the policies, the Company has determined that these will not have a material impact in relation to the net claims paid due to lower retention levels of the Company and specific policy exclusions. Furthermore, the Company has been able to retain major customers during the six-month period ended 30 June 2021 and has generally witnessed renewals and new business across major lines of businesses.

**Credit risk**

The Company’s retakaful is placed with retakaful companies approved by the management, which are generally international reputed companies with high credit ratings. As of 30 June 2021, no retakaful companies has expressly disassociated with the Company nor has any retakaful companies communicated its non-willingness to accept COVID-19 related claims.

**Liquidity risk management**

In response to COVID-19 outbreak, the Company continues to monitor and respond to all liquidity requirements that are presented. The Company continues to calibrate stress testing scenarios to current market conditions in order to assess the impact on the Company in the current extreme stress. As at the reporting date the liquidity position of the Company remains strong and is well placed to absorb and manage the impacts of this disruption.

## 3 Significant accounting policies

The accounting policies applied in the condensed interim financial information are the same as those applied in the Company's financial statements as at and for the year ended 31 December 2020.

### 3.1 *Standards issued but not yet effective*

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 however these do not have a material impact on the condensed interim financial information.

## 4 Interim measurement

The nature of the Company's business is such that income and expense are incurred in a manner, which is not materially impacted by any form of seasonality. These condensed interim financial information were prepared based upon an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the period. However, the results may not represent a proportionate share of the annual profits due to variability in contributions and investment income and uncertainty of claims occurrences.

## 5 Classes and categories of financials assets and financial liabilities

The table below sets out the classification of each class of financial assets and liabilities along with their fair values. For financial assets and liabilities carried at amortised cost, management believes that the amortised cost of those instruments approximates to their fair values.

**At 30 June 2021 (Un-audited)**

| **Financial assets** | **Amortised cost** | **Total** |
|---|---|---|
| | **AED** | **AED** |
| Cash and bank balances | **47,864,495** | **47,864,495** |
| Takaful, retakaful and other receivable | **91,411,743** | **91,411,743** |
| Due from related parties (relating to takaful operations) | **70,444,714** | **70,444,714** |
| Other receivables (relating to takaful operations) | **6,688,353** | **6,688,353** |
| Receivable from shareholders | **43,822,073** | **43,822,073** |
| Other receivables (relating to shareholders') | **4,135,778** | **4,135,778** |
| Wakala deposits | **241,000,000** | **241,000,000** |
| Statutory deposit | **6,000,000** | **6,000,000** |
| Due from related parties (relating to shareholders') | **781,388** | **781,388** |
| | **512,148,544** | **512,148,544** |

| **Financial liabilities** | **Amortised cost** | **Total** |
|---|---|---|
| | **AED** | **AED** |
| Payable to takaful, insurance, reinsurance and retakaful companies | **134,186,468** | **134,186,468** |
| Other takaful payables | **48,931,285** | **48,931,285** |
| Due to related parties (relating to takaful operations) | **602,357** | **602,357** |
| Due to related parties (relating to shareholders') | **3,981,286** | **3,981,286** |
| Accruals, provisions and other payables | **5,836,587** | **5,836,587** |
| Payable to policyholders - takaful operations | **43,822,073** | **43,822,073** |
| Lease liabilities | **2,633,626** | **2,633,626** |
| | **239,993,682** | **239,993,682** |

**5 Classes and categories of financials assets and financial liabilities (continued)**

At 31 December 2020 (Audited)

| Financial assets | Amortised cost | Total |
|---|---|---|
| | AED | AED |
| Cash and bank balances | 161,933,918 | 161,933,918 |
| Takaful, retakaful and other receivable | 55,978,050 | 55,978,050 |
| Due from related parties (relating to takaful operations) | 43,747,254 | 43,747,254 |
| Other receivables (relating to takaful operations) | 7,753,922 | 7,753,922 |
| Receivable from shareholders | 34,813,645 | 34,813,645 |
| Other receivables (relating to shareholders') | 384,950 | 384,950 |
| Wakala deposit | 116,000,000 | 116,000,000 |
| Statutory deposit | 6,000,000 | 6,000,000 |
| Due from related parties (relating to shareholders') | 3,620,333 | 3,620,333 |
| | 430,232,072 | 430,232,072 |

| Financial liabilities | Amortised cost | Total |
|---|---|---|
| | AED | AED |
| Payable to takaful, insurance, reinsurance and retakaful companies | 101,334,193 | 101,334,193 |
| Other takaful payables | 35,945,213 | 35,945,213 |
| Due to related parties (relating to takaful operations) | 878,793 | 878,793 |
| Due to related parties (relating to shareholders') | 1,986,976 | 1,986,976 |
| Accruals, provisions and other payables | 6,659,307 | 6,659,307 |
| Payable to policyholders - takaful operations | 34,813,645 | 34,813,645 |
| Lease liabilities | 3,622,466 | 3,622,466 |
| | 185,240,593 | 185,240,593 |

**6 Fair value of financial instruments**

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

**6 Fair value of financial instruments (continued)**

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.

Level 3: Inputs 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 but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As at 30 June 2021 and 31 December 2020, all financial assets and liabilities are stated at amortised cost and are classified as Level 3 within the fair value hierarchy. The fair values of the financial assets and liabilities at amortised cost are not materially different from their carrying value at the reporting date.

**7 Cash and cash equivalent**

Cash and cash equivalents included in the condensed interim statement of cash flows comprise the following condensed interim statement of financial position amounts:

| | **30 June 2021 (Un-audited)** | | |
|---|---|---|---|
| | **Takaful Operations AED** | **Shareholders' Operations AED** | **Total AED** |
| Cash in hand | **-** | **734** | **734** |
| Current accounts with banks and Islamic financial institutions | **46,902,591** | **961,170** | **47,863,761** |
| | **46,902,591** | **961,904** | **47,864,495** |

| | 31 December 2020 (Audited) | | |
|---|---|---|---|
| | Takaful Operations AED | Shareholders' Operations AED | Total AED |
| Cash in hand | - | 4,678 | 4,678 |
| Current accounts with banks and Islamic financial institutions | 53,176,260 | 108,752,980 | 161,929,240 |
| | 53,176,260 | 108,757,658 | 161,933,918 |

**8 Takaful contract liabilities and retakaful contract assets - (relating to takaful operations)**

| | (Un-audited) 30 June 2021 AED | (Audited) 31 December 2020 AED |
|---|---|---|
| **Gross takaful contract liabilities** | | |
| Reserve for outstanding claims | **108,709,858** | 100,530,484 |
| Reserve for unallocated loss adjustment expense | **925,042** | 841,889 |
| Reserve for incurred but not reported claims (IBNR) | **51,314,794** | 46,780,522 |
| Reserve for outstanding claims (including IBNR) | **160,949,694** | 148,152,895 |
| Unearned contribution reserve | **200,487,760** | 143,974,834 |
| **Total takaful contract liabilities (gross)** | **361,437,454** | 292,127,729 |
| **Less: Retakaful contract assets** | | |
| Reserve for retakaful share of outstanding claims | **(92,875,463)** | (87,605,998) |
| Reserve for retakaful share of incurred but not reported claims (IBNR) | **(40,731,116)** | (36,404,984) |
| Reserve for retakaful share of outstanding claims (including IBNR) | **(133,606,579)** | (124,010,982) |
| Retakaful share of unearned contribution | **(152,281,511)** | (110,805,815) |
| **Total retakaful contract assets** | **(285,888,090)** | (234,816,797) |
| **Net takaful contract liabilities** | **75,549,364** | 57,310,932 |

**9 Takaful, retakaful and other receivable (relating to takaful operations)**

| | (Un-audited) 30 June 2021 AED | (Audited) 31 December 2020 AED |
|---|---|---|
| **Inside U.A.E.:** | | |
| Due from policyholders | **2,050,504** | 1,584,296 |
| Due from takaful and retakaful companies | **10,008,667** | 12,261,475 |
| Due from brokers and agents | **70,453,752** | 37,568,555 |
| | **82,512,923** | 51,414,326 |
| **Outside U.A.E.:** | | |
| Due from takaful and retakaful companies | **10,198,820** | 5,863,724 |
| | **10,198,820** | 5,863,724 |
| **Total takaful and retakaful receivable** | **92,711,743** | 57,278,050 |
| Less: Allowance for doubtful debts | **(1,300,000)** | (1,300,000) |
| | **91,411,743** | 55,978,050 |

**10 Other receivables - (relating to takaful operations)**

| | **(Un-audited) 30 June 2021 AED** | (Audited) 31 December 2020 AED |
|---|---|---|
| Deposit | **10,000** | 10,000 |
| Receivable from third party administrators | **1,075,000** | 1,025,000 |
| VAT input receivable - net | **5,561,550** | 6,718,919 |
| Other receivables | **41,803** | 3 |
| | **6,688,353** | 7,753,922 |

**11 Receivable from shareholders and payable to policyholders - takaful operations**

| | | **(Un-audited) 30 June 2021 AED** | (Audited) 31 December 2020 AED |
|---|---|---|---|
| As at 1 January | | **34,813,645** | 53,419,455 |
| Wakala fees for the period / year | *11.1* | **(78,694,494)** | (105,223,918) |
| Other movement in account during the period / year | | **87,702,922** | 86,618,108 |
| | | **43,822,073** | 34,813,645 |

11.1 For all takaful policies, wakala fees were charged at 35% of gross takaful contributions. Wakala fees are approved by the Sharia'a Supervisory Board and are charged to the condensed interim statement of profit or loss and comprehensive income when incurred.

**12 Other receivables and prepayments - (relating to shareholders')**

| | **(Un-audited) 30 June 2021 AED** | (Audited) 31 December 2020 AED |
|---|---|---|
| Accrued profit on wakala deposits | **3,697,128** | - |
| Prepayments | **964,433** | 1,660,052 |
| Other receivables | **438,650** | 384,950 |
| | **5,100,211** | 2,045,002 |

**13 Wakala deposit**

This consists of term wakala deposits with an Islamic bank and Islamic division of a commercial bank in United Arab Emirates and Sultanate of Oman, at profit rates from 1.60% to 4.50% per annum *(31 December 2020: 0.25% to 4.5% per annum)* , which matures in December 2021.

**14 Statutory deposit**

This consists of a fixed deposit under lien with an Islamic bank in UAE, at a profit rate of 2.0% per annum *(31 December 2020: 1.6% per annum),* which matures in 25 December 2022 for the purpose of license renewal from the Insurance Authority (currently Central Bank).

**15 Payable to takaful, insurance, reinsurance and retakaful companies - (relating to takaful operations)**

| | (Un-audited) 30 June 2021 AED | (Audited) 31 December 2020 AED |
|---|---|---|
| Payables – Inside UAE | **75,567,341** | 54,882,321 |
| Payables – Outside UAE | **58,619,127** | 46,451,872 |
| | **134,186,468** | 101,334,193 |
| **Inside UAE:** | | |
| Payable to insurance and takaful companies | **23,464,459** | 13,043,842 |
| Payable to reinsurers and retakaful companies | **52,102,882** | 41,838,479 |
| | **75,567,341** | 54,882,321 |
| **Outside UAE:** | | |
| Payable to insurance and takaful companies | **46,436,541** | 43,006,466 |
| Payable to reinsurers and retakaful companies | **12,182,586** | 3,445,406 |
| | **58,619,127** | 46,451,872 |

**16 Other takaful payables (relating to takaful operations)**

| | (Un-audited) 30 June 2021 AED | (Audited) 31 December 2020 AED |
|---|---|---|
| Payable to policyholders | **946,260** | 1,173,156 |
| Payable to third party administrators | **37,062,676** | 20,526,024 |
| Payable to brokers and agents | **2,597,725** | 3,092,453 |
| Other payables | **8,324,624** | 11,153,580 |
| | **48,931,285** | 35,945,213 |

**17 Qard Hassan**

| | (Un-audited) 30 June 2021 AED | (Audited) 31 December 2020 AED |
|---|---|---|
| **Deficit in policyholders' fund** | | |
| As at 1 January | **(119,498,234)** | (78,182,926) |
| Deficit during the period / year | **(35,734,500)** | (41,315,308) |
| | **(155,232,734)** | (119,498,234) |
| **Provision against Qard Hassan** | | |
| As at 1 January | **119,498,234** | 78,182,926 |
| Provision during the period / year | **35,734,500** | 41,315,308 |
| | **155,232,734** | 119,498,234 |

## 18 Share capital and share premium

| | (Un-audited) 30 June 2021 AED | (Audited) 31 December 2020 AED |
|---|---|---|
| *Issued and paid up capital* | | |
| Issued and fully paid 2,000,000 shares of AED 100 each | **200,000,000** | 200,000,000 |
| Share premium reserve | **1,198,390** | 1,198,390 |
| | **201,198,390** | 201,198,390 |

*Statutory reserve*

In accordance with the UAE Commercial Companies Law no. (2) of 2015 ("the Law") and the Company's Articles of Association, 10% of the profit for the year should be transferred to legal reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the Law.

*Retakaful risk reserve*

In accordance with Article 34 of the Insurance Authority's Board of Directors Decision No. (23) of 2019, the Company has created a Retakaful Risk Reserve amounting to AED 2.4 million, being 0.5% of the total retakaful contribution ceded by the Company in all classes of business. The Company shall accumulate such provision year on year and not dispose of the provision without the written approval of the Director General of the UAE Insurance Authority (currently Central Bank).

## 19 Related party transactions

Related parties comprise of shareholders, associate companies, and directors and key management personnel of the Company, together with entities controlled, jointly controlled or significantly influenced by those parties. Pricing policies and terms of these transactions are approved by the Company's management as per agreed terms.

Significant transactions with related parties included in the condensed interim statement of profit or loss and other comprehensive income are as follows:

| | Six-month period ended 30 June 2021 (Un-Audited) | | |
|---|---|---|---|
| | **Shareholders AED** | **Associated companies of the shareholders AED** | **Total AED** |
| Gross written contribution | **44,533,625** | **28,326,095** | **72,859,720** |
| Retakaful contribution | **28,599,771** | **7,217** | **28,606,988** |
| General and administrative expenses | **-** | **1,658,519** | **1,658,519** |
| Claims reported | **4,780,392** | **8,543,615** | **13,324,007** |

## 19 Related party transactions (continued)

| | Six-month period ended 30 June 2020 (Un-Audited) | | |
|---|---|---|---|
| | Shareholders AED | Associated companies of the shareholders AED | Total AED |
| Gross written contribution | 50,152,387 | 21,796,797 | 71,949,184 |
| Retakaful contribution | (21,105,998) | (43,845) | (21,149,843) |
| General and administrative expenses | - | 2,564,595 | 2,564,595 |
| Claims reported | - | 9,917,212 | 9,917,212 |

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

| | **(Un-audited) 30 June 2021 AED** | (Audited) 31 December 2020 AED |
|---|---|---|
| **Due from related parties (relating to takaful operations)** | | |
| Orient Insurance P.J.S.C. | **50,733,625** | 28,830,076 |
| Al Futtaim Motor | **14,128,463** | 7,974,519 |
| Al Futtaim Willis Co. LLC | **2,700,183** | 999,013 |
| Other related parties | **2,882,443** | 5,943,646 |
| | **70,444,714** | 43,747,254 |

| | **(Un-audited) 30 June 2021 AED** | (Audited) 31 December 2020 AED |
|---|---|---|
| **Due to related parties (relating to takaful operations)** | | |
| Abu Dhabi Commercial Bank PJSC | - | 878,793 |
| Orient Takaful Insurance Company Egypt | **350,964** | |
| Orient Insurance PJSC | **190,424** | - |
| Al Futtaim Auto Centre Showroom | **33,266** | - |
| Al Futtaim Trading Enterprises | **13,960** | - |
| Other related parties | **13,743** | - |
| | **602,357** | 878,793 |
| **Due from related parties (relating to shareholder operation)** | | |
| Al Futtaim Motors Showrooms | - | 2,923,644 |
| Al Futtaim Auto Mall Showrooms | **513,112** | 462,369 |
| Al Futtaim Trading Enterprises | **268,276** | 234,320 |
| | **781,388** | 3,620,333 |

## 19 Related party transactions (continued)

| | (Un-audited) 30 June 2021 AED | (Audited) 31 December 2020 AED |
|---|---|---|
| **Due to related parties (relating to shareholders)** | | |
| Orient Insurance P.J.S.C. | **7,196** | 13,370 |
| Al Futtaim Motor Auto Centre | **3,538,143** | 1,961,443 |
| Other related parties | **435,947** | 12,163 |
| | **3,981,286** | 1,986,976 |

## 20 Segment information

*Operating segment information*

For management purposes, the Company is organised into four business segments; motor, fire, medical and miscellaneous lines of business. These segments are the basis on which the Company reports its primary segment information.

| | **Six-month period ended 30 June 2021 (Un-audited)** | | | | |
|---|---|---|---|---|---|
| | **Motor AED** | **Property AED** | **Medical AED** | **Miscellaneous AED** | **Total AED** |
| **Gross written contribution** | **18,860,502** | **58,317,910** | **85,210,910** | **62,452,090** | **224,841,412** |
| Gross takaful income | | | | | **63,697,881** |
| Net underwriting expenses | | | | | **(20,737,887)** |
| **Takaful results before wakala fees** | | | | | **42,959,994** |
| Wakala fees | | | | | **(78,694,494)** |
| **Net deficit from takaful operations** | | | | | **(35,734,500)** |

| | Six-month period ended 30 June 2020 (Un-audited) | | | | |
|---|---|---|---|---|---|
| | Motor AED | Property AED | Medical AED | Miscellaneous AED | Total AED |
| **Gross written contribution** | 16,260,355 | 36,146,797 | 84,787,920 | 48,514,806 | 185,709,878 |
| Gross takaful income | | | | | 51,251,796 |
| Net underwriting expenses | | | | | (18,565,773) |
| **Takaful results before wakala fees** | | | | | 32,686,023 |
| Wakala fees | | | | | (64,998,458) |
| **Net deficit from takaful operations** | | | | | (32,312,435) |

The segmental information of assets and liabilities as per above lines of business is not available. The geographical segmental information is not presented as all the operations of the Company are based locally.

**21 Gross written contribution**

| | (Un-audited) For the three-month period ended | | (Un-audited) For the six-month period ended | |
|---|---|---|---|---|
| | **30 June 2021 AED** | 30 June 2020 AED | **30 June 2021 AED** | 30 June 2020 AED |
| Marine | **5,614,276** | 2,600,969 | **13,052,302** | 9,589,192 |
| Motor | **10,625,638** | 6,253,343 | **18,860,502** | 16,260,355 |
| Medical | **52,087,764** | 53,609,376 | **85,210,910** | 84,787,920 |
| Property | **24,920,660** | 15,243,521 | **58,317,910** | 36,146,797 |
| Engineering | **6,683,717** | 4,325,291 | **8,876,300** | 10,019,423 |
| Others | **20,810,247** | 11,393,899 | **40,523,488** | 28,906,191 |
| | **120,742,302** | 93,426,399 | **224,841,412** | 185,709,878 |

**22 Earning per share**

Basic earning per share is calculated by dividing the profit for the period by the weighted average number of shares outstanding during the period as follows:

| | (Un-audited) For the three-month period ended | | (Un-audited) For the six-month period ended | |
|---|---|---|---|---|
| | **30 June 2021** | 30 June 2020 | **30 June 2021** | 30 June 2020 |
| Profit for the period attributable to shareholders' (AED) | **3,250,683** | 4,193,619 | **7,535,427** | 1,299,083 |
| Weighted average number of shares outstanding during the period | **2,000,000** | 2,000,000 | **2,000,000** | 2,000,000 |
| Earning per share (AED) | **1.63** | 2.10 | **3.77** | 0.65 |

There is no dilution impact on basic earnings per share.