TAKAFUL EMARAT - INSURANCE (PSC)
AND ITS SUBSIDIARY

Review report and condensed consolidated
interim financial information
for the three month period ended 31 March 2021

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

Contents	**Pages**

Deloitte & Touche (M.E.)
UAB Tower - Level 13
Al Buhairah Corniche
P.O. Box 5470
Sharjah
United Arab Emirates

Tel: +971 (0) 6 517 9500
Fax:+971 (0) 6 517 9501
www.deloitte.com

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 31 March 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with International Accounting Standard 34: "*Interim Financial Reporting*" as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte & Touche (M.E.)

Signed by:
Akbar Ahmad
Registration No. 1141
15 May 2021
Sharjah, United Arab Emirates

Condensed consolidated statement of financial position
at 31 March 2021

	Notes	31 March 2021 (Unaudited) AED	31 December 2020 (Audited) AED	31 December 2019 (Restated) AED
Takaful Operations' Assets				
Investment properties	6	52,536,776	51,627,510	41,390,000
Financial instruments	7	329,815,920	330,844,336	300,952,361
Takaful receivables and other assets		239,530,177	171,474,974	207,978,959
Retakaful contract assets	8	133,982,210	131,680,923	222,171,164
Deposit		-	-	7,373,754
Deferred policy acquisition cost		63,842,017	65,612,689	52,827,343
Cash and bank balances	9	76,099,322	83,890,515	57,583,140
Total Takaful Operations' Assets		895,806,422	835,130,947	890,276,721
Shareholders' Assets				
Property and equipment		47,360,363	48,230,479	50,528,844
Intangible assets		2,757,901	3,068,261	4,182,116
Financial instruments	7	42,903,980	29,471,332	24,079,343
Other receivables		11,615,893	11,201,350	25,394,182
Statutory deposit	10	4,000,000	4,000,000	4,000,000
Receivable from policyholders		77,655,295	98,944,155	73,240,962
Cash and bank balances	9	25,915,601	16,631,013	11,796,580
Total Shareholders' Assets		212,209,033	211,546,590	193,222,027
Total Assets		1,108,015,455	1,046,677,537	1,083,498,748
Takaful Operations' Liabilities and Deficit				
Takaful Operations Liabilities				
Takaful and other payables		111,064,103	161,542,107	190,030,708
Takaful contract liabilities	8	706,984,374	573,397,902	611,888,530
Payable to shareholders		77,655,295	98,944,155	73,240,962
Total Takaful Operations liabilities		895,703,772	833,884,164	875,160,200
Deficit in Policyholders' Fund and Qard Hassan from Shareholders				
Deficit in policyholders' fund	11	(102,650)	(1,246,783)	(9,268,009)
Qard Hassan from shareholders	11	102,650	1,246,783	9,268,009
Deficit in Policyholders' Fund and Qard Hassan from Shareholders		-	-	-
Total Operations' Liabilities and Surplus		895,703,772	833,884,164	875,160,200

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

Condensed consolidated statement of financial position
at 31 March 2021 (continued)

	Notes	31 March 2021 (Unaudited) AED	31 December 2020 (Audited) AED	31 December 2019 (Restated) AED
Shareholders' Liabilities and Equity				
Shareholders' Liabilities				
Takaful and other payables		**75,939,512**	70,602,473	58,209,041
Borrowings	**12**	**24,850,000**	25,900,000	40,322,432
Provision for employees' end of service benefits		**2,501,853**	2,714,527	2,914,064
Total Shareholders' Liabilities		**103,291,365**	99,217,000	101,445,537
Shareholders' and Policyholders Equity				
Share capital	**13**	**150,000,000**	150,000,000	150,000,000
Statutory reserve		**6,567,600**	6,567,600	6,526,302
Accumulated losses		**(71,810,145)**	(67,254,090)	(67,113,722)
Regulatory reserve		**128,567**	128,567	-
Cumulative changes in fair value of investments - policyholders		**24,134,296**	24,134,296	17,480,431
Total Shareholders' and Policyholders' Equity		**109,020,318**	113,576,373	106,893,011
Total Shareholders' Liabilities and Equity		**212,311,683**	212,793,373	208,338,548
Total Takaful Operations' Liabilities and Deficit and Shareholders' Liabilities and Equity		**1,108,015,455**	1,046,677,537	1,083,498,748

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

H.E Mohamed Haji Al Khoori
Chairman

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

Condensed consolidated statement of profit or loss (unaudited) for the three month period ended 31 March 2021

	Notes	Three month period ended 31 March 2021 AED	2020 AED (Restated)
Attributable to policyholders:			
Gross contributions written	**14**	**229,663,565**	200,565,430
Changes in unearned contributions	**14**	**(79,758,382)**	(53,675,024)
Takaful contributions earned		**149,905,183**	146,890,406
Retakaful contributions	**14**	**(27,742,790)**	(34,164,181)
Change in unearned contributions	**14**	**(11,757,016)**	(13,331,614)
Retakaful contributions earned		**(39,499,806)**	(47,495,795)
Net earned contributions		**110,405,377**	99,394,611
Gross claims incurred		**(121,690,591)**	(94,101,022)
Retakaful share of claims incurred		**47,790,787**	34,390,635
Net claims incurred		**(73,899,804)**	(59,710,387)
Change in reserve	**8.1**	**(9,596,691)**	(47,245,511)
Net change in fair value of policyholders investment linked contracts		**(8,192,945)**	26,351,452
		(91,689,440)	(80,604,446)
Net takaful income		**18,715,937**	18,790,165
Wakalah fees	**15**	**(19,270,108)**	(18,437,159)
Investment Income		**1,698,304**	3,152,369
Net surplus from takaful operations		**1,144,133**	3,505,375
Attributable to Shareholders:			
Wakalah fees from policyholders	**15**	**19,270,108**	18,437,159
Investment income/ (loss)		**27,187**	(472,293)
Other income		**5,322,143**	3,106,535
Commission incurred		**(14,015,271)**	(11,147,369)
General, administrative and other expenses		**(16,304,355)**	(15,984,665)
Recovery of Qard Hassan to policyholders' fund		**1,144,133**	3,505,375
Loss for the period attributable to shareholders		**(4,556,055)**	(2,555,258)
Basic and diluted loss per share (AED)	**16**	**(0.030)**	(0.017)

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

Condensed consolidated statement of comprehensive income (unaudited)
for the three month period ended 31 March 2021

	Three month period ended 31 March	
	2021	2020
	AED	AED
		(Restated)
Net profit attributable to Policyholders	**1,144,133**	3,505,375
Other comprehensive income		
Other comprehensive income that could be reclassified to profit or loss in subsequent periods		
Net unrealised gain on available-for-sale investments	**-**	4,105,576
Other comprehensive income for the period	**-**	4,105,576
Total comprehensive income for the period	**1,144,133**	7,610,951
Loss for the period attributable to Shareholders	**(4,556,055)**	(2,555,258)
Other comprehensive income for the period	**-**	-
Total comprehensive ~~(loss)/income~~ for the period	**(4,556,055)**	(2,555,258)

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

Condensed consolidated statement of changes in equity
for the three month period ended 31 March 2020

		Attributable to shareholders'			Attributable to policyholders'	
	Share capital AED	Statutory reserve AED	Accumulated losses AED	Regulatory reserve AED	Cumulative changes in fair value AED	Total AED
Balance at 1 January 2019 (as previously reported)	150,000,000	6,526,302	(55,481,803)	-	17,480,431	118,524,930
Effect of prior year error (Note 23)	-	-	(11,631,919)	-	-	(11,631,919)
Balance at 1 January 2020 (Restated)	150,000,000	6,526,302	(67,113,722)	-	17,480,431	106,893,011
Total comprehensive income for the period (Restated)	-	-	(2,555,258)	-	4,105,576	1,550,318
Zakat	-	-	(364,500)	-	-	(364,500)
Balance at 31 March 2020 (Unaudited and Restated)	150,000,000	6,526,302	(70,033,480)	-	21,586,007	108,078,829
Balance at 1 January 2021	150,000,000	6,567,600	(67,254,090)	128,567	24,134,296	113,576,373
Total comprehensive loss for the period	-	-	(4,556,055)	-	-	(4,556,055)
Balance at 31 March 2021 (Unaudited)	**150,000,000**	**6,567,600**	**(71,810,145)**	**128,567**	**24,134,296**	**109,020,318**

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

Condensed consolidated statement of cash flows (unaudited)
for the three month period ended 31 March 2021

	Three month period ended 31 March 2021 AED	2020 AED (Restated)
Cash flows from operating activities		
Loss for the period	**(4,556,055)**	(2,555,258)
Adjustments for:		
Depreciation of property and equipment and amortisation intangible assets	**1,180,476**	1,169,040
Other investment (income)/loss	**(7,423,574)**	23,089,501
Provision for employees' end of service benefits	**6,697**	326,659
Provision for doubtful debts	**12,261**	-
Operating cash flows before changes in operating assets and liabilities	**(10,780,195)**	22,029,942
(Increase)/decrease in retakaful contract assets	**(2,301,287)**	60,273,062
Increase in takaful receivables and other assets	**(68,482,007)**	(18,430,720)
Decrease/(increase) in deferred policy acquisition cost	**1,770,672**	(4,358,925)
Increase/(decrease) in takaful contract liabilities	**133,586,472**	(1,956,318)
Decrease in takaful and other payables	**(45,140,965)**	(77,107,972)
Net cash generated from/(used in) operations	**8,652,690**	(19,550,931)
Employees' end of service benefits paid	**(219,371)**	(256,805)
Net cash generated from/(used in) operating activities	**8,433,319**	(19,807,736)
Cash flows from investing activities		
Purchase of investments at FVTPL	**(48,736,720)**	(35,762,443)
Proceeds from sale of investments at FVTPL	**43,756,062**	28,877,179
Purchase of property and equipment	**-**	(617,894)
Purchase of intangible assets	**-**	(76,000)
Purchase of investments properties	**(909,266)**	-
Net cash used in investing activities	**(5,889,924)**	(7,579,158)
Cash flows from financing activities		
Repayment of borrowings	**(1,050,000)**	(875,000)
Cash used in financing activities	**(1,050,000)**	(875,000)
Net increase/(decrease) in cash and cash equivalents	**1,493,395**	(28,261,894)
Cash and cash equivalents at the beginning of the period	**83,271,528**	52,129,720
Cash and cash equivalents at the end of the period	**84,764,923**	23,867,826

Non - cash Transaction:

Zakat	-	(364,500)

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

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2021

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 condensed consolidated interim 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			2021	2020
Modern Tech Investment	Investment	United Arab Emirates	100%	100%

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 and business operations, except for what is disclosed 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.

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 2021, 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.

Interest Rate Benchmark Reform – Phase 2: Amendments to IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the interim condensed financial information of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

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' relating to providing a more uniform measurement and presentation approach for all insurance contracts (effective for annual periods beginning 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 an investor to its associate or joint venture (effective date deferred indefinitely, early adoption permitted).
- IAS 1 'Presentation of Financial Statements' – Amendments on Classifications. Effective for annual period beginning on or after 1 January 2023.
- Amendments relating 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 on or after 1 January 2022).
- IFRS 4 relating to 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.
- Amendments to IFRS 16 to extend the exemption from assessing whether a COVID-19 related rent concession is a lease modification (effective for annual periods beginning on or after 1 April 2021).
- Amendments regarding Disclosure of Accounting policies (IAS 1 and IFRS practice statement 2) and amendments regarding Definition of Accounting estimates, IAS 8 (effective for annual periods beginning on or after 1 January 2023).

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2021 (continued)

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 New and revised IFRS standards and interpretations but not yet effective (continued)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 17, mentioned below, may have no material impact on the financial statements of the Group in the period of initial application.

Management anticipates that IFRS 17 will be adopted in the Group's financial statements for the annual period beginning 1 January 2023. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Group's financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review.

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.

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*".

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 2020.

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 2020. In addition, results for the three month period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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 2020, with the exception of the impact of the novel coronavirus (COVID-19) outbreak on the Group which is detailed below.

4. Changes in judgements and estimation uncertainty (continued)

Recoverability of 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 a material impact to the recoverability of receivables for the period ended 31 March 2021.

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 a material impact to the fair values of financial assets and liabilities for the period ended 31 March 2021 except for what is disclosed in the condensed consolidated interim financial information.

Fair value measurement of investment properties

As the local real estate market becomes slower moving, adjustments may be required to adjust the fair values of the properties in order to reflect the current economic circumstances.

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 31 March 2021. 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 31 March 2021. 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 2020.

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

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2021 (continued)

6. Investment properties

	31 March 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Land	**15,401,896**	15,401,896
Residential apartments	**16,713,000**	16,713,000
	32,114,896	32,114,896
Work in progress	**20,421,880**	19,512,614
	52,536,776	51,627,510

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 31 March 2021 (31 December 2020: Level 3).

7. Financial instruments

	31 March 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Takaful operations' assets		
At fair value through profit or loss (Note 7.1)	**288,760,156**	289,788,572
Available-for-sale (Note 7.2)	**41,055,764**	41,055,764
	329,815,920	330,844,336
Shareholders' assets		
At fair value through profit or loss (Note 7.1)	**42,903,980**	29,471,332
Total	**372,719,900**	360,315,668

7.1 Financial instruments at fair value through profit or loss

	31 March 2021 (Unaudited)			
	Attributable to individual life policyholders AED	Attributable to shareholders AED	Attributable to takaful operations AED	Total AED
Mutual funds	**185,953,575**	**22,503,980**	**-**	**208,457,555**
Sukuk investments	**37,880,379**	**-**	**7,381,966**	**45,262,345**
Equity investments – quoted	**-**	**-**	**57,544,236**	**57,544,236**
Equity investments – unquoted	**-**	**20,400,000**	**-**	**20,400,000**
Total	**223,833,954**	**42,903,980**	**64,926,202**	**331,664,136**

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2021 (continued)

7. Financial instruments (continued)

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

	31 December 2020 (Audited)			
	Attributable to individual life policyholders AED	Attributable to shareholders AED	Attributable to takaful operations AED	Total AED
Mutual funds	176,679,413	9,071,332	-	185,750,745
Sukuk investments	42,596,489	-	7,381,966	49,978,455
Equity investments – quoted	-	-	63,130,704	63,130,704
Equity investments – unquoted	-	20,400,000	-	20,400,000
Total	219,275,902	29,471,332	70,512,670	319,259,904

Movements during the period/year were as follows:

	31 March 2021 AED (Unaudited)	31 December 2020 AED (Audited)
At beginning of the period/year	**319,259,904**	290,629,805
Purchases during the period/year	**48,736,720**	173,684,034
Disposals during the period/year	**(43,756,062)**	(159,499,368)
Change in fair value during the period/year	**7,423,574**	14,445,433
At end of the period/year	**331,664,136**	319,259,904

7.2 Available-for-sale (AFS)

	31 March 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Shares – quoted	**41,055,764**	41,055,764

The fair value gain amounting to nil (31 March 2020: AED 4.11 million) has been recognised in the condensed consolidated statement of other comprehensive income.

7. Financial instruments (continued)

7.3 Investment concentration

The UAE Insurance Authority has set the maximum limit for aggregate exposure in various investments category. As at 31 March 2021, the Group has invested over the limit in other invested assets category by AED 1,028,562 (31 December 2020: AED 1,034,562), whereas, it has exceeded the sub-limits in all other categories except real estate investments by AED 102,916,391 (31 December 2020: AED 95,215,574).

8. Takaful contract liabilities and retakaful contract assets

	31 March 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Gross takaful contract liabilities		
Claims reported	**135,134,243**	90,172,171
Claims incurred but not reported	**36,413,424**	35,774,861
Unearned contributions	**298,966,858**	219,208,476
Mathematical reserves	**7,203,186**	6,057,040
Policyholders' investment linked contracts at fair value	**229,266,663**	222,185,354
	706,984,374	573,397,902
Retakaful contract assets		
Retakaful share of claims reported	**49,984,625**	35,311,980
Retakaful share of claims incurred but not reported	**14,018,770**	14,801,241
Retakaful share of unearned contributions	**68,914,787**	80,671,803
Retakaful share of mathematical reserve	**1,064,028**	895,899
	133,982,210	131,680,923
Net takaful contract liabilities		
Claims reported	**85,149,618**	54,860,191
Claims incurred but not reported	**22,394,654**	20,973,620
Unearned contributions	**230,052,071**	138,536,673
Mathematical reserves	**6,139,158**	5,161,141
Policyholders' investment linked contracts at fair value	**229,266,663**	222,185,354
	573,002,164	441,716,979

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2021 (continued)

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

	31 March 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Movement in payable to policyholders of investment linked contracts		
Opening balance	**222,185,354**	170,064,606
Gross contribution	**20,993,318**	97,895,018
Allocation charges	**(2,595,214)**	(8,246,440)
Redemptions during the period/ year	**(19,509,740)**	(53,849,076)
Change in fair value	**8,192,945**	16,321,246
Closing balance	**229,266,663**	222,185,354

8.1 Change in reserves

	31 March 2021 AED (Unaudited)	31 March 2020 AED (Audited)
Changes in mathematical reserve – takaful life	**978,017**	(836,752)
Change in reserve relating to takaful life products	**16,811,619**	(20,057,307)
Change in fair value-individual life policyholders (Note 8)	**(8,192,945)**	(26,351,452)
	9,596,691	(47,245,511)

9. Cash and bank balances

	31 March 2021 (Unaudited)		31 December 2020 (Audited)	
	Takaful Operations AED	**Shareholders' Operations AED**	Takaful Operations AED	Shareholders' Operations AED
Cash and bank balances	**58,849,322**	**25,915,601**	66,640,515	16,631,013
Deposit	**17,250,000**	**-**	17,250,000	-
	76,099,322	**25,915,601**	83,890,515	16,631,013
Less: Deposits maturing in more than - three months	**(17,250,000)**	**-**	(17,250,000)	-
Total	**58,849,322**	**25,915,601**	66,640,515	16,631,013

The deposits carry profit rates ranging from 1% to 1.25% (2020: 1.75% to 2.40%) per annum with maturity dates ranging from 23 August 2021 to 30 September 2021.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2021 (continued)

10. Statutory deposit

Statutory deposit is maintained in accordance with the requirements of UAE Federal Law No. 6 of 2007 for the purpose of carrying on takaful operations in the United Arab Emirates and is not available to finance the day to day operations of the Company. This deposit carries a profit rate of 1% (2020: 1%) per annum.

11. Deficit in policyholders' fund

	31 March 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Deficit in policyholders' fund		
Balance at the beginning of the period/ year	**(1,246,783)**	(9,268,009)
Surplus during the period/year	**1,144,133**	8,021,226
Balance at the end of the period/ year	**(102,650)**	(1,246,783)
Qard Hassan from shareholders		
Balance at beginning of period/year	**1,246,783**	9,268,009
Recovery during the period/year	**(1,144,133)**	(8,021,226)
Balance at the end of the period/year	**102,650**	1,246,783
Total deficit in policyholders' fund	**-**	-

12. Borrowings

The borrowings as at reporting date is against AED 35 million loan obtained in 2017 for the purchase of new building being used as office space, of which outstanding principal amount in AED 24.85 million (2020: AED 25.9 million).

The decrease in borrowings of AED 1.1 million (2020: AED 14.42 million) during the period/year consists of settlement of repayment against borrowing of AED 35 million.

Bank credit facilities were secured by mortgage over property, assignment of Islamic insurance policy over property, hypothecation of wakala time deposit and promissory notes.

13. Share capital

	31 March 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Authorised, Issued and fully paid:		
150,000,000 ordinary shares of AED 1 each	**150,000,000**	150,000,000
	150,000,000	150,000,000

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2021 (continued)

14. Net earned contributions (Unaudited)

	Three month period ended 31 March 2021		
	Medical AED	**Life and savings AED**	**Total AED**
Gross contributions written	**208,269,094**	**21,394,471**	**229,663,565**
Change in unearned contributions	**(80,473,663)**	**715,281**	**(79,758,382)**
Takaful contributions earned	**127,795,431**	**22,109,752**	**149,905,183**
Retakaful contributions	**26,401,054**	**1,341,736**	**27,742,790**
Change in unearned contributions	**11,120,892**	**636,124**	**11,757,016**
Retakaful contributions ceded	**37,521,946**	**1,977,860**	**39,499,806**
Net earned contributions	**90,273,485**	**20,131,892**	**110,405,377**

	Three month period ended 31 March 2020		
	Medical AED	Life and savings AED	Total AED
Gross contributions written	173,793,641	26,771,789	200,565,430
Change in unearned contributions	(54,545,974)	870,950	(53,675,024)
Takaful contributions earned	119,247,667	27,642,739	146,890,406
Retakaful contributions	32,782,351	1,381,830	34,164,181
Change in unearned contributions	12,637,543	694,071	13,331,614
Retakaful contributions ceded	45,419,894	2,075,901	47,495,795
Net earned contributions	73,827,773	25,566,838	99,394,611

15. Wakalah fees

For group life and group medical policies, wakalah fees were charged up to 13.5% to 25% (2020: 16.75% to 25%) of gross takaful contributions. For life takaful policies, wakalah fees were charged at a maximum of 35% 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.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2021 (continued)

16. Basic and diluted loss per share

	Three month period ended 31 March	
	2021	2020
	(Unaudited)	(Unaudited)
	AED	AED
Loss for the period attributable to shareholders	**(4,556,055)**	(2,555,258)
Weighted average number of shares outstanding during the period	**150,000,000**	150,000,000
Loss per share	**(0.030)**	(0.017)

No figures for diluted loss per share are presented as the Group has not issued any instruments which would have an impact on 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 31 March in respect of related parties included in the condensed consolidated interim financial information are as follows:

	31 March	31 December
	2021	2020
	(Unaudited)	(Audited)
	AED	AED
Affiliates of major shareholders:		
Outstanding claims	**249,787**	339,864

The profit or loss in respect of related parties included in the condensed consolidated interim financial information are as follows:

	Three month period ended 31 March	
	2021	2020
	(Unaudited)	(Unaudited)
	AED	AED
Compensation of key management personnel:		
Short and long term benefits	**897,994**	814,299
Transactions with related parties during the period		
Gross written contribution	**2,861,334**	4,091,730
Gross claim incurred	**83,375**	1,099,409

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.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2021 (continued)

18. Contingencies and commitments

	31 March 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Letters of guarantee	**163,593**	343,593

Capital commitments

Capital commitments as at 31 March 2021 amounted to AED 7.3 million (31 December 2020: AED 8.2 million)

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.

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 31 March 2021 (Unaudited)					
	Underwriting			**Shareholders**		
	Medical AED	**Life AED**	**Total AED**	**Investments AED**	**Others AED**	**Total AED**
Segment revenue	**127,795,431**	**22,109,752**	**149,905,183**	**27,187**	**24,592,251**	**24,619,438**
Segment result	**16,078,944**	**4,335,297**	**20,414,241**	**27,187**	**24,592,251**	**24,619,438**
Wakala fees	**(16,058,566)**	**(3,211,542)**	**(19,270,108)**	**-**	**-**	**-**
Commission incurred	**-**	**-**	**-**	**-**	**(14,015,271)**	**(14,015,271)**
General and administrative expenses	**-**	**-**	**-**	**-**	**(16,304,355)**	**(16,304,355)**
Provision for Qard Hassan to policyholders' fund	**-**	**-**	**-**	**-**	**1,144,133**	**1,144,133**
Profit/(loss) attributable to policyholders/ shareholders	**20,378**	**1,123,755**	**1,144,133**	**27,187**	**(4,583,242)**	**(4,556,055)**

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2021 (continued)

19. Segment information (continued)

	Three month period ended 31 March 2020 (Unaudited)					
	Underwriting			Shareholders		
	Medical AED	Life AED	Total AED	Investments AED	Others AED (Restated)	Total AED (Restated)
Segment revenue	119,247,667	27,642,739	146,890,406	(472,293)	21,543,694	21,071,401
Segment result	16,755,146	5,187,388	21,942,534	(472,293)	21,543,694	21,071,401
Wakala fees	(13,106,072)	(5,331,087)	(18,437,159)	-	-	-
Commission incurred	-	-	-	-	(11,147,369)	(11,147,369)
General and administrative expenses	-	-	-	-	(15,984,665)	(15,984,665)
Provision for Qard Hassan to policyholders' fund	-	-	-	-	3,505,375	3,505,375
Profit/(loss) attributable to policyholders/ shareholders	3,649,074	(143,699)	3,505,375	(472,293)	(2,082,965)	(2,555,258)

31 March 2021 (Unaudited)

	Medical AED	**Life and saving AED**	**Underwriting total AED**	**Shareholders' investments AED**	**Unallocated others AED**	**Total AED**	**Total AED**
Segment assets	**599,638,496**	**296,167,926**	**895,806,422**	**68,819,581**	**65,734,157**	**134,553,738**	**1,030,360,160**
Segment liabilities	**573,708,764**	**244,339,713**	**818,048,477**	**-**	**103,291,365**	**103,291,365**	**921,339,842**

As at 31 December 2020 (Audited)

	Medical AED	Life and saving AED	Underwriting total AED	Shareholders' investments AED	Unallocated others AED	Total AED	Total AED
Segment assets	529,400,659	305,730,288	835,130,947	46,102,345	66,500,090	112,602,435	947,733,382
Segment liabilities	498,683,182	236,256,827	734,940,009	-	99,217,000	99,217,000	834,157,009

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.

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.

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2021 (continued)

20. Fair value of financial instruments (continued)

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

	31 March 2021 (Unaudited)			
	Level 1 AED	**Level 2 AED**	**Level 3 AED**	**Total AED**
Assets				
Investments at fair value through profit or loss				
Equity investments – quoted	57,544,236	-	-	57,544,236
Equity investments – unquoted	-	-	20,400,000	20,400,000
Mutual funds	-	208,457,555	-	208,457,555
Sukuk investments	-	45,262,345	-	45,262,345
Available-for-sale	41,055,764	-	-	41,055,764
	98,600,000	**253,719,900**	**20,400,000**	**372,719,900**
Liabilities				
Investment linked contracts	**-**	**229,266,663**	**-**	**229,266,663**

	31 December 2020 (Audited)			
	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Assets				
Investments at fair value through profit or loss				
Equity investments - quoted	63,130,704	-	-	63,130,704
Equity investments - unquoted	-	-	20,400,000	20,400,000
Mutual funds	-	185,750,745	-	185,750,745
Sukuk investments	-	49,978,455	-	49,978,455
Available-for-sale	41,055,764	-	-	41,055,764
	104,186,468	235,729,200	20,400,000	360,315,668
Liabilities				
Investment linked contracts	-	222,185,354	-	222,185,354

21. Seasonality of results

No income of seasonal nature was recorded in the statement of income for the three months period ended 31 March 2021.

Notes to the condensed consolidated interim financial information
for the three month period ended 31 March 2021 (continued)

22. Financial regulations

As per Article (8) of Section 2 of the financial regulations issued for insurance companies in UAE, the Company shall at all times comply with the requirements of Solvency Margin. As at 31 December 2020, the Company had a solvency deficit as compared to the Minimum Capital Requirements of AED 100 million. The Company has made a business plan to meet the solvency requirements by 30 June 2021 or provide a bank guarantee for solvency deficit. The business plan is approved by Insurance Authority and the Company is required to submit monthly progress reports to the Insurance Authority to demonstrate compliance with the business plan.

23. Prior period errors

The comparative amounts for the period ended 31 March 2020 have been restated due to correction of prior period error relating to deferred policy acquisition cost which was not disclosed at recoverable amount net off allocation/surrender charges, which resulted in overstatement of deferred policy acquisition cost presented in 2019. This error was rectified by reversing the amounts recognised under deferred policy acquisition cost in the consolidated financial statements for the year ended 31 December 2020 and increasing the commission incurred. Policyholders' investment linked contracts at fair value under takaful contract liabilities was reversed while allocation/surrender charge was recognized in other income.

In accordance with the requirements of 'IAS 1 Presentation of Financial Statements' and 'IAS 8 Accounting policies, Changes in Estimates and Errors', the above items have been corrected retrospectively and accordingly balances in the condensed consolidated interim financial information for the year 2020 were restated in 31 March 2021 reporting.

Impact on the condensed consolidated statement of financial position for the year ended 31 December 2019:

	As previously reported at 31 December 2019 AED	Adjustment AED	As restated at 31 December 2019 AED
Accumulated loss	(55,481,803)	(11,631,919)	(67,113,722)

Impact on the condensed consolidated statement of profit or loss for the period ended 31 March 2020:

	Period ended 31 March 2020 as previously reported AED	Restatements AED	Period ended 31 March 2020 as restated AED
Attributable to Shareholders			
Other income	3,208,061	(101,526)	3,106,535
Commission incurred	(10,873,744)	(273,625)	(11,147,369)

Notes to the condensed consolidated interim financial information for the three month period ended 31 March 2021 (continued)

23. Prior period errors (continued)

Impact on the condensed consolidated statement of cash flows for the year ended 31 March 2020:

	Period ended 31 March 2020 as previously reported AED	Restatements AED	Period ended 31 March 2020 as restated AED
Loss for the period	(2,180,107)	(375,151)	(2,555,258)
Decrease in deferred policy acquisition cost	(4,734,076)	375,151	(4,358,925)

24. Approval of the condensed consolidated financial information

The condensed consolidated financial information were approved by the Board of Directors and authorised for issue on 15 May 2021.

TAKAFUL EMARAT - INSURANCE (PSC)
AND ITS SUBSIDIARY

Review report and condensed consolidated
interim financial information
for the six month period ended 30 June 2021

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

Contents **Pages**

Deloitte.

Deloitte & Touche (M.E.)
UAB Tower - Level 13
Al Buhairah Corniche
P.O. Box 5470
Sharjah
United Arab Emirates

Tel: +971 (0) 6 517 9500
Fax:+971 (0) 6 517 9501
www.deloitte.com

INDEPENDENT AUDITOR'S REVIEW REPORT

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Takaful Emarat – Insurance (PSC) (the "Company") and its Subsidiary (together the "Group") – Dubai, United Arab Emirates** as at 30 June 2021 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with International Accounting Standard 34: "*Interim Financial Reporting*" as issued by International Accounting Standards Board (IASB). Our responsibility is to express a conclusion on these condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

Deloitte & Touche (M.E.)

Signed by:
Akbar Ahmad
Registration No. 1141
10 August 2021
Sharjah, United Arab Emirates

Condensed consolidated statement of financial position at 30 June 2021

	Notes	30 June 2021 (Unaudited) AED	31 December 2020 (Audited) AED	31 December 2019 (Restated) AED
Takaful Operations' Assets				
Investment properties	**6**	**53,224,976**	51,627,510	41,390,000
Financial instruments	**7**	**357,078,927**	330,844,336	300,952,361
Takaful receivables and other assets		**217,181,700**	171,474,974	207,978,959
Retakaful contract assets	**8**	**115,815,872**	131,680,923	222,171,164
Deposit		**-**	-	7,373,754
Deferred policy acquisition cost		**61,374,989**	65,612,689	52,827,343
Cash and bank balances	**9**	**104,290,054**	83,890,515	57,583,140
Total Takaful Operations' Assets		**908,966,518**	835,130,947	890,276,721
Shareholders' Assets				
Property and equipment		**47,174,093**	48,230,479	50,528,844
Intangible assets		**2,458,500**	3,068,261	4,182,116
Financial instruments	**7**	**22,111,688**	29,471,332	24,079,343
Other receivables		**20,949,455**	11,201,350	25,394,182
Statutory deposit	**10**	**4,000,000**	4,000,000	4,000,000
Receivable from policyholders'		**97,498,851**	98,944,155	73,240,962
Cash and bank balances	**9**	**7,131,255**	16,631,013	11,796,580
Total Shareholders' Assets		**201,323,842**	211,546,590	193,222,027
Total Assets		**1,110,290,360**	1,046,677,537	1,083,498,748
Takaful Operations' Liabilities and Deficit				
Takaful Operations Liabilities				
Takaful and other payables		**117,839,658**	161,542,107	190,030,708
Takaful contract liabilities	**8**	**691,475,227**	573,397,902	611,888,530
Payable to shareholders'		**97,498,851**	98,944,155	73,240,962
Total Takaful Operations liabilities		**906,813,736**	833,884,164	875,160,200
Deficit in Policyholders' Fund and Qard Hassan from Shareholders'				
Deficit in policyholders' fund	**11**	**(2,152,782)**	(1,246,783)	(9,268,009)
Qard Hassan from shareholders'	**11**	**2,152,782**	1,246,783	9,268,009
Deficit in Policyholders' Fund and Qard Hassan from Shareholders'		**-**	-	-
Total Operations' Liabilities and Surplus		**906,813,736**	833,884,164	875,160,200

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

Condensed consolidated statement of financial position at 30 June 2021 (continued)

	Notes	30 June 2021 (Unaudited) AED	31 December 2020 (Audited) AED	31 December 2019 (Restated) AED
Shareholders' Liabilities and Equity				
Shareholders' Liabilities				
Takaful and other payables		70,064,668	70,602,473	58,209,041
Borrowings	12	23,800,000	25,900,000	40,322,432
Provision for employees' end of service benefits		2,614,208	2,714,527	2,914,064
Total Shareholders' Liabilities		96,478,876	99,217,000	101,445,537
Shareholders' and Policyholders Equity				
Share capital	13	150,000,000	150,000,000	150,000,000
Statutory reserve		6,567,600	6,567,600	6,526,302
Accumulated losses		(74,399,001)	(67,254,090)	(67,113,722)
Regulatory reserve		128,567	128,567	-
Cumulative changes in fair value of investments - policyholders		24,700,582	24,134,296	17,480,431
Total Shareholders' and Policyholders' Equity		106,997,748	113,576,373	106,893,011
Total Shareholders' Liabilities and Equity		203,476,624	212,793,373	208,338,548
Total Takaful Operations' Liabilities and Deficit and Shareholders' Liabilities and Equity		1,110,290,360	1,046,677,537	1,083,498,748

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.

H.E Mohamed Haji Al Khoori	Wael Al Sharif	Adnan Sabaalaish
Chairman	Chief Executive Officer	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 six month period ended 30 June 2021

	Notes	Three month ended 30 June 2021 AED	Three month ended 30 June 2020 AED (Restated)	Six month ended 30 June 2021 AED	Six month ended 30 June 2020 AED (Restated)
Attributable to Policyholders':					
Gross contributions written	14	**114,405,304**	103,219,549	**344,068,869**	303,784,979
Changes in unearned contributions	14	**48,301,211**	42,656,210	**(31,457,171)**	(11,018,814)
Takaful contributions earned		**162,706,515**	145,875,759	**312,611,698**	292,766,165
Retakaful contributions	14	**(26,565,146)**	(23,570,946)	**(54,307,936)**	(57,735,127)
Change in unearned contributions	14	**(13,985,898)**	(20,151,948)	**(25,742,914)**	(33,483,562)
Retakaful contributions ceded		**(40,551,044)**	(43,722,894)	**(80,050,850)**	(91,218,689)
Net earned contributions		**122,155,471**	102,152,865	**232,560,848**	201,547,476
Gross claims incurred		**(115,855,603)**	(92,572,264)	**(237,546,194)**	(186,673,286)
Retakaful share of claims incurred		**32,573,934**	29,257,596	**80,364,721**	63,648,231
Net claims incurred		**(83,281,669)**	(63,314,668)	**(157,181,473)**	(123,025,055)
Change in reserve	8.1	**(5,532,130)**	(2,842,100)	**(15,128,821)**	(50,087,611)
Net change in fair value of policyholders investment linked contracts		**(12,547,532)**	(16,765,757)	**(20,740,477)**	9,585,695
		(101,361,331)	(82,922,525)	**(193,050,771)**	(163,526,971)
Net takaful income		**20,794,140**	19,230,340	**39,510,077**	38,020,505
Wakalah fees	15	**(25,883,658)**	(19,437,589)	**(45,153,766)**	(37,874,748)
Investment income/ (loss)		**3,039,386**	(536,074)	**4,737,690**	2,616,295
Net (deficit)/ surplus from takaful operations		**(2,050,132)**	(743,323)	**(905,999)**	2,762,052
Attributable to Shareholders':					
Wakalah fees from policyholders'	15	**25,883,658**	19,437,589	**45,153,766**	37,874,748
Investment income		**780,131**	1,013,098	**807,318**	540,805
Other income		**4,482,755**	5,071,958	**9,804,898**	8,178,493
Commission incurred		**(12,093,270)**	(6,345,829)	**(26,108,541)**	(17,493,198)
General, administrative and other expenses		**(19,591,998)**	(15,108,929)	**(35,896,353)**	(31,093,594)
(Provision for)/recovery of Qard Hassan to policyholders' fund		**(2,050,132)**	(743,323)	**(905,999)**	2,762,052
(Loss)/profit for the period attributable to shareholders'		**(2,588,856)**	3,324,564	**(7,144,911)**	769,306
Basic and diluted (loss)/earning per share (AED)	16	**(0.017)**	0.022	**(0.048)**	0.005

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

Condensed consolidated statement of comprehensive income (unaudited)
for the Six month period ended 30 June 2021

	Three month period ended 30 June		Six month period ended 30 June	
	2021	2020	**2021**	2020
	AED	AED (Restated)	**AED**	AED (Restated)
(Loss)/profit for the period attributable to shareholders'	**(2,588,856)**	3,324,564	**(7,144,911)**	769,306
Other comprehensive income				
Other comprehensive income that could be reclassified to profit or loss in subsequent periods				
Net unrealised gain on available-for-sale investments	**566,286**	1,982,003	**566,286**	6,087,579
Other comprehensive income for the period	**566,286**	1,982,003	**566,286**	6,087,579
Total comprehensive (loss)/income for the period	**(2,022,570)**	5,306,567	**(6,578,625)**	6,856,885

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

Condensed consolidated statement of changes in equity
for the six month period ended 30 June 2021

	Attributable to shareholders'				Attributable to policyholders'	
	Share capital AED	Statutory reserve AED	Accumulated losses AED	Regulatory reserve AED	Cumulative changes in fair value AED	Total AED
Balance at 1 January 2020 (as previously reported)	150,000,000	6,526,302	(55,481,803)	-	17,480,431	118,524,930
Effect of prior year error (Note 23)	-	-	(11,631,919)	-	-	(11,631,919)
Balance at 1 January 2020 (Restated)	150,000,000	6,526,302	(67,113,722)	-	17,480,431	106,893,011
Total comprehensive income for the period	-	-	769,306	-	6,087,579	6,856,885
Zakat	-	-	(364,500)	-	-	(364,500)
Balance at 30 June 2020 (unaudited)	150,000,000	6,526,302	(66,708,916)	-	23,568,010	113,385,396
Balance at 1 January 2021	150,000,000	6,567,600	(67,254,090)	128,567	24,134,296	113,576,373
Total comprehensive loss for the period	-	-	(7,144,911)	-	566,286	(6,578,625)
Balance at 30 June 2021 (unaudited)	**150,000,000**	**6,567,600**	**(74,399,001)**	**128,567**	**24,700,582**	**106,997,748**

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

Condensed consolidated statement of cash flows (unaudited)
for the six month period ended 30 June 2021

	Six month period ended 30 June	
	2021	2020
	AED	AED
		(Restated)
Cash flows from operating activities		
(Loss)/profit for the period	**(7,144,911)**	769,306
Adjustments for:		
Depreciation of property and equipment and amortisation intangible assets	**2,365,037**	2,330,631
Realised loss on sale of investments at fair value through profit or loss	**9,465,560**	-
(Gain)/loss on revaluation of investments at fair value through profit or loss	**(21,283,586)**	521,165
Provision for employees' end of service benefits	**210,531**	515,803
Provision for doubtful debts	**1,017,957**	-
Operating cash flows before changes in operating assets and liabilities	**(15,369,412)**	4,136,905
Decrease in retakaful contract assets	**15,865,051**	87,823,859
(Increase)/decrease in takaful receivables and other assets	**(56,472,788)**	15,362,454
Decrease/(increase) in deferred policy acquisition cost	**4,237,700**	(8,239,364)
Increase/(decrease) in takaful contract liabilities	**118,077,325**	(19,536,729)
Decrease in takaful and other payables	**(44,240,254)**	(77,290,495)
Net cash generated from operations	**22,097,622**	2,256,630
Employees' end of service benefits paid	**(310,850)**	(428,675)
Net cash generated from operating activities	**21,786,772**	1,827,955
Cash flows from investing activities		
Purchase of investments at fair value through profit or loss	**(106,381,864)**	(101,480,976)
Proceeds from sale of investments at fair value through profit or loss	**99,891,229**	80,702,280
Deposits	**-**	7,373,754
Purchase of property and equipment	**(698,890)**	(831,320)
Purchase of intangible assets	**-**	(236,944)
Addition to investments properties	**(1,597,466)**	(10,015,223)
Net cash used in investing activities	**(8,786,991)**	(24,488,429)
Cash flows from financing activities		
Zakat payment	**-**	(364,500)
Net movement in bank borrowings	**(2,100,000)**	(1,750,000)
Net cash used in financing activities	**(2,100,000)**	(2,114,500)
Net increase/(decrease) in cash and cash equivalents	**10,899,781**	(24,774,974)
Cash and cash equivalents at the beginning of the period	**83,271,528**	52,129,720
Cash and cash equivalents at the end of the period	**94,171,309**	27,354,746

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

Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2021

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 condensed consolidated interim 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			2021	2020
Modern Tech Investment	Investment	United Arab Emirates	100%	100%

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 and business operations, except for what is disclosed in the condensed consolidated interim financial information.

The Group has performed stress testing as required by the Central Bank 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.

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 2021, 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.

Interest Rate Benchmark Reform – Phase 2: Amendments to IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the condensed consolidated interim financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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' relating to providing a more uniform measurement and presentation approach for all insurance contracts (effective for annual periods beginning 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 an investor to its associate or joint venture (effective date deferred indefinitely, early adoption permitted).
- IAS 1 'Presentation of Financial Statements' – Amendments on Classifications. Effective for annual period beginning on or after 1 January 2023.
- Amendments relating 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 on or after 1 January 2022).
- IFRS 4 relating to 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.
- Amendments to IFRS 16 to extend the exemption from assessing whether a COVID-19 related rent concession is a lease modification (effective for annual periods beginning on or after 1 April 2021).
- Amendments regarding Disclosure of Accounting policies (IAS 1 and IFRS practice statement 2) and amendments regarding Definition of Accounting estimates, IAS 8 (effective for annual periods beginning on or after 1 January 2023).

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2021 (continued)

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 New and revised IFRS standards and interpretations but not yet effective (continued)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 17 and IFRS 9, mentioned below, may have no material impact on the financial statements of the Group in the period of initial application.

Management anticipates that IFRS 17 will be adopted in the Group's financial statements for the annual period beginning 1 January 2023. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Group's financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review.

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.

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*".

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 2020.

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 2020. In addition, results for the six month period ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

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 2020, with the exception of the impact of the novel coronavirus (COVID-19) outbreak on the Group which is detailed below.

Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2021 (continued)

4. Changes in judgements and estimation uncertainty (continued)

Recoverability of 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 a material impact to the recoverability of receivables for the period ended 30 June 2021.

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 a material impact to the fair values of financial assets and liabilities for the period ended 30 June 2021 except for what is disclosed in the condensed consolidated interim financial information.

Fair value measurement of investment properties

As the local real estate market becomes slower moving, adjustments may be required to adjust the fair values of the properties in order to reflect the current economic circumstances.

Based on management's assessment, the Group has not identified any significant impact to the fair values of investment properties as at 30 June 2021. The Group will consistently monitor the market and ensure that the prices used by the Group are an accurate representation of fair values.

Provision for outstanding claims and claims incurred but not reported

The Group has performed an assessment of the impact of COVID-19 on its contractual arrangements, provisions for outstanding claims and claims incurred but not reported which included regular sensitivity analyses. The Group determined that there is no material impact on its risk position and provision balances for outstanding claims and claims incurred but not reported as at 30 June 2021. 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 consolidated interim 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 2020.

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

Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2021 (continued)

6. Investment properties

	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Land	**15,401,896**	15,401,896
Residential apartments	**16,713,000**	16,713,000
	32,114,896	32,114,896
Work in progress	**21,110,080**	19,512,614
	53,224,976	51,627,510

Management estimates that there has been no change in the fair value of investment properties. Investment properties are classified as Level 3 in the fair value hierarchy as at 30 June 2021 (31 December 2020: Level 3).

7. Financial instruments

	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Takaful operations' assets		
At fair value through profit or loss (Note 7.1)	**315,456,877**	289,788,572
Available-for-sale (Note 7.2)	**41,622,050**	41,055,764
	357,078,927	330,844,336
Shareholders' assets		
At fair value through profit or loss (Note 7.1)	**22,111,688**	29,471,332
Total	**379,190,615**	360,315,668

7.1 Financial instruments at fair value through profit or loss

	30 June 2021 (Unaudited)			
	Attributable to individual life policyholders' AED	**Attributable to shareholders' AED**	**Attributable to takaful operations AED**	**Total AED**
Mutual funds	198,129,365	393,656	16,000,000	214,523,021
Sukuk investments	35,607,596	1,318,032	7,381,967	44,307,595
Equity investments – quoted	-	-	58,337,949	58,337,949
Equity investments – unquoted	-	20,400,000	-	20,400,000
Total	**233,736,961**	**22,111,688**	**81,719,916**	**337,568,565**

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2021 (continued)

7. Financial instruments (continued)

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

	31 December 2020 (Audited)			
	Attributable to individual life policyholders' AED	Attributable to shareholders' AED	Attributable to takaful operations AED	Total AED
Mutual funds	176,679,413	9,071,332	-	185,750,745
Sukuk investments	42,596,489	-	7,381,966	49,978,455
Equity investments – quoted	-	-	63,130,704	63,130,704
Equity investments – unquoted	-	20,400,000	-	20,400,000
Total	219,275,902	29,471,332	70,512,670	319,259,904

Movements during the period/year were as follows:

	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
At beginning of the period/year	**319,259,904**	290,629,805
Purchases during the period/year	**106,381,864**	173,684,034
Disposals during the period/year	**(109,356,789)**	(159,499,368)
Change in fair value during the period/year	**21,283,586**	14,445,433
At end of the period/year	**337,568,565**	319,259,904

7.2 Available-for-sale (AFS)

	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Shares – quoted	**41,622,050**	41,055,764

The fair value gain amounting to AED 0.57 million (30 June 2020: AED 6.09 million) has been recognised in the condensed consolidated statement of other comprehensive income.

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2021 (continued)

7. Financial instruments (continued)

7.3 Investment concentration

The Central Bank of U.A.E. has set the maximum limit for aggregate exposure in various investments category. As at 30 June 2021, the Group has invested over the limit in other invested assets category by AED Nil (31 December 2020: AED 1,034,562), whereas, it has exceeded the sub-limits in all other categories except real estate investments by AED 100,047,392 (31 December 2020: AED 95,215,574).

8. Takaful contract liabilities and retakaful contract assets

	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Gross takaful contract liabilities		
Claims reported	**147,862,046**	90,172,171
Claims incurred but not reported	**42,104,926**	35,774,861
Unearned contributions	**250,665,647**	219,208,476
Mathematical reserves	**7,380,763**	6,057,040
Policyholders' investment linked contracts at fair value	**243,461,845**	222,185,354
	691,475,227	573,397,902
Retakaful contract assets		
Retakaful share of claims reported	**44,375,984**	35,311,980
Retakaful share of claims incurred but not reported	**15,214,030**	14,801,241
Retakaful share of unearned contributions	**54,928,889**	80,671,803
Retakaful share of mathematical reserve	**1,296,969**	895,899
	115,815,872	131,680,923
Net takaful contract liabilities		
Claims reported	**103,486,062**	54,860,191
Claims incurred but not reported	**26,890,896**	20,973,620
Unearned contributions	**195,736,758**	138,536,673
Mathematical reserves	**6,083,794**	5,161,141
Policyholders' investment linked contracts at fair value	**243,461,845**	222,185,354
	575,659,355	441,716,979

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2021 (continued)

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

	30 June 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Movement in payable to policyholders of investment linked contracts		
Opening balance	**222,185,354**	170,064,606
Gross contribution	**43,023,316**	97,895,018
Allocation charges	**(5,261,241)**	(8,246,440)
Redemptions during the period/year	**(37,226,061)**	(53,849,076)
Change in fair value	**20,740,477**	16,321,246
Closing balance	**243,461,845**	222,185,354

8.1 Change in reserves

	Three month period ended 30 June		Six month period ended 30 June	
	2021 AED (unaudited)	2020 AED (unaudited)	**2021 AED (unaudited)**	2020 AED (unaudited)
Changes in mathematical reserve – takaful life	**55,364**	(469,119)	**(922,653)**	(1,305,871)
Change in reserve relating to takaful life products	**(18,135,026)**	(19,138,738)	**(34,946,645)**	(39,196,045)
Change in fair value- individual life Policyholders	**12,547,532**	16,765,757	**20,740,477**	(9,585,695)
	(5,532,130)	(2,842,100)	**(15,128,821)**	(50,087,611)

9. Cash and bank balances

	30 June 2021 (Unaudited)		31 December 2020 (Audited)	
	Takaful Operations AED	**Shareholders' Operations AED**	Takaful Operations AED	Shareholders' Operations AED
Cash and bank balances	**87,040,054**	**7,131,255**	66,640,515	16,631,013
Deposit	**17,250,000**	-	17,250,000	-
	104,290,054	**7,131,255**	83,890,515	16,631,013
Less: Deposits maturing in more than three months	**(17,250,000)**	-	(17,250,000)	-
Total	**87,040,054**	**7,131,255**	66,640,515	16,631,013

The deposits carry profit rates ranging from 1.00% to 1.25% (2020: 1.75% to 2.40%) per annum with maturity dates ranging from 23 August 2021 to 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% (2020: 1%) per annum.

11. Deficit in policyholders' fund

	30 June 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Deficit in policyholders' fund		
Balance at the beginning of the period/ year	**(1,246,783)**	(9,268,009)
(Deficit)/ surplus during the period/year	**(905,999)**	8,021,226
Balance at the end of the period/ year	**(2,152,782)**	(1,246,783)
Qard Hassan from shareholders'		
Balance at beginning of period/year	**1,246,783**	9,268,009
Provision / (recovery) during the period/year	**905,999**	(8,021,226)
Balance at the end of the period/year	**2,152,782**	1,246,783
Total deficit in policyholders' fund	**-**	-

12. Borrowings

The borrowings as at reporting date is against AED 35 million loan obtained in 2017 for the purchase of new building being used as office space, of which outstanding principal amount in AED 23.8 million (2020: AED 25.9 million).

The decrease in borrowings of AED 2.1 million (2020: AED 14.42 million) during the period/year consists of settlement of repayment against borrowing of AED 35 million.

Bank credit facilities were secured by mortgage over property, assignment of Islamic insurance policy over property, hypothecation of wakalah time deposit and promissory notes.

13. Share capital

	30 June 2021 AED (Unaudited)	31 December 2020 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 six month period ended 30 June 2021 (continued)

14. Net earned contributions (unaudited)

	Three month period ended 30 June 2021			Three month period ended 30 June 2020		
	Medical AED	**Life and savings AED**	**Total AED**	Medical AED	Life and savings AED	Total AED
Gross contributions written	**91,196,348**	**23,208,956**	**114,405,304**	75,370,496	27,849,053	103,219,549
Change in unearned contributions	**48,463,762**	**(162,551)**	**48,301,211**	44,861,616	(2,205,406)	42,656,210
Takaful contributions earned	**139,660,110**	**23,046,405**	**162,706,515**	120,232,112	25,643,647	145,875,759
Retakaful contributions	**(24,483,971)**	**(2,081,175)**	**(26,565,146)**	(19,477,502)	(4,093,444)	(23,570,946)
Change in unearned contributions	**(14,298,554)**	**312,656**	**(13,985,898)**	(22,127,836)	1,975,888	(20,151,948)
Retakaful contributions ceded	**(38,782,525)**	**(1,768,519)**	**(40,551,044)**	(41,605,338)	(2,117,556)	(43,722,894)
Net earned contributions	**100,877,585**	**21,277,886**	**122,155,471**	78,626,774	23,526,091	102,152,865

	Six month period ended 30 June 2021			Six month period ended 30 June 2020		
	Medical AED	**Life and savings AED**	**Total AED**	Medical AED	Life and savings AED	Total AED
Gross contributions written	**299,465,442**	**44,603,427**	**344,068,869**	249,164,137	54,620,842	303,784,979
Change in unearned contributions	**(32,009,901)**	**552,730**	**(31,457,171)**	(9,684,358)	(1,334,456)	(11,018,814)
Takaful contributions earned	**267,455,541**	**45,156,157**	**312,611,698**	239,479,779	53,286,386	292,766,165
Retakaful contributions	**(50,885,025)**	**(3,422,911)**	**(54,307,936)**	(52,259,853)	(5,475,274)	(57,735,127)
Change in unearned contributions	**(25,419,446)**	**(323,468)**	**(25,742,914)**	(34,765,379)	1,281,817	(33,483,562)
Retakaful contributions ceded	**(76,304,471)**	**(3,746,379)**	**(80,050,850)**	(87,025,232)	(4,193,457)	(91,218,689)
Net earned contributions	**191,151,070**	**41,409,778**	**232,560,848**	152,454,547	49,092,929	201,547,476

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2021 (continued)

15. Wakalah fees

For group life and group medical policies, wakalah fees were charged up to 13.5% to 25% (2020: 16.75% to 25%) of gross takaful contributions. For life takaful policies, wakalah fees were charged at a maximum of 35% of takaful risk contributions. Wakalah fees are approved by the Sharia'a Supervisory Board and is charged to the condensed consolidated statement of profit or loss when incurred.

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

	Three months ended 30 June		**Six months ended 30 June**	
	2021 (unaudited)	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
(Loss)/profit for the period attributable to shareholders' (AED)	**(2,588,856)**	3,324,564	**(7,144,911)**	769,306
Weighted average number of shares outstanding during the period	**150,000,000**	150,000,000	**150,000,000**	150,000,000
(Loss)/ earning per share (AED)	**(0.017)**	0.022	**(0.048)**	0.005

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

17. Related party transactions and balances

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

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

	30 June 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Affiliates of major shareholders':		
Outstanding claims	**318,231**	339,864

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2021 (continued)

17. Related party transactions and balances (continued)

The profit or loss in respect of related parties included in the condensed consolidated interim financial information are as follows:

	Three month period ended 30 June		Six month period ended 30 June	
	2021 (unaudited) AED	2020 (unaudited) AED	**2021 (unaudited) AED**	2020 (unaudited) AED
Compensation of key management personnel:				
Short and long term benefits	**1,486,655**	551,006	**2,384,649**	1,365,305
Transactions with related parties during the period				
Gross written contribution	**(1,670,061)**	1,506,403	**1,191,273**	5,598,133
Gross claim incurred	**405,223**	628,578	**488,598**	1,727,987

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

18. Contingencies and commitments

	30 June 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Letters of guarantee	**163,593**	163,593

Capital commitments

Capital commitments as at 30 June 2021 amounted to AED 6.6 million (31 December 2020: AED 8.2 million)

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 Group is organised into two business segments; takaful and investment operations. The takaful operations comprise the takaful business undertaken by the Group 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.

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.

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2021 (continued)

19. Segment information (continued)

	Three month period ended 30 June 2021 (unaudited)					
	Underwriting			**Shareholders'**		
	Medical AED	**Life AED**	**Total AED**	**Investments AED**	**Others AED**	**Total AED**
Segment revenue	**139,660,110**	**23,046,405**	**162,706,515**	**780,131**	**30,366,413**	**31,146,544**
Segment result	**18,986,129**	**4,847,397**	**23,833,526**	**780,131**	**30,366,413**	**31,146,544**
Wakalah fees	**(22,745,456)**	**(3,138,202)**	**(25,883,658)**	**-**	**-**	**-**
Commission incurred	**-**	**-**	**-**	**-**	**(12,093,270)**	**(12,093,270)**
General and administrative expenses	**-**	**-**	**-**	**-**	**(19,591,998)**	**(19,591,998)**
Provision for Qard Hassan to policyholders' fund	**-**	**-**	**-**	**-**	**(2,050,132)**	**(2,050,132)**
Profit/(loss) attributable to policyholders/ shareholders	**(3,759,327)**	**1,709,195**	**(2,050,132)**	**780,131**	**(3,368,987)**	**(2,588,856)**

	Three month period ended 30 June 2020 (unaudited) (Restated)					
	Underwriting			Shareholders'		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	120,232,112	25,643,647	145,875,759	1,013,098	24,509,547	25,522,645
Segment result	19,860,978	(1,166,712)	18,694,266	1,013,098	24,509,547	25,522,645
Wakalah fees	(15,210,886)	(4,226,703)	(19,437,589)	-	-	-
Commission incurred	-	-	-	-	(6,345,829)	(6,345,829)
General and administrative expenses	-	-	-	-	(15,108,929)	(15,108,929)
Provision for Qard Hassan to policyholders' fund	-	-	-	-	(743,323)	(743,323)
Profit/(loss) attributable to policyholders'/ shareholders'	4,650,092	(5,393,415)	(743,323)	1,013,098	2,311,466	3,324,564

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2021 (continued)

19. Segment information (continued)

	Six month period ended 30 June 2021 (unaudited)					
	Underwriting			**Shareholders'**		
	Medical AED	**Life AED**	**Total AED**	**Investments AED**	**Others AED**	**Total AED**
Segment revenue	**267,455,541**	**45,156,157**	**312,611,698**	**807,318**	**54,958,664**	**55,765,982**
Segment result	**35,065,073**	**9,182,694**	**44,247,767**	**807,318**	**54,958,664**	**55,765,982**
Wakalah fees	**(38,804,022)**	**(6,349,744)**	**(45,153,766)**	**-**	**-**	**-**
Commission incurred	**-**	**-**	**-**	**-**	**(26,108,541)**	**(26,108,541)**
General and administrative expenses	**-**	**-**	**-**	**-**	**(35,896,353)**	**(35,896,353)**
Recovery of Qard Hassan to policyholders' fund	**-**	**-**	**-**	**-**	**(905,999)**	**(905,999)**
Profit/(loss) attributable to policyholders/ shareholders	**(3,738,949)**	**2,832,950**	**(905,999)**	**807,318**	**(7,952,229)**	**(7,144,911)**

	Six month period ended 30 June 2020 (unaudited) (Restated)					
	Underwriting			Shareholders'		
	Medical AED	Life AED	Total AED	Investments AED	Others AED	Total AED
Segment revenue	239,479,779	53,286,386	292,766,165	540,805	46,053,241	46,594,046
Segment result	36,616,124	4,020,676	40,636,800	540,805	46,053,241	46,594,046
Wakalah fees	(28,316,958)	(9,557,790)	(37,874,748)	-	-	-
Commission incurred	-	-	-	-	(17,493,198)	(17,493,198)
General and administrative expenses	-	-	-	-	(31,093,594)	(31,093,594)
Recovery of Qard Hassan to policyholders' fund	-	-	-	-	2,762,052	2,762,052
Profit/(loss) attributable to policyholders/ shareholders'	8,299,166	(5,537,114)	2,762,052	540,805	228,501	769,306

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2021 (continued)

19. Segment information (continued)

	30 June 2021 (Unaudited)						
	Medical AED	**Life and saving AED**	**Underwriting total AED**	**Shareholders' investments AED**	**Unallocated others AED**	**Total AED**	**Total AED**
Segment assets	**575,142,960**	**333,823,558**	**908,966,518**	**29,242,943**	**74,582,048**	**103,824,991**	**1,012,791,509**
Segment liabilities	**549,027,879**	**260,287,006**	**809,314,885**	**-**	**96,478,876**	**96,478,876**	**905,793,761**

	As at 31 December 2020 (Audited)						
	Medical AED	Life and saving AED	Underwriting total AED	Shareholders' investments AED	Unallocated others AED	Total AED	Total AED
Segment assets	529,400,659	305,730,288	835,130,947	46,102,345	66,500,090	112,602,435	947,733,382
Segment liabilities	498,683,182	236,256,827	734,940,009	-	99,217,000	99,217,000	834,157,009

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.

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.

Notes to the condensed consolidated interim financial information
for the six month period ended 30 June 2021 (continued)

20. Fair value of financial instruments (continued)

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

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

Fair value hierarchy of assets and liabilities measured at fair value

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

	30 June 2021 (Unaudited)			
	Level 1 AED	**Level 2 AED**	**Level 3 AED**	**Total AED**
Assets				
Investments at fair value through profit or loss				
Equity investments – quoted	**58,337,949**	**-**	**-**	**58,337,949**
Equity investments – unquoted	**-**	**-**	**20,400,000**	**20,400,000**
Mutual funds	**-**	**214,523,021**	**-**	**214,523,021**
Sukuk investments	**-**	**44,307,595**	**-**	**44,307,595**
Available-for-sale	**41,622,050**	**-**	**-**	**41,622,050**
	99,959,999	**258,830,616**	**20,400,000**	**379,190,615**
Liabilities				
Investment linked contracts	**-**	**243,461,845**	**-**	**243,461,845**

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2021 (continued)

20. Fair value of financial instruments (continued)

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

	31 December 2020 (Audited)			
	Level 1	Level 2	Level 3	Total
	AED	AED	AED	AED
Assets				
Investments at fair value through profit or loss				
Equity investments - quoted	63,130,704	-	-	63,130,704
Equity investments - unquoted	-	-	20,400,000	20,400,000
Mutual funds	-	185,750,745	-	185,750,745
Sukuk investments	-	49,978,455	-	49,978,455
Available-for-sale	41,055,764	-	-	41,055,764
	104,186,468	235,729,200	20,400,000	360,315,668
Liabilities				
Investment linked contracts	-	222,185,354	-	222,185,354

21. Seasonality of results

No income of seasonal nature was recorded in the statement of income for the six months period ended 30 June 2021.

22. Financial regulations

As per Article (8) of Section 2 of the financial regulations issued for insurance companies in UAE, the Company shall at all times comply with the requirements of Solvency Margin. As at 31 December 2020, the Company had a solvency deficit as compared to the Minimum Capital Requirements of AED 100 million. The Company has made a business plan to meet the solvency requirements by 30 June 2021 or provide a bank guarantee for solvency deficit. The business plan is approved by Central Bank of U.A.E. and the Company is required to submit monthly progress reports to the Central Bank of U.A.E. to demonstrate compliance with the business plan. On 24 June 2021 Company requested for further extension until end of current year which is under consideration by the Central Bank of U.A.E.

The table below summarises the consolidated Minimum Capital Requirement ("MCR"), Minimum Guarantee Fund and Solvency Capital Requirement of the Group and the total capital held at the Group level to meet the required Solvency Margins in line with the requirements of the financial regulations issued for insurance companies in UAE.

	30 June 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Minimum Capital Requirement (MCR)	**100,000,000**	100,000,000
Solvency Capital Requirement (SCR)	**96,596,415**	110,615,476
Minimum Guarantee Fund (MGF)	**94,330,808**	84,269,712
Basic Own Funds	**(14,859,668)**	1,751,210
MCR Solvency Margin (Surplus/deficit)	**(114,859,668)**	(98,248,790)
SCR Solvency Margin (Surplus/deficit)	**(111,456,083)**	(108,864,265)
MGF Solvency Margin (Surplus/deficit)	**(109,190,476)**	(82,518,502)

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2021 (continued)

23. Prior period errors

The comparative amounts for the period ended 30 June 2020 have been restated due to correction of prior period error relating to deferred policy acquisition cost which was not disclosed at recoverable amount net off allocation/surrender charges, which resulted in overstatement of deferred policy acquisition cost presented as at 31 December 2019 and 30 June 2020. This error was rectified by reversing the amounts recognised under deferred policy acquisition cost in the consolidated financial statements for the year ended 31 December 2020 and increasing the commission incurred. Policyholders' investment linked contracts at fair value under takaful contract liabilities was reversed while allocation/surrender charge was recognized in other income.

In accordance with the requirements of 'IAS 1 Presentation of Financial Statements' and 'IAS 8 Accounting policies, Changes in Estimates and Errors', the above items have been corrected retrospectively and accordingly balances in the condensed consolidated interim financial information for the year 2020 were restated in 30 June 2021 reporting.

Impact on the condensed consolidated statement of financial position for the year ended 31 December 2019:

	As previously reported at 31 December 2019 AED	Adjustment AED	As restated at 31 December 2019 AED
Accumulated losses	(55,481,803)	(11,631,919)	(67,113,722)

Impact on the condensed consolidated statement of profit or loss for the period ended 30 June 2020:

	Period ended 30 June 2020 as previously reported AED	Restatements AED	Period ended 30 June 2020 as restated AED
Attributable to Shareholders'			
Other income	6,678,126	1,500,367	8,178,493
Commission incurred	(20,549,928)	3,056,730	(17,493,198)

Impact on the condensed consolidated statement of cash flows for the period ended 30 June 2020:

	Period ended 30 June 2020 as previously reported AED	Restatements AED	Period ended 30 June 2020 as restated AED
(Loss)/profit for the period	(3,787,791)	4,557,097	769,306
Decrease in deferred policy acquisition cost	(3,682,267)	(4,557,097)	(8,239,364)

24. Approval of the condensed consolidated financial information

The condensed consolidated interim financial information were approved by the Board of Directors and authorised for issue on 10 August 2021.

TAKAFUL EMARAT - INSURANCE (PSC)
AND ITS SUBSIDIARY

Review report and condensed consolidated
interim financial information
for the nine month period ended 30 September 2021

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

Contents **Pages**

Deloitte & Touche (M.E.)
UAB Tower - Level 13
Al Buhairah Corniche
P.O. Box 5470
Sharjah
United Arab Emirates

Tel: +971 (0) 6 517 9500
Fax:+971 (0) 6 517 9501
www.deloitte.com

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 2021 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. 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*".

Deloitte & Touche (M.E.)

Signed by:
Akbar Ahmad
Registration No. 1141
9 November 2021
Sharjah, United Arab Emirates

Condensed consolidated statement of financial position at 30 September 2021

	Notes	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED	31 December 2019 (Restated) AED
Takaful Operations' Assets				
Investment properties	6	54,097,272	51,627,510	41,390,000
Financial instruments	7	363,134,572	330,844,336	300,952,361
Takaful receivables and other assets		184,120,537	171,474,974	207,978,959
Retakaful contract assets	8	132,370,036	131,680,923	222,171,164
Deposit		-	-	7,373,754
Deferred policy acquisition cost		56,227,262	65,612,689	52,827,343
Cash and bank balances	9	106,357,914	83,890,515	57,583,140
Total Takaful Operations' Assets		**896,307,593**	835,130,947	890,276,721
Shareholders' Assets				
Property and equipment		46,271,373	48,230,479	50,528,844
Intangible assets		2,165,952	3,068,261	4,182,116
Financial instruments	7	25,890,667	29,471,332	24,079,343
Other receivables		13,815,380	11,201,350	25,394,182
Statutory deposit	10	4,000,000	4,000,000	4,000,000
Receivable from policyholders'		100,752,018	98,944,155	73,240,962
Cash and bank balances	9	7,559,183	16,631,013	11,796,580
Total Shareholders' Assets		**200,454,573**	211,546,590	193,222,027
Total Assets		**1,096,762,166**	1,046,677,537	1,083,498,748
Takaful Operations' Liabilities and Deficit				
Takaful Operations Liabilities				
Takaful and other payables		112,764,228	161,542,107	190,030,708
Takaful contract liabilities	8	682,383,681	573,397,902	611,888,530
Payable to shareholders'		100,752,018	98,944,155	73,240,962
Total Takaful Operations liabilities		**895,899,927**	833,884,164	875,160,200
Deficit in Policyholders' Fund and Qard Hassan from Shareholders'				
Deficit in policyholders' fund	11	(407,666)	(1,246,783)	(9,268,009)
Qard Hassan from shareholders'	11	407,666	1,246,783	9,268,009
Deficit in Policyholders' Fund and Qard Hassan from Shareholders'		-	-	-
Total Operations' Liabilities and Surplus		**895,899,927**	833,884,164	875,160,200

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

Condensed consolidated statement of financial position at 30 September 2021 (continued)

	Notes	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED	31 December 2019 (Restated) AED
Shareholders' Liabilities and Equity				
Shareholders' Liabilities				
Takaful and other payables		**66,766,683**	70,602,473	58,209,041
Borrowings	**12**	**22,750,000**	25,900,000	40,322,432
Provision for employees' end of service benefits		**2,974,975**	2,714,527	2,914,064
Total Shareholders' Liabilities		**92,491,658**	99,217,000	101,445,537
Shareholders' and Policyholders Equity				
Share capital	**13**	**150,000,000**	150,000,000	150,000,000
Statutory reserve		**6,567,600**	6,567,600	6,526,302
Accumulated losses		**(73,026,168)**	(67,254,090)	(67,113,722)
Regulatory reserve		**128,567**	128,567	-
Cumulative changes in fair value of investments - policyholders		**24,700,582**	24,134,296	17,480,431
Total Shareholders' and Policyholders' Equity		**108,370,581**	113,576,373	106,893,011
Total Shareholders' Liabilities and Equity and Policyholders' Equity		**200,862,239**	212,793,373	208,338,548
Total Takaful Operations' Liabilities and Surplus and Shareholders' Liabilities and Equity		**1,096,762,166**	1,046,677,537	1,083,498,748

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.

H.E Mohamed Haji Al Khoori
Chairman

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.

Head Office

Condensed consolidated statement of profit or loss (unaudited)
for the nine month period ended 30 September 2021

	Notes	Three months ended 30 September 2021 AED	Three months ended 30 September 2020 AED (Restated)	Nine months ended 30 September 2021 AED	Nine months ended 30 September 2020 AED (Restated)
Attributable to policyholders:					
Gross contributions written	**14**	**149,120,371**	152,635,017	**493,189,240**	456,419,996
Changes in unearned contributions	**14**	**29,405,204**	(7,826,493)	**(2,051,967)**	(18,845,307)
Takaful contributions earned		**178,525,575**	144,808,524	**491,137,273**	437,574,689
Retakaful contributions	**14**	**(63,399,248)**	(60,587,144)	**(117,707,184)**	(118,322,271)
Change in unearned contributions	**14**	**22,321,643**	20,149,148	**(3,421,271)**	(13,334,414)
Retakaful contributions ceded		**(41,077,605)**	(40,437,996)	**(121,128,455)**	(131,656,685)
Net earned contributions		**137,447,970**	104,370,528	**370,008,818**	305,918,004
Gross claims incurred		**(112,486,710)**	(90,547,424)	**(350,032,904)**	(277,220,710)
Retakaful share of claims incurred		**34,716,215**	27,999,545	**115,080,936**	91,647,776
Net claims incurred		**(77,770,495)**	(62,547,879)	**(234,951,968)**	(185,572,934)
Change in reserve	**8.1**	**(25,709,226)**	(758,851)	**(40,838,047)**	(50,846,462)
Net change in fair value of policyholders investment linked contracts		**(3,639,991)**	(20,229,354)	**(24,380,468)**	(10,643,659)
		(107,119,712)	(83,536,084)	**(300,170,483)**	(247,063,055)
Net takaful income		**30,328,258**	20,834,444	**69,838,335**	58,854,949
Wakalah fees	**15**	**(28,953,959)**	(17,968,068)	**(74,107,725)**	(55,842,816)
Investment income		**370,817**	2,942,863	**5,108,507**	5,559,158
Net surplus from takaful Operations		**1,745,116**	5,809,239	**839,117**	8,571,291
Attributable to shareholders:					
Wakalah fees from policyholders	**15**	**28,953,959**	17,968,068	**74,107,725**	55,842,816
Investment income/(loss)		**179,400**	(411,265)	**986,718**	129,540
Other income		**4,791,970**	5,509,044	**14,596,868**	13,687,537
Commission incurred		**(13,564,988)**	(10,242,460)	**(39,673,529)**	(27,735,658)
General, administrative and other expenses		**(20,732,624)**	(13,097,234)	**(56,628,977)**	(44,190,828)
Recovery of Qard Hassan to policyholders' fund		**1,745,116**	5,809,239	**839,117**	8,571,291
Profit/(loss) for the period attributable to shareholders		**1,372,833**	5,535,392	**(5,772,078)**	6,304,698
Basic and diluted earnings /(loss) per share (AED)	**16**	**0.009**	0.037	**(0.038)**	0.042

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 2021

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	**2021**	2020
	AED	AED (Restated)	**AED**	AED (Restated)
Profit/(loss) for the period attributable to shareholders	**1,372,833**	5,535,392	**(5,772,078)**	6,304,698
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	**566,286**	6,653,865
Other comprehensive income for the period	**-**	566,286	**566,286**	6,653,865
Total comprehensive income/(loss) for the period	**1,372,833**	6,101,678	**(5,205,792)**	**12,958,563**

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 2021

	Attributable to shareholders'				Attributable to policyholders'	
	Share capital AED	**Statutory reserve AED**	**Accumulated losses AED**	**Regulatory reserve AED**	**Cumulative changes in fair value AED**	**Total AED**
Balance at 1 January 2020 (as previously reported)	150,000,000	6,526,302	(55,481,803)	-	17,480,431	118,524,930
Effect of prior year error (Note 23)	-	-	(11,631,919)	-	-	(11,631,919)
Balance at 1 January 2020 (Restated)	150,000,000	6,526,302	(67,113,722)	-	17,480,431	106,893,011
Total comprehensive income for the period	-	-	6,304,698	-	6,653,865	12,958,563
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	(61,187,648)	-	24,134,296	119,487,074
Balance at 1 January 2021	150,000,000	6,567,600	(67,254,090)	128,567	24,134,296	113,576,373
Total comprehensive loss for the period	-	-	(5,772,078)	-	566,286	(5,205,792)
Balance at 30 September 2021 (unaudited)	**150,000,000**	**6,567,600**	**(73,026,168)**	**128,567**	**24,700,582**	**108,370,581**

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 2021

	Nine month period ended 30 September	
	2021	2020
	AED	AED (Restated)
Cash flows from operating activities		
(Loss)/ profit for the period	**(5,772,078)**	6,304,698
Adjustments for:		
Depreciation of property and equipment and amortisation of intangible assets	**3,560,305**	3,493,938
Realised loss on sale of investments at fair value through profit or loss	**9,412,805**	-
Gain on revaluation of investments carried at FVTPL	**(24,962,028)**	(17,698,169)
Provision for employees' end of service benefits	**607,058**	364,210
Provision for doubtful debts	**2,152,684**	-
Operating cash flows before changes in operating assets and liabilities	**(15,001,254)**	(7,535,323)
(Increase)/decrease in retakaful contract assets	**(689,113)**	78,686,112
(Increase)/decrease in takaful receivables and other assets	**(17,412,277)**	31,572,868
Decrease/(increase) in deferred policy acquisition cost	**9,385,427**	(13,431,743)
Increase/(decrease) in takaful contract liabilities	**108,985,779**	(21,006,224)
Decrease in takaful and other payables	**(52,613,669)**	(42,197,505)
Net cash generated from operations	**32,654,893**	26,088,185
Employees' end of service benefits paid	**(346,610)**	(428,675)
Net cash generated from operating activities	**32,308,283**	25,659,510
Cash flows from investing activities		
Purchase of investments at FVTPL	**(167,933,421)**	(142,526,597)
Proceeds from sale of investments at FVTPL	**155,339,359**	137,374,594
Deposit matured during the period	**-**	7,373,754
Purchase of property and equipment	**(698,890)**	(1,116,389)
Purchase of intangible assets	**-**	(138,550)
Addition to investments properties	**(2,469,762)**	(11,875,651)
Net cash used in investing activities	**(15,762,714)**	(10,908,839)
Cash flows from financing activities		
Zakat payment	**-**	(364,500)
Repayment of borrowings	**(3,150,000)**	(13,547,432)
Cash used in financing activities	**(3,150,000)**	(13,911,932)
Net Increase in cash and cash equivalents	**13,395,569**	838,739
Cash and cash equivalents at the beginning of the period	**83,271,528**	52,129,720
Cash and cash equivalents at the end of the period	**96,667,097**	52,968,459

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 2021

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 condensed consolidated interim financial information incorporate the financial information of the Company and its subsidiary (collectively referred to as the "Group").

Subsidiary	**Principal activity**	**Country of incorporation**	**Ownership**	
Directly owned			2021	2020
Modern Tech Investment	Investment	United Arab Emirates	100%	100%

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 and business operations, except for what is disclosed in the condensed consolidated interim financial information.

The Group has performed stress testing as required by the Central Bank 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.

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 2021, 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.

Interest Rate Benchmark Reform – Phase 2: Amendments to IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the condensed consolidated interim financial information of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

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’ relating to providing a more uniform measurement and presentation approach for all insurance contracts (effective for annual periods beginning 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 an investor to its associate or joint venture (effective date deferred indefinitely, early adoption permitted).
- IAS 1 ‘Presentation of Financial Statements’ – Amendments on Classifications. Effective for annual period beginning on or after 1 January 2023.
- Amendments relating 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 on or after 1 January 2022).
- IFRS 4 relating to 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.
- Amendments to IFRS 16 to extend the exemption from assessing whether a COVID-19 related rent concession is a lease modification (effective for annual periods beginning on or after 1 April 2021).
- Amendments regarding Disclosure of Accounting policies (IAS 1 and IFRS practice statement 2) and amendments regarding Definition of Accounting estimates, IAS 8 (effective for annual periods beginning on or after 1 January 2023).

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)

2. Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

2.2 New and revised IFRS standards and interpretations but not yet effective (continued)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 17 and IFRS 9, mentioned below, may have no material impact on the financial statements of the Group in the period of initial application.

Management anticipates that IFRS 17 will be adopted in the Group's financial statements for the annual period beginning 1 January 2023. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Group's financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review.

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.

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*".

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 2020.

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 2020. In addition, results for the nine month period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)

4. Changes in judgements and estimation uncertainty

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

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 2020.

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 consolidated interim 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 2020.

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 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Land	**15,401,896**	15,401,896
Residential apartments	**16,713,000**	16,713,000
	32,114,896	32,114,896
Work in progress	**21,982,376**	19,512,614
	54,097,272	51,627,510

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 2021 (31 December 2020: Level 3).

**Notes to the condensed consolidated interim financial information
for the nine month period ended 30 September 2021 (continued)**

7. Financial instruments

	30 September 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Takaful operations' assets		
At fair value through profit or loss (Note 7.1)	**321,512,522**	289,788,572
Available-for-sale (Note 7.2)	**41,622,050**	41,055,764
	363,134,572	330,844,336
Shareholders' assets		
At fair value through profit or loss (Note 7.1)	**25,890,667**	29,471,332
Total	**389,025,239**	360,315,668

7.1 Financial instruments at fair value through profit or loss

	30 September 2021 (Unaudited)			
	Attributable to individual life policyholders' AED	**Attributable to shareholders' AED**	**Attributable to takaful operations AED**	**Total AED**
Mutual funds	**203,922,613**	**4,341,834**	**5,601,424**	**213,865,871**
Sukuk investments	**46,268,569**	**1,148,833**	**7,381,967**	**54,799,369**
Equity investments – quoted	**-**	**-**	**58,337,949**	**58,337,949**
Equity investments – unquoted	**-**	**20,400,000**	**-**	**20,400,000**
Total	**250,191,182**	**25,890,667**	**71,321,340**	**347,403,189**

	31 December 2020 (Audited)			
	Attributable to individual life policyholders' AED	Attributable to shareholders' AED	Attributable to takaful operations AED	Total AED
Mutual funds	176,679,413	9,071,332	-	185,750,745
Sukuk investments	42,596,489	-	7,381,966	49,978,455
Equity investments – quoted	-	-	63,130,704	63,130,704
Equity investments – unquoted	-	20,400,000	-	20,400,000
Total	219,275,902	29,471,332	70,512,670	319,259,904

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (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 2021 AED (Unaudited)	31 December 2020 AED (Audited)
At beginning of the period/year	**319,259,904**	290,629,805
Purchases during the period/year	**167,933,421**	173,684,034
Disposals during the period/year	**(164,752,164)**	(159,499,368)
Change in fair value during the period/year	**24,962,028**	14,445,433
At end of the period/year	**347,403,189**	319,259,904

7.2 Available-for-sale (AFS)

	30 September 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Shares – quoted	**41,622,050**	41,055,764

The fair value gain amounting to AED 0.57 million (30 September 2020: AED 6.65 million) has been recognised in the condensed consolidated statement of comprehensive income.

7.3 Investment concentration

The Central Bank of U.A.E. has set the maximum limit for aggregate exposure in various investments category. As at 30 September 2021, the Group has invested over the limit in other invested assets category by AED Nil (31 December 2020: AED 1,034,562), whereas, it has exceeded the sub-limits in all other categories except real estate investments by AED 99,407,545 (31 December 2020: AED 95,215,574).

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)

8. Takaful contract liabilities and retakaful contract assets

	30 September 2021 AED (Unaudited)	31 December 2020 AED (Audited)
Gross takaful contract liabilities		
Claims reported	**147,885,269**	90,172,171
Claims incurred but not reported	**44,726,228**	35,774,861
Unearned contributions	**221,260,443**	219,208,476
Mathematical reserves	**7,661,233**	6,057,040
Policyholders’ investment linked contracts at fair value	**260,850,508**	222,185,354
	682,383,681	573,397,902
Retakaful contract assets		
Retakaful share of claims reported	**37,994,871**	35,311,980
Retakaful share of claims incurred but not reported	**15,711,202**	14,801,241
Retakaful share of unearned contributions	**77,250,532**	80,671,803
Retakaful share of mathematical reserve	**1,413,431**	895,899
	132,370,036	131,680,923
Net takaful contract liabilities		
Claims reported	**109,890,398**	54,860,191
Claims incurred but not reported	**29,015,026**	20,973,620
Unearned contributions	**144,009,911**	138,536,673
Mathematical reserves	**6,247,802**	5,161,141
Policyholders’ investment linked contracts at fair value	**260,850,508**	222,185,354
	550,013,645	441,716,979
Movement in payable to policyholders of investment linked contracts		
Opening balance	**222,185,354**	170,064,606
Gross contribution	**79,487,182**	97,895,018
Allocation charges	**(11,362,831)**	(8,246,440)
Redemptions during the period/year	**(53,839,665)**	(53,849,076)
Change in fair value	**24,380,468**	16,321,246
Closing balance	**260,850,508**	222,185,354

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (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**	
	2021 AED (unaudited)	2020 AED (unaudited)	**2021 AED (unaudited)**	2020 AED (unaudited)
Changes in mathematical reserve – takaful life	**(164,008)**	(605,571)	**(1,086,661)**	(1,911,442)
Change in reserve relating to takaful life products	**(29,185,209)**	(20,382,634)	**(64,131,854)**	(59,578,679)
Change in fair value-individual life policyholders	**3,639,991**	20,229,354	**24,380,468**	10,643,659
Total	**(25,709,226)**	(758,851)	**(40,838,047)**	(50,846,462)

9. Cash and bank balances

	30 September 2021 (Unaudited)		31 December 2020 (Audited)	
	Takaful Operations AED	**Shareholders' Operations AED**	Takaful Operations AED	Shareholders' Operations AED
Cash and bank balances	**89,107,914**	**7,559,183**	66,640,515	16,631,013
Deposit	**17,250,000**	-	17,250,000	-
	106,357,914	**7,559,183**	83,890,515	16,631,013
Less: Deposits maturing in more than - three months	**(17,250,000)**	-	(17,250,000)	-
Total	**89,107,914**	**7,559,183**	66,640,515	16,631,013

The deposits carry profit rates ranging from 1.00% to 1.25% (2020: 1.75% to 2.40%) per annum with maturity dates ranging from 23 August 2022 to 30 September 2022.

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% (2020: 1%) per annum.

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)

11. Deficit in policyholders' fund

	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Deficit in policyholders' fund		
Balance at the beginning of the period/ year	**(1,246,783)**	(9,268,009)
Surplus during the period/year	**839,117**	8,021,226
Balance at the end of the period/ year	**(407,666)**	(1,246,783)
Qard Hassan from shareholders'		
Balance at beginning of period/year	**1,246,783**	9,268,009
Recovery during the period/year	**(839,117)**	(8,021,226)
Balance at the end of the period/year	**407,666**	1,246,783
Total deficit in policyholders' fund	**-**	-

12. Borrowings

The borrowings as at reporting date is against AED 35 million loan obtained in 2017 for the purchase of new building being used as office space, of which outstanding principal amount in AED 22.75 million (2020: AED 25.9 million).

The decrease in borrowings of AED 3.15 million (2020: AED 14.42 million) during the period/year consists of settlement of repayment against borrowing of AED 35 million.

Bank credit facilities were secured by mortgage over property, assignment of Islamic insurance policy over property, hypothecation of wakalah time deposit and promissory notes.

13. Share capital

	30 September 2021 AED (Unaudited)	31 December 2020 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 2021 (continued)

14. Net earned contributions (unaudited)

	Three month period ended 30 September 2021			Three month period ended 30 September 2020		
	Medical AED	**Life and savings AED**	**Total AED**	Medical AED	Life and savings AED	Total AED
Gross contributions written	**110,491,248**	**38,629,123**	**149,120,371**	126,826,632	25,808,385	152,635,017
Change in unearned contributions	**30,466,851**	**(1,061,647)**	**29,405,204**	(8,562,431)	735,938	(7,826,493)
Takaful contributions earned	**140,958,099**	**37,567,476**	**178,525,575**	118,264,201	26,544,323	144,808,524
Retakaful contributions	**(60,732,131)**	**(2,667,117)**	**(63,399,248)**	(59,257,160)	(1,329,984)	(60,587,144)
Change in unearned contributions	**21,481,717**	**839,926**	**22,321,643**	20,866,002	(716,854)	20,149,148
Retakaful contributions ceded	**(39,250,414)**	**(1,827,191)**	**(41,077,605)**	(38,391,158)	(2,046,838)	(40,437,996)
Net earned contributions	**101,707,685**	**35,740,285**	**137,447,970**	79,873,043	24,497,485	104,370,528

	Nine month period ended 30 September 2021			Nine month period ended 30 September 2020		
	Medical AED	**Life and savings AED**	**Total AED**	Medical AED	Life and savings AED	Total AED
Gross contributions written	**409,956,690**	**83,232,550**	**493,189,240**	375,990,769	80,429,227	456,419,996
Change in unearned contributions	**(1,543,050)**	**(508,917)**	**(2,051,967)**	(18,246,789)	(598,518)	(18,845,307)
Takaful contributions earned	**408,413,640**	**82,723,633**	**491,137,273**	357,743,980	79,830,709	437,574,689
Retakaful contributions	**(111,617,156)**	**(6,090,028)**	**(117,707,184)**	(111,517,013)	(6,805,258)	(118,322,271)
Change in unearned contributions	**(3,937,729)**	**516,458**	**(3,421,271)**	(13,899,377)	564,963	(13,334,414)
Retakaful contributions ceded	**(115,554,885)**	**(5,573,570)**	**(121,128,455)**	(125,416,390)	(6,240,295)	(131,656,685)
Net earned contributions	**292,858,755**	**77,150,063**	**370,008,818**	232,327,590	73,590,414	305,918,004

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)

15. Wakalah fees

For group life and group medical policies, wakalah fees were charged up to 13.5% to 25% (2020: 16.75% to 25%) of gross takaful contributions. For life takaful policies, wakalah fees were charged at a maximum of 35% 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**	
	2021 (unaudited)	2020 (unaudited)	**2021 (unaudited)**	2020 (unaudited)
Profit/(loss) for the period attributable to shareholders (AED)	**1,372,833**	5,535,392	**(5,772,078)**	6,304,698
Weighted average number of shares outstanding during the period	**150,000,000**	150,000,000	**150,000,000**	150,000,000
Earnings/(loss) per share (AED)	**0.009**	0.037	**(0.038)**	0.042

No figures for diluted earnings /(loss) per share are presented as the Group has not issued any instruments which would have an impact on earnings /(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 condensed consolidated interim financial information are as follows:

	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Affiliates of major shareholders':		
Outstanding claims	**-**	339,864

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)

17. Related party transactions and balances (continued)

The profit or loss in respect of related parties included in the condensed consolidated interim financial information are as follows:

	Three month period ended 30 September		**Nine month period ended 30 September**	
	2021 (unaudited) AED	2020 (unaudited) AED	**2021 (unaudited) AED**	2020 (unaudited) AED
Compensation of key management personnel:				
Short and long term benefits	**952,731**	1,123,470	**3,337,380**	2,488,775
Transactions with related parties during the period				
Gross written contribution	**-**	(1,787,016)	**-**	3,811,117
Gross claim incurred	**-**	1,619,789	**-**	3,347,776

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 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Letters of guarantee	**15,001**	163,593

Capital commitments

Capital commitments as at 30 September 2021 amounted to AED 6.4 million (31 December 2020: AED 8.2 million)

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 Group is organised into two business segments; takaful and investment operations. The takaful operations comprise the takaful business undertaken by the Group 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.

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.

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)

19. Segment information (continued)

	Three month period ended 30 September 2021 (unaudited)					
	Underwriting			**Shareholders**		
	Medical AED	**Life AED**	**Total AED**	**Investments AED**	**Others AED**	**Total AED**
Segment revenue	**140,958,099**	**37,567,476**	**178,525,575**	**179,400**	**33,745,929**	**33,925,329**
Segment result	**24,773,908**	**5,925,167**	**30,699,075**	**179,400**	**33,745,929**	**33,925,329**
Wakala fees	**(22,387,258)**	**(6,566,701)**	**(28,953,959)**	**-**	**-**	**-**
Commission incurred	**-**	**-**	**-**	**-**	**(13,564,988)**	**(13,564,988)**
General and administrative expenses	**-**	**-**	**-**	**-**	**(20,732,624)**	**(20,732,624)**
Provision for Qard Hassan to policyholders' fund	**-**	**-**	**-**	**-**	**1,745,116**	**1,745,116**
Profit/(loss) attributable to policyholders/ shareholders	**2,386,650**	**(641,534)**	**1,745,116**	**179,400**	**1,193,433**	**1,372,833**

	Three month period ended 30 September 2020 (unaudited) (Restated)					
	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)	23,477,112	23,065,847
Segment result	17,555,270	6,222,037	23,777,307	(411,265)	23,477,112	23,065,847
Wakala fees	(13,955,470)	(4,012,598)	(17,968,068)	-	-	-
Commission incurred	-	-	-	-	(10,242,460)	(10,242,460)
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)	5,946,657	5,535,392

Notes to the condensed consolidated interim financial information
for the nine month period ended 30 September 2021 (continued)

19. Segment information (continued)

	Nine month period ended 30 September 2021 (unaudited)					
	Underwriting			**Shareholders**		
	Medical AED	**Life AED**	**Total AED**	**Investments AED**	**Others AED**	**Total AED**
Segment revenue	**408,413,640**	**82,723,633**	**491,137,273**	**986,718**	**88,704,593**	**89,691,311**
Segment result	**59,838,981**	**15,107,861**	**74,946,842**	**986,718**	**88,704,593**	**89,691,311**
Wakala fees	**(61,191,280)**	**(12,916,445)**	**(74,107,725)**	**-**	**-**	**-**
Commission incurred	**-**	**-**	**-**	**-**	**(39,673,529)**	**(39,673,529)**
General and administrative expenses	**-**	**-**	**-**	**-**	**(56,628,977)**	**(56,628,977)**
Provision for Qard Hassan to policyholders' fund	**-**	**-**	**-**	**-**	**839,117**	**839,117**
(Loss)/ profit attributable to policyholders/ shareholders	**(1,352,299)**	**2,191,416**	**839,117**	**986,718**	**(6,758,796)**	**(5,772,078)**

	Nine month period ended 30 September 2020 (unaudited) (Restated)					
	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	69,530,353	69,659,893
Segment result	54,171,394	10,242,713	64,414,107	129,540	69,530,353	69,659,893
Wakala fees	(42,272,428)	(13,570,388)	(55,842,816)	-	-	-
Commission incurred	-	-	-	-	(27,735,658)	(27,735,658)
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	6,175,158	6,304,698

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)

19. Segment information (continued)

	30 September 2021 (Unaudited)						
	Medical AED	**Life and saving AED**	**Underwriting total AED**	**Shareholders' investments AED**	**Unallocated others AED**	**Total AED**	**Total AED**
Segment assets	**571,176,683**	**325,130,910**	**896,307,593**	**33,449,850**	**66,252,705**	**99,702,555**	**996,010,148**
Segment liabilities	**508,993,509**	**286,154,400**	**795,147,909**	**-**	**92,491,658**	**92,491,658**	**887,639,567**

	As at 31 December 2020 (Audited)						
	Medical AED	Life and saving AED	Underwriting total AED	Shareholders' investments AED	Unallocated others AED	Total AED	Total AED
Segment assets	529,400,659	305,730,288	835,130,947	46,102,345	66,500,090	112,602,435	947,733,382
Segment liabilities	498,683,182	236,256,827	734,940,009	-	99,217,000	99,217,000	834,157,009

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.

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.

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)

20. Fair value of financial instruments (continued)

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 2021 (Unaudited)		
	Level 1 AED	**Level 2 AED**	**Level 3 AED**	**Total AED**
Assets				
Investments at fair value through profit or loss				
Equity investments – quoted	**58,337,949**	**-**	**-**	**58,337,949**
Equity investments – unquoted	**-**	**-**	**20,400,000**	**20,400,000**
Mutual funds	**-**	**213,865,871**	**-**	**213,865,871**
Sukuk investments	**-**	**54,799,369**	**-**	**54,799,369**
Available-for-sale	**41,622,050**	**-**	**-**	**41,622,050**
	99,959,999	**268,665,240**	**20,400,000**	**389,025,239**
Liabilities				
Investment linked contracts	**-**	**260,850,508**	**-**	**260,850,508**

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)

20. Fair value of financial instruments (continued)

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

	31 December 2020 (Audited)			
	Level 1	Level 2	Level 3	Total
	AED	AED	AED	AED
Assets				
Investments at fair value through profit or loss				
Equity investments - quoted	63,130,704	-	-	63,130,704
Equity investments - unquoted	-	-	20,400,000	20,400,000
Mutual funds	-	185,750,745	-	185,750,745
Sukuk investments	-	49,978,455	-	49,978,455
Available-for-sale	41,055,764	-	-	41,055,764
	104,186,468	235,729,200	20,400,000	360,315,668
Liabilities				
Investment linked contracts	-	222,185,354	-	222,185,354

21. Seasonality of results

No income of seasonal nature was recorded in the statement of income for the nine months period ended 30 September 2021.

22. Financial regulations

As per Article (8) of Section 2 of the financial regulations issued for insurance companies in UAE, the Company shall at all times comply with the requirements of Solvency Margin. As at 31 December 2020, the Company had a solvency deficit as compared to the Minimum Capital Requirements of AED 100 million. The Company has made a business plan to meet the solvency requirements by 30 June 2021 or provide a bank guarantee for solvency deficit. The business plan is approved by Central Bank of U.A.E. and the Company is required to submit monthly progress reports to the Central Bank of U.A.E. to demonstrate compliance with the business plan. On 24 June 2021 Company requested for further extension until end of current year which is under consideration by the Central Bank of U.A.E till date.

The table below summarises the consolidated Minimum Capital Requirement ("MCR"), Minimum Guarantee Fund and Solvency Capital Requirement of the Group and the total capital held at the Group level to meet the required Solvency Margins in line with the requirements of the financial regulations issued for insurance companies in UAE.

	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Minimum Capital Requirement (MCR)	**100,000,000**	100,000,000
Solvency Capital Requirement (SCR)	**9,649,214**	110,615,476
Minimum Guarantee Fund (MGF)	**100,964,786**	84,269,712
Basic Own Funds	**(9,197,346)**	1,751,210
MCR Solvency Margin (Surplus/deficit)	**(109,197,346)**	(98,248,790)
SCR Solvency Margin (Surplus/deficit)	**(100,846,561)**	(108,864,265)
MGF Solvency Margin (Surplus/deficit)	**(110,162,132)**	(82,518,502)

Notes to the condensed consolidated interim financial information for the nine month period ended 30 September 2021 (continued)

23. Prior period errors

The comparative amounts for the period ended 30 September 2020 have been restated due to correction of prior period error relating to deferred policy acquisition cost which was not disclosed at recoverable amount net off allocation/surrender charges, which resulted in overstatement of deferred policy acquisition cost presented as at 31 December 2019 and 30 September 2020. This error was rectified by reversing the amounts recognised under deferred policy acquisition cost in the consolidated financial statements for the year ended 31 December 2020 and increasing the commission incurred. Policyholders' investment linked contracts at fair value under takaful contract liabilities was reversed while allocation/surrender charge was recognized in other income.

In accordance with the requirements of 'IAS 1 Presentation of Financial Statements' and 'IAS 8 Accounting policies, Changes in Estimates and Errors', the above items have been corrected retrospectively and accordingly balances in the condensed consolidated interim financial information for the year 2020 were restated in 30 September 2021 reporting.

Impact on the condensed consolidated statement of financial position for the year ended 31 December 2019:

	As previously reported at 31 December 2019 AED	Adjustment AED	As restated at 31 December 2019 AED
Accumulated losses	(55,481,803)	(11,631,919)	(67,113,722)

Impact on the condensed consolidated statement of profit or loss for the period ended 30 September 2020:

	Period ended 30 September 2020 as previously reported AED	Restatements AED	Period ended 30 September 2020 as restated AED
Attributable to Shareholders'			
Other income	11,745,630	1,941,907	13,687,537
Commission incurred	(31,957,207)	4,221,549	(27,735,658)

Impact on the condensed consolidated statement of cash flows for the period ended 30 September 2020:

	Period ended 30 September 2020 as previously reported AED	Restatements AED	Period ended 30 September 2020 as restated AED
Profit for the period	141,242	6,163,456	6,304,698
Increase in deferred policy acquisition cost	(7,268,287)	(6,163,456)	(13,431,743)

24. Approval of the condensed consolidated financial information

The condensed consolidated interim financial information were approved by the Board of Directors and authorised for issue on 9 November 2021.

TAKAFUL EMARAT - INSURANCE (PSC)
AND ITS SUBSIDIARY

Reports and consolidated financial statements for the year ended 31 December 2021

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

Contents **Pages**

BOARD OF DIRECTORS REPORT

Dear Shareholders,

We have a pleasure in presenting 2021 Board of Directors Report, along with the consolidated financial statements and Auditor's report for the year ended 31 December 2021.

Takaful Emarat Insurance PSC established in 2008, is a leading Sharia-compliant family and health takaful provider in UAE. It markets individual and corporate family and health takaful products including protection, savings and investment plans through multiple distribution channels.

2021 witnessed challenging times due to COVID 19 pandemic. We have implemented several measures across the operations to mitigate the challenges of the pandemic and ensure safety and healthy environment for the employees. UAE leadership took timely measures to mitigate the risks faced by the economy and to safeguard public safety.

In 2021, measures have been taken to reduce cost and indirect expenses, and to develop a persistent portfolio. In addition, the focus was to enhance customer satisfaction, collection and improvement of technological platforms.

Key Financial results achieved for the year 2021:

In 2021, core business performance has improved due to improved underwriting guidelines, pricing modules and close monitoring of claims.

- Gross written contributions of AED 584 million in 2021, despite challenging market conditions.

- Net Earned Contribution increased by AED 63 million from AED 411 million in 2020 to AED 474 million in 2021.

- Net Takaful Income AED 78 million in 2021.

We worked on the strategy towards our digital and cultural transformation to operate more efficiently. We remain committed to driving growth through ongoing commercial, operational and strategic initiatives across our business within the UAE.

To support this, we continue to invest in our infrastructure, human capital and distribution partnerships by continuously seeking unconventional channels as a market innovator. Takaful Emarat is therefore strategically well-positioned to capitalize on this significant market opportunity. We continue to invest in all of our employees, as well as our on-going Emiratization Programme. The regulatory framework has also developed significantly in 2021 which will definitely impact positively on the market.

To the best of our knowledge, the consolidated financial statements for the year ended 2021 fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented in the periodic report.

Looking ahead to 2022, Takaful Emarat is well positioned for future growth. Our focus will continue on developing digital platforms while simultaneously increasing our profitability and revenue stream.

Mohamed Haji Al khoori

Chairman

Deloitte & Touche (M.E.)
UAB Tower - Level 13
Al Buhairah Corniche
P.O. Box 5470
Sharjah
United Arab Emirates

Tel: +971 (0) 6 517 9500
Fax:+971 (0) 6 517 9501
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

The Shareholders of
Takaful Emarat – Insurance (PSC)
Dubai, United Arab Emirates

Report on the audit of the consolidated financial statements

Qualified Opinion

We have audited the consolidated financial statements of **Takaful Emarat – Insurance (PSC) (the "Company") and its Subsidiary (the "Group") – Dubai, United Arab Emirates** which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group, as at 31 December 2021, and its consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

Basis for Qualified Opinion

The Group's takaful receivables and other assets and other receivables, which are carried at AED 183.3 and AED 11.8 million on the consolidated statement of financial position, includes other receivables of AED 43.1 million. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of other receivables, because we could not confirm these amounts with the relevant counterparty, and we were unable to inspect any supporting documentation relating to this amount. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

The Group's takaful and other payables, which are carried at AED 192.5 million on the consolidated statement of financial position, includes accrued expenses and other payables of AED 7.1 million. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the aforementioned accrued expenses and other payables as at 31 December 2021 because we could not confirm these amounts with the relevant counterparty and we were unable to inspect any supporting documentation relating to this amount. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of Group's consolidated financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TAKAFUL EMARAT – INSURANCE (PSC) (continued)

Material Uncertainty Related to Going Concern

We draw attention to note 35 in the consolidated financial statements, which indicates that the Company did not meet the Minimum Capital Requirements by AED 100 million and that the Group's ability to comply with the solvency requirements depends on the effective implementation of the business plan submitted to the Central Bank of the United Arab Emirates and that certain actions included in the business plan are not wholly within management's control.

As stated in note 35, this condition, along with other matters set forth in note 35, indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in Material Uncertainty Related to Going Concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TAKAFUL EMARAT – INSURANCE (PSC) (continued)

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Valuation of takaful contract liabilities and retakaful contract assets
As at 31 December 2021, takaful contract liabilities and retakaful contract assets amounted to AED 633.2 million and AED 113.9 million respectively, as detailed in note 8 to these consolidated financial statements.
The valuation of these liabilities requires significant judgements to be applied and estimates to be made. Retakaful contract assets include amounts that the Group is entitled to receive in accordance with the retakaful contracts and, more specifically, the share of retakaful in the takaful contract liabilities of the Group.
This is particularly the case for those liabilities that are based on the best-estimate of technical reserves that includes the ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and related technical reserves. A range of models are applied by management, the internal actuary and the independent external actuary to determine these liabilities. Underlying these models are a number of explicit or implicit estimates and judgements relating to the expected settlement amount and settlement patterns of claims. Changes in these assumptions can result in material impacts to the valuation of these liabilities.
Consequently, as a result of all of the above factors, we consider valuation of takaful contract liabilities and retakaful contract assets as a key audit matter.
Please refer to note 3, 4 and 8 of the consolidated financial statements for the accounting policy, disclosures of the related judgements and estimates and takaful contract liabilities and retakaful contract assets.
</td><td>
Our audit procedures included:

Assessing the design and implementation of key controls related to the data used in the actuarial reserving process;
Evaluating and testing the claims handling and case reserve setting processes of the Group including allocation of retakaful portion of claims;
Evaluating and testing the data used in the actuarial reserving process;
Testing samples of claims case reserves by comparing the estimated amount of the case reserve to appropriate documentation, such as confirmations obtained from lawyers, retakaful contracts etc;
Re-performing reconciliations between the claims data recorded in the Group's systems and the data used in the actuarial reserving calculations;
Evaluating the objectivity, skills, qualifications and competence of independent external actuary;
We reviewed the engagement letter with the independent external actuary to determine if the scope was sufficient for audit purposes; and
Agreeing samples of unearned contribution to appropriate documentation;

In addition, with the assistance of our internal actuarial specialists, we:

performed necessary reviews to ascertain whether the results are appropriate for the valuation of takaful contract liabilities and retakaful contract assets;
reviewed the actuarial report compiled by the independent external actuary of the Group and calculations underlying these provisions, particularly the following areas:

Appropriateness of the calculation methods and approach (actuarial best practice)
Review of assumptions
Consistency between valuation periods
General application of financial and mathematical rules.

We assessed the disclosures in the consolidated financial statements about takaful contract liabilities and retakaful contract assets against the requirements of IFRSs.
</td></tr>
</table>

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Group's investment properties portfolio is carried at AED 55 million in the consolidated statement of financial position, which represents 5.4% of total assets, and the net fair value loss recorded in the consolidated statement of profit or loss is AED 0.64 million as at 31 December 2021. Valuations of investment properties are carried out by third party valuers in accordance with IFRSs and take into account, where available, discounted cash flows and evidence of market transactions for properties and locations comparable to those of the Group's properties. The Group's portfolio comprises of mainly residential apartments. Significant judgements were applied and estimates made in determining the fair value of the Group's investment properties and hence, this is considered to be a key audit matter. Refer to the following notes of the consolidated financial statements: • Note 3 – Significant accounting policies on investment properties; • Note 4 – Critical accounting judgement and key sources of estimation uncertainty of valuation of investment properties; and • Note 9 – Investment properties.	Our audit procedures included, but were not limited, to the following: • We obtained an understanding of the process of determining the fair value of the investment properties; • We assessed the controls over the determination of the fair value of investment property to determine if they had been appropriately designed and implemented; • We assessed the competence, skills, qualifications and objectivity of the independent external valuers; • We reviewed the scope of the engagement between the external valuer and the Group to determine if this was sufficient for audit purposes; • We verified the accuracy, completeness and relevance of the input data used for deriving fair values; • We utilised our internal valuation experts to evaluate the methodology used and the appropriateness of key assumptions used in the investment property valuations; • We re-performed the mathematical accuracy of the valuations; • We agreed the results of the valuations to the amounts recorded in the consolidated financial statements; and • We assessed the adequacy of disclosure included in the consolidated financial statements relating to this matter against the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TAKAFUL EMARAT – INSURANCE (PSC) (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of unquoted equity investments FVTPL) Unquoted equity investments of AED 12.58 million represent 1.2% of total assets as at 31 December 2021. These instruments are classified as financial assets at fair value through profit or loss and are measured at fair value with the corresponding fair value change recognized in the consolidated statement of profit or loss. The Group uses an external expert to assist it in determining the fair value of these investments. As disclosed in Note 6 "significant accounting judgement, estimates and assumptions", the valuation of investments in unquoted equities uses inputs other than observable market data and therefore are inherently subjective. It also requires significant judgement by management in determining the appropriate valuation methodology and use of various assumptions like cash flows, discount rates, market information, market risk adjustments etc. Given the inherent subjectivity and judgement required in the valuation of such unquoted investments, we determined this to be a key audit matter.	Our audit procedures included, but were not limited, to the following: • We obtained an understanding of the process of determining the valuation of unquoted equity investments (FVTPL); • We assessed the controls over the determination of the value of unquoted equity investments to determine if they had been appropriately designed and implemented; • We assessed the competence, skills, qualifications and objectivity of the independent external valuers; • We reviewed the scope of the engagement between the external valuer and the Group to determine if this was sufficient for audit purposes; • We verified the accuracy, completeness and relevance of the input data used for deriving fair values; • We utilised our internal valuation experts to evaluate the methodology used and the appropriateness of key assumptions used in the unquoted equity investments valuation; • We re-performed the mathematical accuracy of the valuation; • We agreed the results of the valuations to the amounts recorded in the consolidated financial statements; and • We assessed the adequacy of disclosures included in consolidated financial statements against the requirements of IFRSs.

Other information

The Board of Directors and management is responsible for the other information. The other information comprises the annual report of the Group. We obtained the Directors' report prior to the date of this auditor's report and the remaining information of the annual report is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our qualified opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We conclude that the other information may be materially misstated as a result of the matters described in the Basis for Qualified Opinion section of our report.

When we read the remaining information of the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the articles of association of the Company, United Arab Emirates (U.A.E.) Federal Law No. (2) of 2015 (as amended), and U.A.E. Federal Law No. 6 of 2007, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TAKAFUL EMARAT – INSURANCE (PSC) (continued)

Auditor's Responsibilities for the Audit of the consolidated Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TAKAFUL EMARAT – INSURANCE (PSC) (continued)

Report on other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), we report for the year ended 31 December 2021 that:

i) We have obtained all the information we considered necessary for the purposes of our audit except for the information mentioned in the Basis for Qualified Opinion;

ii) The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended).

iii) The Group has maintained proper books of account;

iv) The financial information included in the Directors' report is consistent with the books of account of the Group;

v) The Group has not purchased or invested in any shares during the financial year ended 31 December 2021, except as disclosed in note 6 to the consolidated financial statements;

vi) Note 29 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted.

vii) Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has, during the financial year ended 31 December 2021, contravened any of the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended), or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2021;

viii) There is no social contributions made during the financial year ended 31 December 2021.

Further, as required by the U.A.E. Federal Law No. 6 of 2007 and the related Financial Regulations for Takaful Insurance Companies, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit except for the matters described in the Basis for Qualified Opinion section of our report. As disclosed in note 35 of the consolidated financial statements, the Group is in the process of complying with the requirements of the Financial Regulations for Takaful Insurance Companies issued by the Central Bank of UAE pertaining to Article (8) of Section (2) and Article (3) of Section (1), relating to maintenance of solvency margin; and asset distribution and allocation limits respectively.

Deloitte & Touche (M.E.)

Signed by:
Akbar Ahmad
Registration No. 1141
18 April 2022
Sharjah, United Arab Emirates

Consolidated statement of financial position
at 31 December 2021

	Notes	2021 AED	2020 AED
Takaful Operations' Assets			
Cash and bank balances	**5**	**55,500,051**	83,890,515
Financial instruments	**6**	**418,502,384**	330,844,336
Takaful receivables and other assets	**7**	**183,312,850**	171,474,974
Retakaful contract assets	**8**	**113,870,544**	131,680,923
Investment properties	**9**	**54,962,472**	51,627,510
Deferred policy acquisition cost	**10**	**51,246,159**	65,612,689
Total Takaful Operations' Assets		**877,394,460**	835,130,947
Shareholders' Assets			
Cash and bank balances	**5**	**11,377,988**	16,631,013
Financial instruments	**6**	**21,793,897**	29,471,332
Other receivables	**7**	**11,785,573**	11,201,350
Statutory deposit	**11**	**4,000,000**	4,000,000
Property and equipment	**12**	**45,369,456**	48,230,479
Intangible assets	**13**	**1,865,606**	3,068,261
Receivable from policyholders		**112,738,077**	98,944,155
Total Shareholders' Assets		**208,930,597**	211,546,590
Total Assets		**1,086,325,057**	1,046,677,537
Takaful Operations' Liabilities and Deficit			
Takaful Operations Liabilities			
Takaful and other payables	**14**	**130,184,069**	161,542,107
Takaful contract liabilities	**8**	**633,161,594**	573,397,902
Payable to shareholders		**112,738,077**	98,944,155
Total Takaful Operations liabilities		**876,083,740**	833,884,164
Deficit in Policyholders' Fund and Qard Hassan from Shareholders			
Deficit in policyholders' fund	**32**	**(1,310,720)**	(1,246,783)
Qard Hassan from shareholders	**32**	**1,310,720**	1,246,783
Deficit in Policyholders' Fund and Qard Hassan from Shareholders		**-**	**-**
Total Operations' Liabilities and Surplus		**876,083,740**	833,884,164

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of financial position (continued)
at 31 December 2021

	Notes	2021 AED	2020 AED
Shareholders' Liabilities and Equity			
Shareholders' Liabilities			
Takaful and other payables	14	62,298,801	70,602,473
Ijarah finance	15	21,700,000	25,900,000
Provision for employees' end of service Benefits	16	3,133,223	2,714,527
Total Shareholders' Liabilities		87,132,024	99,217,000
Shareholders' and Policyholders Equity			
Share capital	17	150,000,000	150,000,000
Statutory reserve	18a	6,567,600	6,567,600
Accumulated losses		(74,986,787)	(67,254,090)
Regulatory reserve	18b	830,307	128,567
Cumulative changes in fair value of investments – policyholders	6(b)	40,698,173	24,134,296
Total Shareholders' and Policyholders' Equity		123,109,293	113,576,373
Total Shareholders' Liabilities and Equity		210,241,317	212,793,373
Total Takaful Operations' Liabilities and Deficit and Shareholders' Liabilities and Equity		1,086,325,057	1,046,677,537

To the best of our knowledge the consolidated financial statements present fairly in all respects, the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group as of, and periods presented therein.

H.E. Mohamed Haji AlKhoori Chairman	Wael Al Sharif Chief Executive Officer	Adnan Sabaalaish Senior Manager - Finance

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss
for the year ended 31 December 2021

	Notes	2021 AED	2020 AED
Attributable to policyholders:			
Gross contributions written	20	583,946,275	614,301,758
Changes in unearned contributions	20	47,594,048	(33,777,374)
Takaful contributions earned		631,540,323	580,524,384
Retakaful contributions	20	(140,347,996)	(164,555,417)
Change in unearned contributions	20	(16,826,387)	(4,671,493)
Retakaful contributions ceded		(157,174,383)	(169,226,910)
Net earned contributions		474,365,940	411,297,474
Gross claims incurred	21	(452,302,741)	(352,749,468)
Retakaful share of claims incurred	21	144,361,348	103,110,306
Net claims incurred		(307,941,393)	(249,639,162)
Change in reserves	22	(57,879,031)	(64,529,199)
Net change in fair value of policyholders investment linked contracts	22	(30,499,094)	(16,321,246)
		(396,319,518)	(330,489,607)
Net takaful income		78,046,422	80,807,867
Wakalah fees	23	(106,411,607)	(77,572,311)
Investment income, net	24	28,944,248	8,362,670
Change in fair value of investment property	9	(643,000)	(3,577,000)
Net (loss)/profit from takaful operations		(63,937)	8,021,226
Attributable to Shareholders:			
Wakalah fees from policyholders	23	106,411,607	77,572,311
Investment loss, net	24	(6,642,578)	(10,080,064)
Other income	25	20,369,556	19,379,755
Amortisation of deferred policy acquisition cost	10	(52,982,198)	(33,946,578)
General and administrative expenses	26	(73,774,975)	(60,533,668)
(Provision for)/ recovery of Qard Hassan to policyholders' fund	32	(63,937)	8,021,226
(Loss)/ profit for the year attributable to Shareholders		(6,682,525)	412,982
Basic and diluted (loss)/profit per share	27	(0.045)	0.003

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2021

	Notes	2021 AED	2020 AED
(Loss)/profit for the period attributable to Shareholders		**(6,682,525)**	412,982
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of available for sale investments attributable to policyholder		**16,563,877**	6,653,865
Total other comprehensive income for the year		**16,563,877**	6,653,865
Total comprehensive income for the year		**9,881,352**	7,066,847

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2021

	Attributable to Shareholders				Attributable to Policyholders	
	Share capital AED	**Statutory reserve AED**	**Accumulated losses AED**	**Regulatory reserve AED**	**Cumulative changes in fair value AED**	**Total AED**
Balance at 31 December 2019 (Restated)	150,000,000	6,526,302	(67,113,722)	-	17,480,431	106,893,011
Total comprehensive income for the year	-	-	412,982	-	6,653,865	7,066,847
Transfer to statutory reserve	-	41,298	(41,298)	-	-	-
Transfer to regulatory reserve	-	-	(128,567)	128,567	-	-
Zakat paid	-	-	(383,485)	-	-	(383,485)
Balance at 31 December 2020	150,000,000	6,567,600	(67,254,090)	128,567	24,134,296	113,576,373
Total comprehensive income for the year	-	-	(6,682,525)	-	16,563,877	9,881,352
Transfer to regulatory reserve	-	-	(701,740)	701,740	-	-
Zakat paid	-	-	(348,432)	-	-	(348,432)
Balance at 31 December 2021	**150,000,000**	**6,567,600**	**(74,986,787)**	**830,307**	**40,698,173**	**123,109,293**

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
for the year ended 31 December 2021

	2021 **AED**	2020 AED
Cash flows from operating activities		
(Loss)/profit for the year	**(6,682,525)**	412,982
Adjustments for:		
Depreciation and amortisation of property and equipment and intangible assets	**4,762,568**	4,654,658
Loss/(gain) on disposal of property and equipment	**-**	1,043,323
Realised loss on sale of investments at fair value through profit or loss	**9,362,763**	4,258,488
Gain on revaluation of investments carried at fair value through profit or loss	**(56,969,318)**	(14,445,433)
Provision/(reversal) for doubtful debts	**102,684**	(802,745)
Retakaful receivables written off	**206,089**	-
Change in fair value of investment properties	**643,000**	3,577,000
Provision for employees' end of service benefits	**882,353**	1,002,915
Operating cash flows before changes in operating assets and liabilities	**(47,692,386)**	(298,812)
Decrease in retakaful contract assets	**17,810,379**	90,490,241
(Increase)/decrease in takaful receivables and other assets	**(12,730,872)**	51,499,562
Decrease/(increase) in deferred policy acquisition cost	**14,366,530**	(12,785,346)
Increase/(decrease) in takaful contract liabilities	**59,763,692**	(38,490,628)
Decrease in takaful and other payables	**(39,661,710)**	(16,095,169)
Cash (used in)/generated from operating activities	**(8,144,367)**	74,319,848
End of service benefits paid	**(463,657)**	(1,202,452)
Net cash (used in)/generated from operating activities	**(8,608,024)**	73,117,396
Cash flows from investing activities		
Purchase of investments at fair value through profit or loss	**(208,110,823)**	(173,684,034)
Proceeds from sale of investments at fair value through profit or loss	**192,300,642**	155,240,880
Deposit	**-**	7,373,754
Purchase of intangible assets	**-**	(138,550)
Purchase of property and equipment	**(698,890)**	(2,147,211)
Addition to investments properties	**(3,977,962)**	(13,814,510)
Net cash used in investing activities	**(20,487,033)**	(27,169,671)
Cash flows from financing activities		
Zakat paid	**(348,432)**	(383,485)
Net movement in ijarah finances	**(4,200,000)**	(14,422,432)
Net cash used in financing activities	**(4,548,432)**	(14,805,917)
Net (decrease)/increase in cash and cash equivalents	**(33,643,489)**	31,141,808
Cash and cash equivalents at the beginning of the year	**83,271,528**	52,129,720
Cash and cash equivalents at the end of the year (Note 5)	**49,628,039**	83,271,528

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2021

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 (as amended) ("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 Group is P.O. Box 64341, Dubai, United Arab Emirates.

Federal Law No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the “2015 Law”). The Group 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.

Federal Decree Law No. (24) of 2020 which amends certain provisions of the U.A.E Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organisation of its Operations, as amended, was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector became under the supervision and authority of the Central Bank of the United Arab Emirates (“CBUAE”).

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			**2021**	2020
Modern Tech Investment	Investment	United Arab Emirates	**100%**	100%

2. Application of new and revised International Financial Reporting Standards ('IFRSs')

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these consolidated financial statements.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 9/IAS 39 and IFRS 7. In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of consolidated financial statements. The amendments are applicable to the Group prospectively or retrospectively with any adjustments recognised in the appropriate components of equity as at 1 January 2021.	1 January 2021
Amendment to IFRS 16 In the current financial year, the Group has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.	1 January 2021
Amendments in IFRS 4, 7, 9, 16 and IAS 39 regarding pre-replacement issues in the context of the IBOR reform.	1 January 2021
Amendment to IFRS 16 'Leases', Covid-19-Related Rent Concessions beyond 30 June 2021, extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2022.	30 June 2021

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.

2. Application of new and revised International Financial Reporting Standards ('IFRSs') (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 3 – Reference to the Conceptual Framework The amendments update IFRS 3 so that it refers to the 2018 *Conceptual Framework* instead of the 1989 *Framework*. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 *Levies*, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.	1 January 2022
Amendments to IAS 37 – Onerous Contracts - Cost of Fulfilling a Contract The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.	1 January 2022
Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 *Inventories*. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'.	1 January 2022
IFRS 1 *First-time Adoption of International Financial Reporting Standards* The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences.	1 January 2022
IFRS 9 *Financial Instruments* The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.	1 January 2022
IFRS 16 *Leases* The amendment removes the illustration of the reimbursement of leasehold improvements.	Effective date was not stated

2. Application of new and revised International Financial Reporting Standards ('IFRSs') (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
IAS 41 *Agriculture* The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 *Fair Value Measurement* to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.	1 January 2022
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.	1 January 2023
IFRS 17 *Insurance Contracts* IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at 1 January 2023.	1 January 2023
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".	1 January 2023, with earlier adoption permitted.
Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.	1 January 2023, with earlier adoption permitted.
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) The amendments to IFRS 10 and IAS 28 relates 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 still permitted.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 17 and IFRS 9, mentioned below, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

2. Application of new and revised International Financial Reporting Standards ('IFRSs') (continued)

2.2 New and revised IFRSs in issue but not yet effective and not early adopted (continued)

Management anticipates that IFRS 17 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2023. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review.

Management expects that majority of the short-term contracts issued by the Group will be eligible for the premium allocation approach, while for individual life contracts both the general measurement approach and the variable fee approach will be used as applicable.

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.

3. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to each of the years presented.

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and applicable provisions of UAE Federal Law No. 2 of 2015 (as amended), the UAE Federal Law No. (6) of 2007, and articles of association of the Company. The Group is in the process of complying with the requirements of the Financial Regulations for Takaful Insurance Companies issued by the Central Bank of UAE pertaining to Article (8) of Section (2) and Article (3) of Section (1), relating to maintenance of solvency margin; and asset distribution and allocation limits respectively.

3.2 Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis except for revaluation of certain financial instruments as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The consolidated financial statements have been presented in UAE Dirhams (AED).

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

3. Summary of significant accounting policies (continued)

3.2 Basis of preparation (continued)

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36. The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (no more than 12 months) and more than 12 months after the reporting date (more than 12 months) is presented in the respective notes.

3.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its investees that are considered subsidiary as at 31 December 2021. Subsidiary is investees that the Group has control over. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiary to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in Subsidiary are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Details of the group’s subsidiary at 31 December 2021 are mentioned in Note 1.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit and loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Business combination (continued)

Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss. When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.4 Takaful contracts

The Group issues contracts that transfer takaful risk. Contracts under which the Group accept significant takaful risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as takaful contracts. Takaful risk is significant if an insured event could cause the Group to pay significant additional benefits due to happening of the insured event compared to its non-happening.

Once a contract is classified as a takaful contract it remains classified as a takaful contract until all rights and obligations are extinguished or expire.

3.5 Takaful contributions

Medical takaful contracts

Gross takaful contributions written comprise the total contributions receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Contributions include any adjustments arising in the accounting period for contributions receivable in respect of business written in prior accounting periods. Contributions collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in contributions written.

Life assurance contracts

In respect of the short term life assurance contracts, contributions are recognised as revenue (earned contributions) proportionately over the period of coverage. The portion of the contributions received in respect of in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned contributions liability. Contributions are shown before the deduction of the commission.

In respect of long term life assurance contracts, contributions are recognised as revenue (earned contributions) when they become payable by the contract holder. Contributions are shown before deduction of commission.

3. Summary of significant accounting policies (continued)

3.5 Takaful contributions (continued)

Life assurance contracts (continued)

Contributions for group credit life policies are recognised when it is paid by the contract holder.

A liability for contractual benefits that are expected to be incurred in future is recorded when the contributions are recognised.

The liability is based on the assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviation is included in the assumptions.

Where a life assurance contract has a single contribution or limited number of contribution payments due over a significantly shorter period than the period during which the benefits are provided, the excess of the contributions payable over the valuation contributions is deferred and recognised as income in line with the decrease of unexpired takaful risk of the contract in-force or for annuities in force, in line with the decrease of the amount of future benefits expected to be paid.

The liabilities are recalculated at the end of each reporting period using the assumptions established at the inception of the contract.

Claims and benefits payable to contract holders are recorded as expenses when they are incurred.

3.6 Takaful contributions earned

Earned takaful contributions are taken to income over the terms of the takaful contract to which they relate on a pro-rata basis. Unearned takaful contributions represent the portion of net takaful contributions accounted for which relate to periods of risk that extent beyond the end of the financial year; they are calculated based on a time apportionment basis over the exposure to contracts. The change in the provision for unearned contributions is taken to the consolidated statement of takaful operations and accumulated surplus in order to recognize revenue over the period to cover the takaful risks.

3.7 Retakaful contributions

Gross retakaful contributions comprise the total contributions payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy incepts. Contributions include any adjustments arising in the accounting period in respect of retakaful contracts incepting in prior accounting periods. Unearned retakaful contributions are those proportions of contributions written in a year that relate to periods of risk after the reporting date. Unearned retakaful contributions are deferred over the term of the underlying direct retakaful policies for risks-attaching contracts and over the term of the retakaful contract for losses occurring contracts.

3.8 Wakalah fees

The Group manages the takaful operations on behalf of the policyholders for a wakalah fee which is recognised on an accrual basis. A similar amount is shown as expense in consolidated statement of profit or loss attributable to policyholders.

3. Summary of significant accounting policies (continued)

3.9 Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to income as incurred. Provision for outstanding claims reported is based on estimates of the loss, which will eventually be payable on each unpaid claim, established by the management based on current conditions, increased exposure, rising claims costs and the severity and frequency of recent claims, as appropriate. Provision for incurred but not reported claims is included within additional reserve.

The Group generally estimates its claims based on previous experience. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the consolidated statement of takaful operations for that year.

3.10 Retakaful share of claims incurred

Retakaful share of claims is recognised when the related gross takaful claim is recognised according to the terms of the relevant contract.

3.11 Policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of takaful contracts are charged to the consolidated statement of profit or loss when incurred. If the commission and associated costs are for services provided in future periods then they are deferred and amortised over the life of the related takaful policy.

3.12 Investment income

Profit from investment deposits is recognised on a time proportion basis. Dividend income is accounted for when the right to receive payment is established. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the weighted average cost and are recorded on occurrence of the sale transaction.

3.13 Liability adequacy test

At each consolidated statement of financial position date the Group assesses whether its recognised takaful liabilities are adequate using current estimates of future cash flows under its takaful contracts. If that assessment shows that the carrying amount of its takaful liabilities is inadequate in light of estimated future cash flows, the entire deficiency is immediately recognised in consolidated statement of profit or loss and an unexpired risk provision is created.

The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the consolidated statement of financial position date.

3. Summary of significant accounting policies (continued)

3.14 Foreign currency translation

The presentation currency is UAE Dirhams (AED). This is also the functional currency of the Group. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the consolidated statement of profit or loss, except when it relates to items when gains or losses are recognised directly in equity, the gain or loss is then recognised net of the exchange component in the consolidated statement of comprehensive income.

3.15 Segment reporting

For management purposes, the Group is organised into two business segments; takaful and investment operations. The takaful operations comprise the takaful business undertaken by the Group on behalf of policyholders. Investment operations comprise investments and cash management for the Group's own account. No operating segments have been aggregated to form the above reportable operating segments.

Segment performance is evaluated based on profit or loss which in certain respects is measured differently from profit or loss in the consolidated financial statements.

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

3.16 Product classification

Takaful contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Takaful contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified profit rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this year, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as takaful contracts after inception, if takaful risk becomes significant.

The Group issues long term takaful contracts with an investment linked component. The Group classifies such contracts as takaful contracts based on significance of takaful risk. Takaful contracts with no significant takaful risk are classified as investment contracts. As a general guideline, the Group defines as significant takaful risk the possibility of having to pay benefits on the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur.

3. Summary of significant accounting policies (continued)

3.16 Product classification (continued)

For takaful contracts, contributions, surrenders and maturities, changes in fair values of underlying assets and changes in reserves are recognised in the consolidated statement of profit or loss. For investment contracts, changes in fair values of underlying assets and changes in reserves are recognised in the consolidated statement of profit or loss and contributions and surrenders and maturities are directly recognised under investment contracts.

3.17 Property and equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred, if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Depreciation is provided on a straight line basis over the estimated useful lives of the following classes of assets:

Building	22 years
Office equipment	5 years
Furniture and fixtures	7 years
Motor vehicles	5 years

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the year the asset is derecognised.

Capital work-in-progress is stated at cost incurred from the date of commencement of the project to the date on which it is capitalised. When capitalised, capital work-in-progress is transferred to the appropriate category of property and equipment and depreciated in accordance with the Group's accounting policies.

3.18 Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the consolidated statement of profit or loss in the year in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when they have been disposed of, or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

3. Summary of significant accounting policies (continued)

3.18 Investment properties (continued)

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

3.19 Intangible assets

Intangible assets represents software acquired by the Group which is stated at cost less accumulated amortisation and impairment losses, if any. Cost of the software represents the costs incurred to acquire and bring the software to use.

Amortisation is recognised on a straight line basis over the useful life of the software, from the date it is available for use. The useful life of the software is estimated to be 5 years.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in the consolidated statement of profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

3. Summary of significant accounting policies (continued)

3.19 Intangible assets (continued)

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.20 Deferred acquisition costs (DAC)

Commissions that vary with and are related to the acquisition of new investment and takaful contracts are treated as prepayments (DAC) to the extent that the commission relates to the future provision of services by the parties to whom payments are made, when the degree of completeness of the service can be reliably measured and the Group is confident of future economic benefit from the introduction acquired. Prepaid commission is expensed through consolidated statement of profit or loss over a period determined by policy features chosen by the contract holder introduced in return for the commission payment. The periods over which it is expensed range from five to thirty months. Commissions for which liability arises on completion of a significant act without the expectation of the delivery of further services are recognised in expenses when incurred. For investment contract introductions where costs are deferred, no costs are deferred beyond the point at which the introducer is considered to have fulfilled his contractual obligations and is not expected or obliged to perform further services.

3.21 Trade and settlement date accounting

All “regular way” purchases and sales of financial assets are recognised on the “trade date”, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

3. Summary of significant accounting policies (continued)

3.22 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVTPL), loans and receivables, held to maturity investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis.

The available-for-sale and held to maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and bank balances, investments at fair value through profit and loss, takaful receivables and other assets, and retakaful contract assets.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading and those designated upon initial recognition as at FVTPL. Investments typically bought with the intention to sell in the near future are classified as held for trading. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. For investments to be designated as at FVTPL, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

3. Summary of significant accounting policies (continued)

3.22 Financial Instruments (continued)

a. Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Fair value gains and losses. Profit is accrued and presented in 'Investment income', using the effective profit rate. Dividend income is recorded in 'Investment income' when the right to the payment has been established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortised cost, using the effective profit rate, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective profit rate. The effective profit rate amortisation is included in 'Investment income' in the consolidated statement of profit or loss. Gains and losses are recognised in the consolidated statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVTPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of profit or loss in finance costs. Profit earned whilst holding AFS financial assets is reported as profit income using the effective profit rate.

The group evaluates whether evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective profit rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective profit rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of profit or loss.

3. Summary of significant accounting policies (continued)

3.22 Financial instruments (continued)

a. Financial assets (continued)

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of comprehensive income. Impairment is determined as follows:

(a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
(b) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

Cash and bank balances

Cash and bank balances comprise cash in hand, balances with banks and unrestricted deposits with a maturity of less than 12 months from the date of placement.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, balances with banks and unrestricted deposits with a maturity of less than three months from the date of placement.

Takaful receivables

Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective profit rate. The carrying value of takaful receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of profit or loss.

3. Summary of significant accounting policies (continued)

3.22 Financial instruments (continued)

a. Financial assets (continued)

Takaful receivables (continued)

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

b. Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit and loss, loans and ijarah finance, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and Ijarah Finances, net of directly attributable transaction costs.

The Group's financial liabilities include takaful and other payables, takaful contract liabilities and ijarah finance.

Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value through profit and loss

Financial liabilities at fair value through profit and loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on designated or held for trading liabilities are recognised in fair value gains and losses in the consolidated statement of comprehensive income.

The Group has not designated any financial liabilities as at fair value through profit and loss upon initial recognition.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

3. Summary of significant accounting policies (continued)

3.22 Financial instruments (continued)

b. Financial liabilities and equity instruments issued by the Group (continued)

Financial liabilities (continued)

Expense bearing financing and ijarah finance

After initial recognition, expense bearing financing and ijarah finance, and issued notes are subsequently measured at amortised cost using the effective expense rate. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective expense rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the effective expense rate. The effective expense rate amortisation is included in finance cost in the consolidated statement of profit or loss.

3.23 Takaful contract liabilities

(i) Unearned contributions

Unearned contributions are those proportions of contributions written in a year that relate to period of risk after the reporting date. Unearned contribution is calculated on a daily prorate basis or “1/365” method. The proportion attributable to subsequent year is deferred as a provision for unearned contributions.

(ii) Claims incurred but not reported

A provision is made for the estimated excess of potential claims over unearned contributions and for claims incurred but not reported at the financial position date.

The reserves represent the management’s best estimates on the basis of:
a) claims reported during the year
b) delay in reporting these claims
c) claims handling provision

(iii) Claims reported and unsettled

Outstanding claims are recognised when claims are intimated. Outstanding claims reported are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, after reduction for the recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

(iv) Mathematical reserves

The mathematical reserve is determined by independent actuarial valuation of future policy benefits at the end of each reporting period. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience and industry mortality tables. Adjustments to the balance of the fund are effected by charging to statement of comprehensive income.

(v) Policyholders’ investment linked contracts at fair value

For unit linked policies, liability is equal to the policy account values. The investment component of these insurance contracts are designated as at fair value through profit or loss.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

3. Summary of significant accounting policies (continued)

3.24 Investment contract liabilities

Investment contract liabilities without discretionary participation feature (DPF) are recognised when contracts are entered into and contributions are charged. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the consolidated statement of financial position and are not recognised as gross contributions or claims in the consolidated statement of profit or loss.

Fair value adjustments are performed at each reporting date and are recognised in the consolidated statement of profit or loss in “movement in investment contract liabilities”. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit prices at the reporting date are valued on a fair value basis adjusted to take account of the effect on the liabilities of the deferred tax on unrealised gains on assets in the fund.

Non-unitised contracts are subsequently also carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modelling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

When contracts contain both a financial risk component and a significant takaful risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any contributions relating to the takaful risk component are accounted for on the same basis as takaful contracts and the remaining element is accounted for as a deposit through the consolidated statement of financial position as described above.

3.25 Ijarah finance

Ijarah finance are recognised initially at fair value, being their issue proceeds (fair value of consideration received), net of transaction costs incurred. Ijarah finance are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of profit or loss over the period of the ijarah finances using the effective expense rate.

3.26 Surplus/deficit in policyholders’ fund

Surplus in policyholders’ funds represents accumulated gains on takaful operations and are distributed among the policyholders. The timing, quantum and the basis of distribution are determined by the Group and are approved by its Fatwa and Shari’a Supervisory Board.

Deficits in participants’ funds are financed through Qard Hasan by the Group and thereafter fully provided for by the Group. Accordingly, assets, liabilities, revenue and expenses relating to the policyholders’ funds are recognized in the consolidated financial statements of the Group.

3. Summary of significant accounting policies (continued)

3.27 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.28 Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

3.29 Retakaful contracts held

The Group cedes takaful risk in the normal course of business for all of its businesses. Retakaful contract assets represent balances due from retakaful companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related retakaful contract.

Retakaful contract assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the retakaful asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the consolidated statement of profit or loss. Gains or losses on buying retakaful are recognised in the consolidated statement of profit or loss immediately at the date of purchase and are not amortised. Ceded retakaful arrangements do not relieve the Group from its obligations to policyholders.

3.30 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

Offsetting of retakaful receivable and payable balances

The Group discloses the net the receivable or payable position in the consolidated financial statements for each reinsurer per segment.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

3. Summary of significant accounting policies (continued)

3.31 Leases

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental ijarah finance rate. The Group all lease arrangements are short-term leases or of low value assets.

3.32 Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

3.33 Fair value measurement

The Group measures financial instruments, such as, equity instruments, and non-financial assets such as investment properties, at fair value at each balance sheet date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed in Note 31.

4. Critical accounting estimates and judgments in applying accounting policies

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of properties

Management decides on acquisition whether a property will be used as owner-occupied property or for renting out to third parties. If used as owner-occupied property, the value in use of the property is determined as part of the cash generating unit to which it belongs. Otherwise, the asset is classified as investment property and its fair value is determined on an individual asset basis.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as of fair value through profit or loss, available-for-sale or at amortised cost.

Claims incurred but not reported

A provision is made for the estimated excess of potential claims over unearned contributions and for claims incurred but not reported at the financial position date.

The reserves represent the management's best estimates on the basis of:
a) claims reported during the year
b) delay in reporting these claims
c) claims handling provision

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for outstanding claims, whether reported or not

Considerable judgement by management is required in the estimation of amounts due to policyholders arising from claims made under takaful contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claim settlement trends.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

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

Estimation uncertainty (continued)

Provision for outstanding claims, whether reported or not (continued)

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

The Group has performed an assessment of the impact of COVID-19 on its contractual arrangements and 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 31 December 2021. The Group will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

Impairment losses on deferred acquisition costs

The Group reviews its deferred acquisitions costs on a regular basis to assess whether a provision for impairment should be recorded in consolidated statement of profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

Amortization of deferred acquisition costs

The amount of acquisition costs to be deferred is dependent on judgments as to which takaful costs are directly related to and vary with the commission. Acquisition cost on long-term takaful contracts without fixed terms with investment participation feature are amortised over the expected total life of the contract group as a constant percentage of estimated gross profit margins (including investment income) arising from these contracts in accordance with the accounting policy stated in note 3. The pattern of expected profit margins is based on historical and anticipated future experiences which consider assumptions, such as expenses, lapse rates or investment income and are updated at the end of each accounting period.

Valuation of investment properties

The fair value of investment properties were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The independent valuers provide the fair value of the Group's investment properties portfolio annually.

Impairment of available-for-sale securities

The Group determines whether available for sale securities are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement and to record whether impairment occurred, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

Liability adequacy test

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

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

Estimation uncertainty (continued)

Allowance for doubtful debt on takaful receivables

The Group reviews its takaful receivables on a regular basis to assess whether a allowance for doubtful debt should be recorded in the consolidated statement of profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

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

Mathematical reserve

The Group values its mathematical reserves based on actuarial valuations which relies on several underlying assumptions such as government yield curve for growth rates, discount rates and inflation as well as mortality rates, morbidity, longevity, investment returns, expenses, lapse and surrender rates, discount rates and partial withdrawal assumptions to estimate the value of insurance contract liabilities on a reasonable basis.

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

5. Cash and bank balances

	2021		2020	
	Takaful operations AED	**Shareholders' operations AED**	Takaful operations AED	Shareholders' operations AED
Cash and bank balances	**38,250,051**	**11,377,988**	66,640,515	16,631,013
Deposits	**17,250,000**	**-**	17,250,000	-
Total	**55,500,051**	**11,377,988**	83,890,515	16,631,013
Less: deposits maturing in more than three months	**(17,250,000)**	-	(17,250,000)	-
Cash and cash equivalents	**38,250,051**	**11,377,988**	66,640,515	16,631,013

The deposits carry profit rate of 1% (2020: 1% to 1.25%) per annum with maturity as of 29 September 2022.

6. Financial instruments

	2021 AED	2020 AED
Takaful operations' assets		
At fair value through profit or loss (Note 6 (a))	**360,882,743**	289,788,572
Available-for-sale (Note 6 (b))	**57,619,641**	41,055,764
	418,502,384	330,844,336
Shareholders' assets		
At fair value through profit or loss (Note 6 (a))	**21,793,897**	29,471,332
Total	**440,296,281**	360,315,668

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

6. Financial instruments (continued)

(a) Financial instruments at fair value through profit or loss

	2021			
	Attributable to individual life policyholders AED	**Attributable to shareholders' AED**	**Attributable to takaful operations AED**	**Total AED**
Mutual funds	**212,236,955**	**8,955,728**	**5,601,424**	**226,794,107**
Sukuk investments	**54,892,823**	**259,169**	**7,391,183**	**62,543,175**
Equity investments – quoted	**-**	**-**	**80,760,358**	**80,760,358**
Equity investments – unquoted	**-**	**12,579,000**	**-**	**12,579,000**
Total	**267,129,778**	**21,793,897**	**93,752,965**	**382,676,640**

	2020			
	Attributable to individual life policyholders AED	Attributable to shareholders' AED	Attributable to takaful operations AED	Total AED
Mutual funds	176,679,413	9,071,332	-	185,750,745
Sukuk investments	42,596,489	-	7,381,966	49,978,455
Equity investments – quoted	-	-	63,130,704	63,130,704
Equity investments – unquoted	-	20,400,000	-	20,400,000
Total	219,275,902	29,471,332	70,512,670	319,259,904

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

6. Financial instruments (continued)

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

Movements during the year were as follows:

	2021			
	Attributable to individual life policyholders AED	**Attributable to shareholders AED**	**Attributable to takaful operations AED**	**Total AED**
At beginning of the year	**219,275,902**	**29,471,332**	**70,512,670**	**319,259,904**
Purchases during the year	**149,148,633**	**42,962,190**	**16,000,000**	**208,110,823**
Disposals during the year	**(131,793,851)**	**(43,522,358)**	**(26,347,196)**	**(201,663,405)**
Change in fair value during the year	**30,499,094**	**(7,117,267)**	**33,587,491**	**56,969,318**
Total	**267,129,778**	**21,793,897**	**93,752,965**	**382,676,640**

	2020			
	Attributable to individual life policyholders AED	Attributable to shareholders AED	Attributable to takaful operations AED	Total AED
At beginning of the year	177,726,310	24,079,343	88,824,152	290,629,805
Purchases during the year	144,943,704	21,353,528	7,386,802	173,684,034
Disposals during the year	(119,715,358)	(5,554,867)	(34,229,143)	(159,499,368)
Change in fair value during the year	16,321,246	(10,406,672)	8,530,859	14,445,433
Total	219,275,902	29,471,332	70,512,670	319,259,904

(b) Available-for-sale (AFS)

	2021 AED	2020 AED
Shares – quoted	**57,619,641**	41,055,764

A fair value gain amounting to AED 16.56 million (2020: AED 6.65 million) has been recognised in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

7. Takaful receivables and other assets

	2021		
	Takaful operations AED	Shareholders' operations AED	Total AED
Takaful receivables	102,295,070	-	102,295,070
Receivables from retakaful companies	15,777,506	-	15,777,506
Allowance for doubtful debt (Note 7 (a))	(10,888,302)	-	(10,888,302)
	107,184,274	-	107,184,274
Prepaid expenses	577,935	2,128,647	2,706,582
Other receivables	75,550,641	9,656,926	85,207,567
	183,312,850	11,785,573	195,098,423

Note 7 (a) Movement in the allowance for doubtful debts

Balance at the beginning of the year	20,267,592	-	20,267,592
Provision made during the year	102,684	-	102,684
Bad debts written off	(9,481,974)	-	(9,481,974)
Balance at the end of the year	10,888,302	-	10,888,302

	2021		
	Takaful operations AED	Shareholders' operations AED	Total AED
Takaful receivables and other assets – Inside UAE			
Takaful receivables	102,295,070	-	102,295,070
Receivables from retakaful companies	1,309,777	-	1,309,777
Allowance for doubtful debt	(10,888,302)	-	(10,888,302)
	92,716,545	-	92,716,545
Prepaid expenses	577,935	2,128,647	2,706,582
Other receivables	75,550,641	9,656,926	85,207,567
	168,845,121	11,785,573	180,630,694

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

7. Takaful receivables and other assets (continued)

	2021		
	Takaful operations AED	**Shareholders' operations AED**	**Total AED**
Takaful receivables and other assets – Outside UAE			
Receivable from retakaful companies	**14,467,729**	**-**	**14,467,729**

	2020		
	Takaful operations AED	Shareholders' operations AED	Total AED
Takaful receivables	150,939,622	-	150,939,622
Receivables from retakaful companies	21,174,415	-	21,174,415
Allowance for doubtful debt	(20,267,592)	-	(20,267,592)
	151,846,445	-	151,846,445
Prepaid expenses	-	1,532,900	1,532,900
Other receivables	19,628,529	9,668,450	29,296,979
	171,474,974	11,201,350	182,676,324

Movement in the allowance for doubtful debts,

Balance at the beginning of the year	22,384,857	-	22,384,857
Reversal made during the year	(802,745)	-	(802,745)
Bad debts written off	(1,314,520)	-	(1,314,520)
Balance at the end of the year	20,267,592	-	20,267,592

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

7. Takaful receivables and other assets (continued)

	2020		
	Takaful operations AED	Shareholders' operations AED	Total AED
Takaful receivables and other assets – Inside UAE			
Takaful receivables	150,939,622	-	150,939,622
Receivables from retakaful companies	1,047,639	-	1,047,639
Allowance for doubtful debt	(20,267,592)	-	(20,267,592)
	131,719,669	-	131,719,669
Prepaid expenses	-	1,532,900	1,532,900
Other receivables	19,628,529	9,668,450	29,296,979
	151,348,198	11,201,350	162,549,548

	2020		
	Takaful operations AED	Shareholders' operations AED	Total AED
Takaful receivables and other assets – Outside UAE			
Receivable from retakaful companies	20,126,776	-	20,126,776

The following table provides an ageing analysis of unimpaired receivables and other assets (excluding prepaid expenses)

2021

	Less than 30 days AED	**30-90 days AED**	**91 to 180 days AED**	**181 to 270 days AED**	**271 to 365 days AED**	**>365 days AED**	**Total AED**
Inside UAE:							
Takaful receivables	**71,280,215**	**7,769,328**	**4,946,020**	**1,720,380**	**2,564,676**	**3,126,149**	**91,406,768**
Receivable from retakaful companies	**36,030**	**243,068**	**-**	**340,269**	**-**	**690,410**	**1,309,777**
Other receivables	**85,207,567**	**-**	**-**	-	-	**-**	**85,207,567**
Total	**156,523,812**	**8,012,396**	**4,946,020**	**2,060,649**	**2,564,676**	**3,816,559**	**177,924,112**
Outside UAE:							
Receivable from retakaful companies	**703,514**	**2,095,272**	**1,970,505**	**3,185,181**	**4,528,604**	**1,984,653**	**14,467,729**

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

7. Takaful receivables and other assets (continued)

2020

	Less than 30 days AED	30-90 days AED	91 to 180 days AED	181 to 270 days AED	271 to 365 days AED	>365 days AED	Total AED
Inside UAE:							
Takaful receivables	107,620,776	6,327,865	6,368,889	4,737,354	3,524,523	2,092,623	130,672,030
Receivable from retakaful companies	-	117,750	236,546	27,500	22,915	642,928	1,047,639
Other receivables	-	-	29,296,979	-	-	-	29,296,979
Total	107,620,776	6,445,615	35,902,414	4,764,854	3,547,438	2,735,551	161,016,648
Outside UAE:							
Receivable from retakaful companies	1,923,594	12,537,167	3,684,910	615,845	-	1,365,260	20,126,776

Unimpaired accounts receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over accounts receivable.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

8. Takaful contract liabilities and retakaful contract assets

	2021 AED	2020 AED
Gross takaful contract liabilities		
Claims reported	**133,106,143**	90,172,171
Claims incurred but not reported	**44,997,319**	35,774,861
Unearned contributions	**171,614,428**	219,208,476
Mathematics reserves	**12,436,967**	6,057,040
Policyholders’ investment linked contracts at fair value	**271,006,737**	222,185,354
	633,161,594	573,397,902
Retakaful contract assets		
Retakaful share of claims reported	**35,617,245**	35,311,980
Retakaful share of claims incurred but not reported	**13,042,844**	14,801,241
Retakaful share of unearned contributions	**63,845,416**	80,671,803
Retakaful share of mathematics reserves	**1,365,039**	895,899
	113,870,544	131,680,923
Net takaful contract liabilities		
Claims reported	**97,488,898**	54,860,191
Claims incurred but not reported	**31,954,475**	20,973,620
Unearned contributions	**107,769,012**	138,536,673
Mathematics reserves	**11,071,928**	5,161,141
Policyholders’ investment linked contracts at fair value	**271,006,737**	222,185,354
Total	**519,291,050**	441,716,979

	2021 AED	2020 AED
Movement in payable to policyholders of investment linked contracts		
Opening balance	**222,185,354**	170,064,606
Gross contribution	**101,619,787**	97,895,018
Allocation charges	**(13,940,242)**	(8,246,440)
Redemption and other charges	**(69,357,256)**	(53,849,076)
Change in fair value	**30,499,094**	16,321,246
Closing balance	**271,006,737**	222,185,354

9. Investment properties

	2021 **AED**	2020 AED
Land	**15,401,896**	15,401,896
Residential apartments	**16,070,000**	16,713,000
	31,471,896	32,114,896
Work in progress	**23,490,576**	19,512,614
	54,962,472	51,627,510

Movement during the year

	2021		
	Land **AED**	**Residential apartments** **AED**	**Total** **AED**
Fair value at beginning of the year	**15,401,896**	**16,713,000**	**32,114,896**
Change in fair value during the year	**-**	**(643,000)**	**(643,000)**
Fair value at end of the year	**15,401,896**	**16,070,000**	**31,471,896**

	2020		
	Land AED	Residential apartments AED	Total AED
Fair value at beginning of the year	15,401,896	20,290,000	35,691,896
Change in fair value during the year	-	(3,577,000)	(3,577,000)
Fair value at end of the year	15,401,896	16,713,000	32,114,896

The carrying value of residential apartments represents its fair value as at 31 December 2021 as determined by an independent valuation expert, in accordance with relevant appraisal and valuation standards. The basis of determination of fair value is the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The date of revaluation was 31 December 2021. Land, on which construction is under progress, and the work in progress as at 31 December, 2021 amounting to AED 38,892,472 (31 December 2020: AED 34,914,510) are not stated at its fair value, and this investment property under construction will be fair valued when its fair value becomes reliably measurable or construction is completed (whichever is earlier).

Investment properties are classified as Level 3 in the fair value hierarchy as at 31 December 2021 (31 December 2020: Level 3).

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

10. Deferred policy acquisition cost

	2021 **AED**	2020 AED
Balance at beginning of the year (Restated)	**65,612,689**	52,827,343
Amortisation for the year	**(52,982,198)**	(33,946,578)
Commission paid during the year	**38,615,668**	46,731,924
	51,246,159	65,612,689

As per Article (3) of Section 7 of the Financial Regulations for Takaful Insurance Companies, the shareholders account should bear all operational, administrative and general expenses for takaful insurance business. Accordingly, effective from 1 January 2017, the amortisation of deferred policy acquisition cost related to medical business has been classified in the consolidated statement of profit or loss as attributable to shareholders.

11. 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 Group. This deposit carries a profit rate of 1% (2020: 3.40%) per annum.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

12. Property and equipment

	Building AED	Office equipment AED	Furniture and fixtures AED	Motor vehicles AED	Capital work in progress AED	Total AED
Cost						
At 31 December 2019	46,827,841	2,985,406	10,975,295	171,969	755,460	61,715,971
Additions during the year	1,800,480	-	346,731	-	-	2,147,211
Disposals during the year	-	(309,802)	(151,810)	-	(755,460)	(1,217,072)
At 31 December 2020	48,628,321	2,675,604	11,170,216	171,969	-	62,646,110
Additions during the year	-	698,890	-	-	-	698,890
At 31 December 2021	**48,628,321**	**3,374,494**	**11,170,216**	**171,969**	**-**	**63,345,000**
Accumulated depreciation						
At 31 December 2019	3,311,511	1,920,544	5,791,556	163,516	-	11,187,127
Depreciation for the year	2,136,435	325,048	936,452	4,318	-	3,402,253
Disposals during the year	-	(139,411)	(34,338)	-	-	(173,749)
At 31 December 2020	5,447,946	2,106,181	6,693,670	167,834	-	14,415,631
Depreciation for the year	2,223,300	353,101	981,858	1,654	-	3,559,913
At 31 December 2021	**7,671,246**	**2,459,282**	**7,675,528**	**169,488**	**-**	**17,975,544**
Carrying amount						
At 31 December 2021	**40,957,075**	**915,212**	**3,494,688**	**2,481**	**-**	**45,369,456**
At 31 December 2020	43,180,375	569,423	4,476,546	4,135	-	48,230,479

The building has been mortgaged against facilities obtained from the bank. (Note 15)

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

13. Intangible assets

	Software AED
Cost:	
Balance at 31 December 2019	13,715,539
Additions during the year	138,550
Balance at 31 December 2020 and 2021	**13,854,089**
Accumulated amortisation:	
Balance at 31 December 2019	9,533,423
Amortisation for the year	1,252,405
Balance at 31 December 2020	10,785,828
Amortisation for the year	1,202,655
Balance at 31 December 2021	**11,988,483**
Carrying amount:	
Balance at 31 December 2021	**1,865,606**
Balance at 31 December 2020	3,068,261

14. Takaful and other payables

	2021		
	Takaful operations AED	**Shareholders' operations AED**	**Total AED**
Retakaful payables	**97,019,724**	**7,959,291**	**104,979,015**
Accrued expenses and other payables	**33,164,345**	**54,339,510**	**87,503,855**
	130,184,069	**62,298,801**	**192,482,870**

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

14. Takaful and other payables (continued)

	2020		
	Takaful operations AED	Shareholders' operations AED	Total AED
Retakaful payables	135,617,946	23,051,610	158,669,556
Accrued expenses and other payables	25,924,161	47,550,863	73,475,024
	161,542,107	70,602,473	232,144,580

	2021		
	Takaful operations AED	**Shareholders' operations AED**	**Total AED**
Inside UAE			
Retakaful payables	**88,185,577**	**6,479,584**	**94,665,161**
Payable to insurance agents	**-**	**573,627**	**573,627**
Payable to insurance brokers	**-**	**6,663,682**	**6,663,682**
Payable to staff	**-**	**914,580**	**914,580**
Other payables	**33,164,345**	**46,187,621**	**79,351,966**
	121,349,922	**60,819,094**	**182,169,016**
Outside UAE			
Retakaful payables	**8,834,147**	**1,479,707**	**10,313,854**

	2020		
	Takaful operations AED	Shareholders' operations AED	Total AED
Inside UAE			
Retakaful payables	102,660,668	13,885,542	116,546,210
Payable to insurance agents	-	212,057	212,057
Payable to insurance brokers	-	6,905,822	6,905,822
Payable to staff	-	2,167,436	2,167,436
Other payables	25,924,161	45,216,447	71,140,608
	128,584,829	68,387,304	196,972,133
Outside UAE			
Retakaful payables	32,957,278	2,215,169	35,172,447

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

15. Ijarah finance

The ijarah finance as at reporting date is against AED 35 million finance obtained in 2017 for the purchase of new building being used as office space, of which outstanding principal amount in AED 21.7 million (2020: AED 25.9 million).

The decrease in ijarah finance of AED 4.2 million (2020: AED 14.42 million) during the year consists of repayment of AED 4.2 million against ijarah finance of AED 35 million.

Bank finance facilities were secured by mortgage over property, assignment of Islamic insurance policy over property, hypothecation of wakala time deposit and promissory notes. The Group's finance agreement is subject to certain financial covenants. As at 31 December 2021, these covenants have been complied with.

16. Provision for employees end of service benefits

Movement in the provision for employees' end of service benefits during the year was as follows:

	2021	2020
	AED	AED
Balance at the beginning of the year	**2,714,527**	2,914,064
Charge for the year	**882,353**	1,002,915
Paid during the year	**(463,657)**	(1,202,452)
Balance at the end of the year	**3,133,223**	2,714,527

17. Share capital

	2021	2020
	AED	AED
Authorised issued and fully paid:		
150,000,000 ordinary shares of AED 1 each	**150,000,000**	150,000,000

18. Reserves

a) Statutory reserve

In accordance with the UAE Federal Law No. 2 of 2015 (as amended), 10% of the net profit of the Group has to be transferred to a non-distributable legal reserve until such reserve equals 50% of the paid up share capital of the Group.

18. Reserves (continued)

b) Regulatory reserve

In accordance with Article 34 of Central Bank of UAE's Board of Directors Decision No.(23) of 2019, the Group has allocated an amount equals to 0.5% of the total retakaful contributions ceded in all classes to retakaful reserve from the effective date of the said decision.

This reserve shall be accumulated year after year and may not be disposed off without the written approval of the Director General of the Central Bank of UAE.

19. Zakat

Zakat is payable by the shareholders. Management has informed the shareholders the amount of Zakat payable by each shareholder. Zakat paid in current year amounted to AED 348,432 (2020: AED 383,485).

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

20. Net earned contributions

	2021			2020		
	Medical AED	**Life and savings AED**	**Total AED**	Medical AED	Life and savings AED	Total AED
Gross contribution written	**478,256,003**	**105,690,272**	**583,946,275**	511,634,540	102,667,218	614,301,758
Change in unearned contributions	**47,432,069**	**161,979**	**47,594,048**	(34,219,798)	442,424	(33,777,374)
Takaful contributions earned	**525,688,072**	**105,852,251**	**631,540,323**	477,414,742	103,109,642	580,524,384
Retakaful contributions	**(133,212,247)**	**(7,135,749)**	**(140,347,996)**	(156,527,681)	(8,027,736)	(164,555,417)
Change in unearned contributions	**(16,761,067)**	**(65,320)**	**(16,826,387)**	(4,465,090)	(206,403)	(4,671,493)
Retakaful contributions ceded	**(149,973,314)**	**(7,201,069)**	**(157,174,383)**	(160,992,771)	(8,234,139)	(169,226,910)
Net earned contributions	**375,714,758**	**98,651,182**	**474,365,940**	316,421,971	94,875,503	411,297,474

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

21. Claims incurred

2021

	Gross			Retakaful			Net		
	Medical AED	Life AED	Total AED	Medical AED	Life AED	Total AED	Medical AED	Life AED	Total AED
Takaful claims paid	398,531,970	1,614,341	400,146,311	(144,657,940)	(1,156,540)	(145,814,480)	253,874,030	457,801	254,331,831
Movement in provision for claims reported and unsettled	42,935,669	(1,697)	42,933,972	(161,000)	(144,265)	(305,265)	42,774,669	(145,962)	42,628,707
Movement in provision for claims incurred but not reported	9,321,292	(98,834)	9,222,458	1,680,328	78,069	1,758,397	11,001,620	(20,765)	10,980,855
Claims recorded in the consolidated statement of profit or loss	450,788,931	1,513,810	452,302,741	(143,138,612)	(1,222,736)	(144,361,348)	307,650,319	291,074	307,941,393

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

21. Claims incurred (continued)

2020

	Gross			Retakaful			Net		
	Medical AED	Life AED	Total AED	Medical AED	Life AED	Total AED	Medical AED	Life AED	Total AED
Takaful claims paid	448,767,581	29,539,294	478,306,875	(158,002,936)	(28,789,333)	(186,792,269)	290,764,645	749,961	291,514,606
Movement in provision for claims reported and unsettled	(68,921,860)	(25,550,194)	(94,472,054)	49,795,528	25,555,485	75,351,013	(19,126,332)	5,291	(19,121,041)
Movement in provision for claims incurred but not reported	(31,009,890)	(75,463)	(31,085,353)	8,423,119	(92,169)	8,330,950	(22,586,771)	(167,632)	(22,754,403)
Claims recorded in the consolidated statement of profit or loss	348,835,831	3,913,637	352,749,468	(99,784,289)	(3,326,017)	(103,110,306)	249,051,542	587,620	249,639,162

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

22. Change in reserve

	2021 **AED**	2020 AED
Change in mathematical reserve – takaful life	**5,910,787**	3,305,442
Change in reserve relating to takaful life products	**82,467,338**	77,545,003
Change in fair value – individual life policyholders	**(30,499,094)**	(16,321,246)
	57,879,031	64,529,199

23. Wakalah fees

Wakalah fees for the year ended 31 December 2021 amounted to AED 106,411,607 (2020: AED 77,572,311).

For group life, individual medical and group medical policies, wakalah fees were charged up to 13.5% to 25 % of net takaful contribution. For life takaful policies, wakalah fees were charged at a maximum of 35% of takaful risk contribution. Wakalah fees are approved by the Sharia'a Supervisory Board and is charged to the consolidated statement of profit or loss when incurred.

24. Investment income/(loss) - net

	2021 **AED**	2020 AED
Return on investment in fixed deposits	**5,594,765**	5,044,190
Realised loss on sale of investments at fair value through profit or loss	**(9,362,763)**	(4,258,488)
Fair value changes on investments at fair value through profit or loss	**26,470,224**	(1,875,812)
Investment management charges	**(400,556)**	(627,284)
	22,301,670	(1,717,394)
Attributable to shareholders	**(6,642,578)**	(10,080,064)
Attributable to policyholders	**28,944,248**	8,362,670
	22,301,670	(1,717,394)

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

25. Other income

	2021 AED	2020 AED
Surrender and other charges on unit linked policies	**20,011,806**	18,330,624
Others	**357,750**	1,049,131
	20,369,556	19,379,755

26. General and administrative expenses

	2021 AED	2020 AED
Salaries and other benefits	**22,723,587**	24,610,046
Third party administrator expenses	**25,399,387**	14,198,836
Authority fees	**5,039,141**	5,105,825
Policy overhead expenses	**4,172,724**	3,956,206
IT expenses	**3,374,471**	3,107,906
Depreciation and amortization	**4,762,568**	4,654,658
Provision/(reversal) for doubtful debt	**102,684**	(802,745)
Marketing expenses	**1,521,445**	589,980
Legal and professional fees	**3,783,589**	2,371,597
Rent and related expenses	**192,609**	310,061
Retakaful receivable written off	**206,089**	-
Other expenses	**2,496,681**	2,431,298
	73,774,975	60,533,668

27. Basic and diluted (loss)/ profit per share

	2021	2020
(Loss)/profit for the year attributable to shareholders (in AED)	**(6,682,525)**	412,982
Weighted average number of shares outstanding during the year	**150,000,000**	150,000,000
(Loss)/profit per share (AED)	**(0.045)**	0.003

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

28. Fatwa and Sharia'a Supervisory Board

The Group's business activities are subject to the supervision of a Fatwa and Sharia'a Supervisory Board (FSSB) appointed by the shareholders. FSSB performs a supervisory role in order to determine whether the operations of the Group are conducted in accordance with Sharia'a rules and principles.

29. 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 31 December in respect of related parties included in the consolidated financial statements are as follows:

	2021	2020
	AED	AED
Affiliates of major shareholders:		
Outstanding claims	**-**	339,864

The income and expenses in respect of related parties included in the consolidated financial statements are as follows:

	2021	2020
	AED	AED
Affiliates of major shareholders:		
Contributions	**-**	3,793,413
Claims	**-**	3,489,054

Compensation of the key management personnel is as follows:

	2021	2020
	AED	AED
Short term employee benefits	**3,540,001**	2,894,875
End of service benefits	**705,857**	448,913
	4,245,858	3,343,788

Outstanding balances at the year-end arise in the normal course of business.

30. Segment information

For management purposes, the Group is organised into two business segments; takaful and investment operations. The takaful operations comprise the takaful business undertaken by the Group on behalf of policyholders. Investment operations comprise investments and cash management for the Group's own account. No operating segments have been aggregated to form the above reportable operating segments.

Segment performance is evaluated based on profit or loss which in certain respects is measured differently from profit or loss in the consolidated financial statements.

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

	2021					
	Underwriting				*Shareholders*	
	Medical **AED**	***Life*** **AED**	***Total*** **AED**	***Investments*** **AED**	***Others*** **AED**	***Total*** **AED**
Segment revenue	**525,688,072**	**105,852,251**	**631,540,323**	**(6,642,578)**	**126,781,163**	**120,138,585**
Segment result	**90,709,727**	**15,637,943**	**106,347,670**	**(6,642,578)**	**126,781,163**	**120,138,585**
Wakalah fees	**(90,466,744)**	**(15,944,863)**	**(106,411,607)**	**-**	**-**	**-**
Amortisation of deferred policy acquisition cost	-	-	-	-	**(52,982,198)**	**(52,982,198)**
General and administrative expenses	-	-	-	-	**(73,774,975)**	**(73,774,975)**
Provision for Qard Hassan to policyholders' fund	-	-	-	-	**(63,937)**	**(63,937)**
Profit/(loss) attributable to policyholders/ shareholders	**242,983**	**(306,920)**	**(63,937)**	**(6,642,578)**	**(39,947)**	**(6,682,525)**

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

30. Segment information (continued)

	2020					
		Underwriting			*Shareholders*	
	Medical AED	*Life* AED	*Total* AED	*Investments* AED	*Others* AED	*Total* AED
Segment revenue	477,414,742	103,109,642	580,524,384	(10,080,064)	96,952,066	86,872,002
Segment result	70,472,849	15,120,688	85,593,537	(10,080,064)	96,952,066	86,872,002
Wakalah fees	(60,724,146)	(16,848,165)	(77,572,311)	-	-	-
Amortisation of deferred policy acquisition cost	-	-	-	-	(33,946,578)	(33,946,578)
General and administrative expenses	-	-	-	-	(60,533,668)	(60,533,668)
Provision for Qard Hassan to policyholders' fund	-	-	-	-	8,021,226	8,021,226
Profit/(loss) attributable to policyholders/ shareholders	9,748,703	(1,727,477)	8,021,226	(10,080,064)	10,493,046	412,982

	2021						
	Medical AED	**Life and savings AED**	**Underwriting Total AED**	**Shareholders' investments AED**	**Unallocated Others AED**	**Total AED**	**Total AED**
Segment assets	**545,097,080**	**332,297,380**	**877,394,460**	**33,171,885**	**63,020,635**	**96,192,520**	**973,586,980**
Segment liabilities	**468,283,152**	**295,062,511**	**763,345,663**	**-**	**87,132,024**	**87,132,024**	**850,477,687**

	2020						
	Medical AED	Life and savings AED	Underwriting Total AED	Shareholders' investments AED	Unallocated Others AED	Total AED	Total AED
Segment assets	529,400,659	305,730,288	835,130,947	46,102,345	66,500,090	112,602,435	947,733,382
Segment liabilities	498,683,182	236,256,827	734,940,009	-	99,217,000	99,217,000	834,157,009

31. 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. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost
Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2020.

Fair value measurements recognised in the consolidated statement of financial position
The following table provides an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		2021		
	Level 1 AED	**Level 2 AED**	**Level 3 AED**	**Total AED**
Assets				
Investments at fair value through profit or loss				
Equity investments – quoted	80,760,358	-	-	80,760,358
Equity investments - unquoted	-	-	12,579,000	12,579,000
Mutual funds	-	226,794,107	-	226,794,107
Sukuk investments	62,543,175	-	-	62,543,175
Available-for-sale	57,619,641	-	-	57,619,641
	200,923,174	**226,794,107**	**12,579,000**	**440,296,281**
Liabilities				
Investment linked contracts	-	**271,006,737**	-	**271,006,737**

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

31. Fair value of financial instruments (continued)

	2020			
	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Assets				
Investments at fair value through profit or loss				
Equity investments – quoted	63,130,704	-	-	63,130,704
Equity investments – unquoted	-	-	20,400,000	20,400,000
Mutual funds	-	185,750,745	-	185,750,745
Sukuk investments	-	49,978,455	-	49,978,455
Available-for-sale	41,055,764	-	-	41,055,764
	104,186,468	235,729,200	20,400,000	360,315,668
Liabilities				
Investment linked contracts	-	222,185,354	-	222,185,354

31.1 Movement in financial assets at level 3

	2021 AED	2020 AED
Balance at the beginning of the year	**20,400,000**	22,344,509
Changes in value	**(7,821,000)**	(1,944,509)
Balance at the end of the year	**12,579,000**	20,400,000

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

32. Policy holders' fund

	2021 **AED**	2020 AED
Deficit in policy holders' fund		
Balance at the beginning of the year	**(1,246,783)**	(9,268,009)
(Deficit)/ surplus during the year	**(63,937)**	8,021,226
Balance at the end of the year	**(1,310,720)**	(1,246,783)
Qard Hassan from shareholders		
Balance at beginning of year	**1,246,783**	9,268,009
Provision/ (recovery) during the year	**63,937**	(8,021,226)
Balance at the end of the year	**1,310,720**	1,246,783
Total deficit in policyholders' fund	**-**	-

33. Risk management

(i) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Chief Operating Officer and senior managers.

The board of directors meets regularly to approve any commercial, regulatory and organisational decisions. The Chief Operating Officer under the authority delegated from the board of directors defines the Group's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

The Group's current enterprise risk management framework is formally documented and divided into three phases. The Group's enterprise risk management framework is established to identify and analyse the key risks faced by the Group to set appropriate controls and manage those risks. As part of the risks identification process, the Group uses risk based capital model to assess the capital requirement and uses stress analysis to apply changes to capital. The Group's risk appetite is derived from the changes to capital.

33. Risk management (continued)

***(ii)* Capital management framework**

The primary objective of the Group's capital management is to comply with the regulatory requirements in the UAE and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

***(iii)* Regulatory framework**

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Group are also subject to regulatory requirements within the jurisdiction where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

***(iv)* Asset liability management (ALM) framework**

Financial risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages these positions to achieve long-term investment returns in excess of its obligations under takaful contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from takaful contracts by reference to the type of benefits payable to contract holders.

The Chief Operating Officer actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from takaful contracts.

The Chief Operating Officer regularly monitors the financial risks associated with the Group's other financial assets and liabilities not directly associated with takaful liabilities.

33A Takaful risk

The principal risk the Group faces under takaful contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of takaful contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

33. Risk management (continued)

33A Takaful risk (continued)

Frequency and amounts of claims
The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly medical, group life and personal accident risks. These are regarded as short-term takaful contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate takaful risk.

Medical, group life and personal accident
Medical insurance is designed to compensate the contract holders for medical costs. Group life and personal accident takaful entitles the contract holders or their beneficiaries to specified amounts in case of death or permanent or partial disability. For medical takaful, the main risks are illness and related healthcare costs.

Individual Life
For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Group wide reinsurance limits on any single life insured and on all high-risk individuals insured are in place.

The Group has adequate retakaful arrangements to protect its financial viability against such claims for all the above classes.

Geographical concentration of risks
The takaful risk arising from takaful contracts is primarily concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to last year.

Retakaful risk
In common with other takaful companies, in order to minimise financial exposure arising from large takaful claims, the Group, in the normal course of business, enters into arrangements with other parties for retakaful purposes. Such retakaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the retakaful is effected under treaty, facultative and excess of loss reinsurance contracts.

Retakaful ceded contracts do not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the retakaful agreements.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers. The Group deals with reinsurers approved by the Board of Directors.

The three largest reinsurers account for 87% of amounts due from reinsurance companies at 31 December 2021 (2020: 89%).

The Group has a large ceding allowance which covers claim risks, including catastrophic risk. The Group's reserve performance is monitored frequently to ensure adequacy of reserves.

33. Risk management (continued)

33B Financial risk

The Group's principal financial instruments include financial assets and financial liabilities which comprise financial investments (at fair value through profit or loss and available-for-sale), receivables arising from takaful and retakaful contracts, statutory deposits, cash and cash equivalents, and takaful and other payables and ijarah finance.

The Group does not enter into derivative transactions.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk, profit rate risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Group, the maximum exposure to credit risk to the Group is the carrying value as disclosed in the consolidated statement of financial position.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- The Group only enters into takaful and retakaful contracts with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from takaful and retakaful contracts are monitored on an ongoing basis in order to reduce the Group's exposure to bad debts.
- The Group seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Group's investments at fair value through profit or loss are managed by the Chief Operating Officer in accordance with the guidance of the Board of Directors.
- The Group's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position:

	2021	2020
	AED	AED
Cash and bank balances	**66,878,039**	100,521,528
Statutory deposit	**4,000,000**	4,000,000
Takaful and other receivables excluding prepayments	**192,391,841**	181,143,424
Retakaful share of claims reported and unsettled	**35,617,245**	35,311,980
Investments at fair value through profit or loss	**382,676,640**	319,259,904
Available-for-sale	**57,619,641**	41,055,764
	739,183,406	681,292,600

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

33. Risk management (continued)

33B Financial risk (continued)

Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams or US Dollars to which the UAE Dirham is pegged.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with insurance contracts and financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis.

The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

2021

	Less than three months AED	From three months to one year AED	Over one year AED	Total AED
Financial assets				
Cash and bank balances	**49,628,039**	**17,250,000**	**-**	**66,878,039**
Statutory deposit	**-**	**-**	**4,000,000**	**4,000,000**
Takaful receivables and other assets	**159,565,667**	**27,024,962**	**5,801,212**	**192,391,841**
Retakaful share of claims reported	**35,617,245**	**-**	**-**	**35,617,245**
Investments at fair value through profit or loss	**-**	**-**	**382,676,640**	**382,676,640**
Available-for-sale	**-**	**-**	**57,619,641**	**57,619,641**
Total	**244,810,951**	**44,274,962**	**450,097,493**	**739,183,406**
Financial liabilities				
Takaful and other payables	**86,935,447**	**98,392,050**	**7,155,373**	**192,482,870**
Claims reported	**133,106,143**	**-**	**-**	**133,106,143**
Ijarah finance	**-**	**-**	**21,700,000**	**21,700,000**
Policyholders' investment linked contracts at fair value	**-**	**-**	**271,006,737**	**271,006,737**
Total	**220,041,590**	**98,392,050**	**299,862,110**	**618,295,750**

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

33. Risk management (continued)

33B Financial risk (continued)

Liquidity risk (continued)

2020

	Less than three months AED	From three months to one year AED	Over one year AED	Total AED
Financial assets				
Cash and bank balances	83,271,528	17,250,000	-	100,521,528
Statutory deposit	-	-	4,000,000	4,000,000
Takaful receivables and other assets	157,824,131	19,218,482	4,100,811	181,143,424
Retakaful share of claims reported	35,311,980	-	-	35,311,980
Investments at fair value through profit or loss	-	-	319,259,904	319,259,904
Available-for-sale	-	-	41,055,764	41,055,764
Total	276,407,639	36,468,482	368,416,479	681,292,600
Financial liabilities				
Takaful and other payables	63,479,870	165,143,103	3,521,607	232,144,580
Claims reported	90,172,171	-	-	90,172,171
Ijarah finance	-	-	25,900,000	25,900,000
Policyholders' investment linked contracts at fair value	-	-	222,185,354	222,185,354
Total	153,652,041	165,143,103	251,606,961	570,402,105

Profit rate risk

Profit rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Floating rate instruments expose the Group to cash flow profit risk, whereas fixed profit rate instruments expose the Group to fair value profit risk.

The Group is exposed to profit rate risk on certain of its investment in financial instruments held at fair value though profit or loss, designated upon initial recognition, statutory deposits and ijarah finance. The Group limits profit rate risk by monitoring changes in profit rates in the currencies in which its cash and profit bearing investments and ijarah finance are denominated.

33. Risk management (continued)

33B Financial risk (continued)

Profit rate risk (continued)

	Increase in basis points	Effect on results for the year AED
2021		
Profit bearing assets	**+100**	**3,105,873**
Expense bearing liabilities	**+100**	**217,000**
2020		
Profit bearing assets	+100	2,569,792
Expense bearing liabilities	+100	259,000

Any movement in profit rates in the opposite direction will produce exactly opposite results.

Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The price risk is managed by outsourcing the trading of securities held by the Group to professional brokers. However, the activities of brokers are also monitored and supervised by the management.

The following table shows the sensitivity of fair values to 5% increase or decrease as at 31 December:

	Favorable change AED	Unfavorable change AED
2021		
Profit bearing assets	**19,133,832**	(19,133,832)
2020		
Profit bearing assets	15,962,995	(15,962,995)

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

With the 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. Certain countries including the United Arab Emirates (UAE) have adopted extraordinary and economically costly containment measures and have required companies to limit or even suspend normal business operations.

33. Risk management (continued)

33B Financial risk (continued)

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

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 contribution and takaful balances receivable,
- unavailability of personnel,
- reduction in gross contribution due to non-renewal of policies,
- provision for outstanding claims and claims incurred but not reported,
- fair value measurement of financial instruments and investment properties held by the Group.

Based on the above consideration, management has concluded that there is no significant impact on the Group's profitability position as at reporting date. The Group has implemented business continuity plan that includes all the procedures and protocols during these current situations. Remote working plans were initiated, and measures were taken to ensure uninterrupted business.

Further, the Group has performed stress testing as required by the Central Bank of UAE approved by the Board of Directors, who are satisfied that the Group will continue to operate as a going concern. Accordingly, these financial statements 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.

33C Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

34. Contingencies

Contingent liabilities

At 31 December 2021 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 757,309 (2020: AED 163,593).

Legal claims

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

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

34. Contingencies (continued)

Capital commitments

Capital commitments as at 31 December 2021 amounted to AED 6 million (2020: AED 8.2 million).

Other commitments

The Group has lease agreements which are payable as follows:

	2021	2020
	AED	AED
Less than one year	**108,780**	109,530

35. Regulatory framework and going concern

As per Article (8) of Section 2 of the financial regulations issued for insurance companies in UAE, the Company shall at all times comply with the requirements of Solvency Margin. As at 31 December 2021, the Company had a solvency deficit as compared to the Minimum Capital Requirements of AED 100 million. CBUAE has given time until the end of September 2022 to completely eliminate the solvency deficit. The Company has made a business plan to meet the solvency requirements by end of September 2022 and provide a bank guarantee for remaining solvency deficit. The business plan is approved by Central Bank of UAE and the Company is required to submit monthly progress reports to the Central Bank of UAE to demonstrate compliance with the business plan. Management believes that they will be able to successfully execute the plan by 30 September 2022 and eliminate the solvency deficit. However as certain actions included in the business plan are not wholly within management’s control, a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern.

Based on the above, management has prepared cash flow projections covering a 12-month period from the date of audit report which shows that the Group will be able to successfully meet its liabilities as they fall due towards the end of the year 2022. In addition, the Group has sufficient assets to settle its liabilities and meet its financial obligations in the foreseeable future. In view of the foregoing, the consolidated financial statements continue to be prepared on a going concern basis.

The table below summarises the consolidated Minimum Capital Requirement ("MCR"), Minimum Guarantee Fund and Solvency Capital Requirement of the Group and the total capital held at the Group level to meet the required Solvency Margins in line with the requirements of the financial regulations issued for insurance companies in UAE.

35. Regulatory framework and going concern (continued)

The solvency position of the Group as of 30 September 2021 and 31 December 2020 is presented below. The Group has presented the solvency position as of 30 September 2021 which is the latest available solvency position as of the date of approval of these consolidated financial statements.

	30 September 2021 (Unaudited) AED	31 December 2020 (Audited) AED
Minimum Capital Requirement (MCR)	**100,000,000**	100,000,000
Solvency Capital Requirement (SCR)	**9,649,214**	110,615,476
Minimum Guarantee Fund (MGF)	**100,964,786**	84,269,712
Basic Own Funds	**(9,197,346)**	1,751,210
MCR Solvency Margin (Surplus/deficit)	**(109,197,346)**	(98,248,790)
SCR Solvency Margin (Surplus/deficit)	**(100,846,561)**	(108,864,265)
MGF Solvency Margin (Surplus/deficit)	**(110,162,132)**	(82,518,502)

36. Technical provision

	2021 AED	2020 AED
Claims reported and unsettled	**133,106,143**	90,172,171
Claims incurred but not reported	**44,997,319**	35,774,861
Unearned contributions	**171,614,428**	219,208,476
Mathematical reserve	**12,436,967**	6,057,040
Policyholders’ investment linked contracts at fair value	**271,006,737**	222,185,354
Technical provisions	**633,161,594**	573,397,902

Medical business

	2021 AED	2020 AED
Claims reported and unsettled	**130,760,452**	87,824,783
Claims incurred but not reported	**44,478,676**	35,157,384
Unearned contributions	**169,887,561**	217,319,630
Mathematical Reserve	**2,985,123**	2,335,251
Technical provisions	**348,111,812**	342,637,048

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

36. Technical provision (continued)

Life business

	2021 AED	2020 AED
Claims reported and unsettled	**2,345,691**	2,347,388
Claims incurred but not reported	**518,643**	617,477
Unearned contributions	**1,726,867**	1,888,846
Mathematical Reserve	**9,451,844**	3,721,789
Policyholders' investment linked contracts at fair value	**271,006,737**	222,185,354
Technical provisions	**285,049,782**	230,760,854

37. Claims development schedule

Since all claims settled are short-term in nature, the claims development schedule is not applicable.

38. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 18 April 2022.