TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2022

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TAKAFUL EMARAT - INSURANCE (PSC)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Takaful Emarat - Insurance (PSC) (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the interim consolidated statement of financial position as at 31 March 2022, and the related interim consolidated statements of profit or loss and comprehensive income, statement of changes in equity and cash flows for the three months period then ended and explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 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.

Basis for Qualified Conclusion

The Group's takaful receivables and other assets and other receivables, which are carried in the interim condensed consolidated statement of financial position at AED 226.4 million (31 December 2021: AED 183.3 million) and AED 11.3 million (31 December 2021: AED 11.8 million), respectively, includes other receivables of AED 61.41 million (31 December 2021: AED 43.1 million). We were not provided with sufficient and appropriate audit evidence supporting the carrying amount of these other receivables as at 31 March 2022 and, consequently, were unable to determine whether any adjustments to the attached condensed consolidated financial statements were necessary as a result of any potential adjustments to such assets.

The Group's takaful and other payables, which are carried in the interim condensed consolidated statement of financial position at AED 119.9 million (31 December 2021: AED 130.2 million), includes accrued expenses and other payables of AED 4.37 million (31 December 2021: AED 7.1 million). We were not provided with sufficient and appropriate audit evidence supporting the carrying amount of these liabilities as at 31 March 2022 and, consequently, were unable to determine whether any adjustments to the attached condensed consolidated financial statements were necessary as a result of any potential adjustments to such liabilities.

The predecessor auditor's audit opinion on the consolidated financial statements of the Group as of and for the year ended 31 December 2021 was also modified in respect of these matters.

Qualified Conclusion

Except for the possible effects of the matters described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TAKAFUL EMARAT - INSURANCE (PSC) (continued)

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 22 to the condensed consolidated financial statements which states that the Group did not meet the Minimum Capital Requirements of AED 100 million as of 31 March 2022 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 UAE. This indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Other Matter

The interim condensed consolidated financial statements of the Group as of 31 March 2021 were reviewed by another auditor whose report dated 15 May 2021 expressed an unmodified conclusion on those interim condensed consolidated financial statements. Also, the consolidated financial statements of the Group as of 31 December 2021, were audited by another auditor whose report dated 18 April 2022 expressed a qualified opinion on those consolidated financial statements with regard to the same matters as described above in the Basis for Qualified Conclusion section.

For Ernst & Young

Signed by:
Ashraf Abu-Sharkh
Partner
Registration No. 690

12 July 2022

Dubai, United Arab Emirates

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022 (Unaudited)

	Notes	*31 March 2022 (Unaudited) AED*	*31 December 2021 (Audited) AED*
TAKAFUL OPERATIONS' ASSETS			
Investment properties	6	**55,650,673**	54,962,472
Financial instruments	7	**417,999,369**	418,502,384
Takaful receivables and other assets		**226,423,654**	183,312,850
Retakaful contract assets	8	**94,402,275**	113,870,544
Deferred policy acquisition cost		**48,923,602**	51,246,159
Cash and bank balances	9	**41,524,408**	55,500,051
Total Takaful Operations' Assets		**884,923,981**	877,394,460
Shareholders' Assets			
Property and equipment		**44,486,585**	45,369,456
Intangible assets		**1,586,608**	1,865,606
Financial instruments	7	**12,693,010**	21,793,897
Other receivables		**11,351,485**	11,785,573
Statutory deposit	10	**4,000,000**	4,000,000
Receivable from policyholders		**114,647,326**	112,738,077
Cash and bank balances	9	**14,215,491**	11,377,988
Total Shareholders' Assets		**202,980,505**	208,930,597
TOTAL ASSETS		**1,087,904,486**	1,086,325,057
Takaful Operations' Liabilities and Deficit			
Takaful Operations Liabilities			
Takaful and other payables		**119,885,095**	130,184,069
Takaful contract liabilities	8	**648,361,777**	633,161,594
Payable to shareholders		**114,647,326**	112,738,077
Total Takaful Operations liabilities		**882,894,198**	876,083,740
Deficit in Policyholders' Fund and Qard Hassan from Shareholders			
Deficit in policyholders' fund	11	**(2,029,783)**	(1,310,720)
Qard Hassan from shareholders	11	**2,029,783**	1,310,720
Deficit in Policyholders' Fund and Qard Hassan from Shareholders		**-**	-
TOTAL OPERATIONS' LIABILITIES AND SURPLUS		**882,894,198**	876,083,740

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 March 2022 (Unaudited)

	Notes	*31 March 2022 (Unaudited) AED*	*31 December 2021 (Audited) AED*
Shareholders' Liabilities and Equity			
Shareholders' Liabilities			
Takaful and other payables		**56,947,345**	62,298,801
Ijarah finance	12	**20,650,000**	21,700,000
Provision for employees' end of service benefits		**3,796,892**	3,133,223
Total Shareholders' Liabilities		**81,394,237**	87,132,024
Shareholders' and Policyholders Equity			
Share capital	13	**150,000,000**	150,000,000
Statutory reserve		**6,618,276**	6,567,600
Accumulated losses		**(74,530,705)**	(74,986,787)
Regulatory reserve		**830,307**	830,307
Cumulative changes in fair value of investments -policyholders		**40,698,173**	40,698,173
TOTAL SHAREHOLDERS' AND POLICYHOLDERS' EQUITY		**123,616,051**	123,109,293
Total Shareholders' Liabilities and Equity		**205,010,288**	210,241,317
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT AND SHAREHOLDERS' LIABILITIES AND EQUITY		**1,087,904,486**	1,086,325,057

H.E. Mohamed Haji AlKhoori
Chairman

Wael Al Sharif
Chief Executive Officer

Adnan Sabaalaish
Senior Manager - Finance

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the period ended 31 March 2022 (Unaudited)

		Three months ended 31 March	
	Notes	***2022 AED***	*2021 AED*
Attributable to policyholders:			
Gross contributions written	14	**145,005,595**	229,663,565
Changes in unearned contributions	14	**(21,795,103)**	(79,758,382)
Takaful contributions earned		**123,210,492**	149,905,183
Retakaful contributions	14	**(22,991,374)**	(27,742,790)
Change in unearned contributions	14	**(11,509,475)**	(11,757,016)
Retakaful contributions earned		**(34,500,849)**	(39,499,806)
Net earned contributions		**88,709,643**	110,405,377
Gross claims incurred		**(80,204,341)**	(121,690,591)
Retakaful share of claims incurred		**26,902,625**	47,790,787
Net claims incurred		**(53,301,716)**	(73,899,804)
Change in reserve	8.1	**(16,371,466)**	(9,596,691)
Net change in fair value of policyholders investment linked contracts		**1,241,502**	(8,192,945)
		(68,431,680)	(91,689,440)
Net takaful income		**20,277,963**	18,715,937
Wakalah fees	15	**(20,907,444)**	(19,270,108)
Investment income		**(89,582)**	1,698,304
Net (deficit)/ surplus from takaful operations		**(719,063)**	1,144,133
Attributable to Shareholders:			
Wakalah fees from policyholders	15	**20,907,444**	19,270,108
Investment income		**216,226**	27,187
Other income		**4,682,357**	5,322,143
Commission incurred		**(9,061,760)**	(14,015,271)
General, administrative and other expenses		**(15,518,446)**	(16,304,355)
Recovery of Qard Hassan to policyholders' fund		**(719,063)**	1,144,133
Profit/ (loss) for the period attributable to shareholders		**506,758**	(4,556,055)
Basic and diluted earnings/ (loss) per share (AED)	16	**0.003**	(0.030)

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 March 2022 (Unaudited)

		Three months ended 31 March	
	Notes	***2022 AED***	*2021 AED*
Profit/(Loss) for the period attributable to Shareholders		**506,758**	(4,556,055)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Net changes in fair value of available for sale investments		**-**	-
Other comprehensive income/ (loss) for the period		**506,758**	(4,556,055)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE PERIOD		**506,758**	(4,556,055)

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2022 (Unaudited)

			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 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
Balance at 1 January 2022	**150,000,000**	**6,567,600**	**(74,986,787)**	**830,307**	**40,698,173**	**123,109,293**
Total comprehensive income for the period	**-**	**-**	**506,758**	**-**	**-**	**506,758**
Transfer to statutory reserve	**-**	**50,676**	**(50,676)**	**-**	**-**	**-**
Balance at 31 March 2022 (Unaudited)	**150,000,000**	**6,618,276**	**(74,530,705)**	**830,307**	**40,698,173**	**123,616,051**

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

For the period ended 31 March 2022 (Unaudited)

	Notes	*Three months ended 31 March* 2022 AED	2021 AED (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) for the period		**506,758**	(4,556,055)
Adjustments for:			
Depreciation of property and equipment and amortisation intangible assets		**1,177,969**	1,180,476
Change in fair value of investments at FVTPL		**1,923,481**	(7,423,574)
Provision for employees' end of service benefits		**830,119**	6,697
Provision for doubtful debts		**-**	12,261
Operating cash flows before changes in operating assets and liabilities		**4,438,327**	(10,780,195)
Decrease/ (increase) in retakaful contract assets		**19,468,269**	(2,301,287)
(Increase)/ decrease in takaful receivables and other assets		**(42,676,716)**	(68,482,007)
Increase in deferred policy acquisition cost		**2,322,557**	1,770,672
Increase in takaful contract liabilities		**15,200,183**	133,586,472
Decrease in takaful and other payables		**(15,650,430)**	(45,140,965)
NET CASH (USED IN)/ GENERATED FROM OPERATIONS		**(16,897,810)**	8,652,690
Employees' end of service benefits paid		**(166,450)**	(219,371)
Net cash (used in)/ generated from operating activities		**(17,064,260)**	8,433,319
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments at FVTPL		**(57,084,212)**	(48,736,720)
Proceeds from sale of investments at FVTPL		**64,764,633**	43,756,062
Purchase of property and equipment		**(16,100)**	-
Purchase of investments properties		**(688,201)**	(909,266)
Net cash generated from/ (used in) investing activities		**6,976,120**	(5,889,924)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Ijarah finance		**(1,050,000)**	(1,050,000)
Net cash used in financing activities		**(1,050,000)**	(1,050,000)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(11,138,140)**	1,493,395
Cash and cash equivalents at the beginning of the period		**49,628,039**	83,271,528
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	**38,489,899**	84,764,923

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

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 Company is P.O. Box 64341, Dubai, United Arab Emirates.

These interim condensed 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			**2022**	2021
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 interim condensed consolidated financial statements.

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 interim condensed consolidated 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.

2 BASIS OF PREPARATION AND NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

2.1 Basis of Preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards IAS34, Interim financial reporting ("IAS 34").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2021.

2 BASIS OF PREPARATION AND NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

2.2 New and revised IFRSs applied with no material effect on the interim condensed consolidated financial statements

The Group has applied the following amendments to published standards for the first time for the annual reporting period commencing 1 January 2022:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

2.3 New and revised IFRS standards and interpretations but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts (effective for reporting periods beginning on or after 1 January 2023). Management of the Group is assessing the impact of the above standard on the Group's financial statements and does not intend to adopt the above standard before its effective date.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective for annual reporting periods beginning on or after 1 January 2023)
- Definition of Accounting Estimates - Amendments to IAS 8 (effective for annual reporting periods beginning on or after 1 January 2023)
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (applicable for annual periods beginning on or after 1 January 2023)

There are no other relevant applicable new standards and amendments to published standards that have been issued but are not effective for the first time for the Group's financial period beginning on 1 January 2022 that would be expected to have a material impact on the financial statements of the Group.

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 the adoption of these new standards, interpretations and amendments, except for IFRS 17, mentioned above, is not expected to have a material impact on the financial statements of the Group in the period of initial application.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements 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 interim condensed consolidated financial statements 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 interim condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended 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 2021, with the exception of the impact of the novel coronavirus (COVID-19) outbreak on the Group which is detailed below.

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 2022.

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 2022 except for what is disclosed in the interim condensed consolidated financial statements.

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 2022 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 as at 31 March 2022. 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 2022. 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 interim condensed consolidated financial statements 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 2021. There have been no changes in the risk management department or in any risk management policies since the year end.

6 INVESTMENT PROPERTIES

	31 March 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Land	**15,401,897**	15,401,896
Residential apartments	**16,070,000**	16,070,000
	31,471,897	31,471,896
Work in progress	**24,178,776**	23,490,576
	55,650,673	54,962,472

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 2022 (31 December 2021: Level 3).

7 FINANCIAL INSTRUMENTS

	31 March 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Takaful operations' assets		
At fair value through profit or loss (Note 7.1)	**360,379,728**	360,882,743
Available-for-sale (Note 7.2)	**57,619,641**	57,619,641
	417,999,369	418,502,384
Shareholders' assets		
At fair value through profit or loss (Note 7.1)	**12,693,010**	21,793,897
Total	**430,692,379**	440,296,281

7.1 Financial instruments at fair value through profit or loss

	31 March 2022 (Unaudited)			
	Attributable to individual life policyholders AED	***Attributable to shareholders AED***	***Attributable to takaful operations AED***	***Total AED***
Mutual funds	**217,614,107**	**114,010**	**-**	**217,728,117**
Sukuk investments	**55,296,059**	**-**	**6,709,204**	**62,005,263**
Equity investments – quoted	**-**	**-**	**80,760,358**	**80,760,358**
Equity investments – unquoted	**-**	**12,579,000**	**-**	**12,579,000**
Total	**272,910,166**	**12,693,010**	**87,469,562**	**373,072,738**

7 FINANCIAL INSTRUMENTS (continued)

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

	31 December 2021 (Audited)			
	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

Movements during the period/year were as follows:

	31 March 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
At beginning of the period/year	**382,676,640**	319,259,904
Purchases during the period/year	**57,084,212**	208,110,823
Disposals during the period/year	**(64,764,633)**	(201,663,405)
Change in fair value during the period/year	**(1,923,481)**	56,969,318
At end of the period/year	**373,072,738**	382,676,640

7.2 Available-for-sale (AFS)

	31 March 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Shares – quoted	**57,619,641**	57,619,641

The fair value gain amounting to nil (31 March 2021: AED nil) has been recognised in the interim condensed consolidated statement of other comprehensive income.

7.3 Investment concentration

The UAE Insurance Authority has set the maximum limit for aggregate exposure in various investments category. As at 31 March 2022, the Group has invested over the limit in other invested assets category by AED Nil (31 December 2021: AED Nil), whereas, it has exceeded the sub-limits in all other categories except real estate investments by AED 123,188,361 (31 December 2021: AED 123,583,933).

8 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	31 March 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Gross takaful contract liabilities		
Claims reported	**129,520,505**	133,106,143
Claims incurred but not reported	**42,853,338**	44,997,319
Unearned contributions	**193,409,531**	171,614,428
Mathematical reserves	**11,961,836**	12,436,967
Policyholders’ investment linked contracts at fair value	**270,616,567**	271,006,737
	648,361,777	633,161,594
Retakaful contract assets		
Retakaful share of claims reported	**28,336,605**	35,617,245
Retakaful share of claims incurred but not reported	**12,291,526**	13,042,844
Retakaful share of unearned contributions	**52,335,941**	63,845,416
Retakaful share of mathematical reserve	**1,438,203**	1,365,039
	94,402,275	113,870,544
Net takaful contract liabilities		
Claims reported	**101,183,899**	97,488,898
Claims incurred but not reported	**30,561,812**	31,954,475
Unearned contributions	**141,073,591**	107,769,012
Mathematical reserves	**10,523,633**	11,071,928
Policyholders’ investment linked contracts at fair value	**270,616,567**	271,006,737
	553,959,502	519,291,050

	31 March 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Movement in payable to policyholders of investment linked contracts		
Opening balance	**271,006,737**	222,185,354
Gross contribution	**19,088,158**	101,619,787
Allocation charges	**(1,988,724)**	(13,940,242)
Redemptions during the period/ year	**(16,248,102)**	(69,357,256)
Change in fair value	**(1,241,502)**	30,499,094
Closing balance	**270,616,567**	271,006,737

8.1 Change in reserves

	31 March 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Changes in mathematical reserve – takaful life	**(548,295)**	978,017
Change in reserve relating to takaful life products	**15,678,259**	16,811,619
Change in fair value-individual life policyholders (Note 8)	**1,241,502**	(8,192,945)
	16,371,466	9,596,691

9 CASH AND BANK BALANCES

	31 March 2022 (Unaudited)		*31 December 2021 (Audited)*	
	Takaful operations AED	***Shareholders' operations AED***	*Takaful operations AED*	*Shareholders' operations AED*
Cash and bank balances	**24,274,408**	**14,215,491**	38,250,051	11,377,988
Deposit	**17,250,000**	**-**	17,250,000	-
	41,524,408	**14,215,491**	55,500,051	11,377,988
Less: Deposits maturing in more than - three months	**(17,250,000)**	**-**	(17,250,000)	-
Total	**24,274,408**	**14,215,491**	38,250,051	11,377,988

The deposits carry profit rates of 1% (2021: 1%) per annum with maturity date as of 29 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 nil (2021: nil) per annum.

11 DEFICIT IN POLICYHOLDERS' FUND

	31 March 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Deficit in policyholders' fund		
Balance at the beginning of the period/year	**(1,310,720)**	(1,246,783)
Deficit during the period/year	**(719,063)**	(63,937)
Balance at the end of the period/ year	**(2,029,783)**	(1,310,720)
Qard Hassan from shareholders		
Balance at beginning of period/year	**1,310,720**	1,246,783
Provision during the period/year	**719,063**	63,937
Balance at the end of the period/year	**2,029,783**	1,310,720
Total deficit in policyholders' fund	**-**	-

12 IJARAH FINANCE

The ijarah finance 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 is amounting to AED 20.65 million as at 31 March 2022 (31 December 2021: AED 21.7 million).

The decrease in Ijarah finance of AED 1.05 million (2021: AED 4.2 million) during the period/year consists of settlement of repayment against the 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 2022 AED (Unaudited)	*31 December 2021 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

14 NET EARNED CONTRIBUTIONS (UNAUDITED)

	Three month period ended 31 March 2022		
	Takaful Medical AED	***Life and savings AED***	***Total AED***
Gross contributions written	**125,815,964**	**19,189,631**	**145,005,595**
Change in unearned contributions	**(22,672,396)**	**877,293**	**(21,795,103)**
Takaful contributions earned	**103,143,568**	**20,066,924**	**123,210,492**
Retakaful contributions	**22,001,022**	**990,352**	**22,991,374**
Change in unearned contributions	**10,768,333**	**741,142**	**11,509,475**
Retakaful contributions ceded	**32,769,355**	**1,731,494**	**34,500,849**
Net earned contributions	**70,374,213**	**18,335,430**	**88,709,643**

	Three month period ended 31 March 2021		
	Takaful 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

15 WAKALAH FEES

For group life, group medical and individual medical policies, wakalah fees were charged from 15.75% to 25% (2021: 13.5% 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 PER SHARE

	Three month period ended 31 March	
	2022	*2021*
	AED	*AED*
	(Unaudited)	*(Unaudited)*
Income/ (Loss) for the period attributable to shareholders	**506,758**	(4,556,055)
Weighted average number of shares outstanding during the period	**150,000,000**	150,000,000
Earnings/ (Loss) per share	**0.003**	(0.030)

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 31 March in respect of related parties included in the interim condensed consolidated financial statements are as follows:

	31 March	*31 December*
	2022	*2021*
	AED	*AED*
	(Unaudited)	*(Audited)*
Affiliates of major shareholders:		
Outstanding claims	-	249,787

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

	Three month period ended 31 March	
	2022	*2021*
	AED	*AED*
	(Unaudited)	*(Unaudited)*
Compensation of key management personnel:		
Short and long term benefits	**1,747,852**	897,994
Transactions with related parties during the period		
Gross written contribution	-	2,861,334
Gross claim incurred	-	83,375

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

	31 March 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Letters of guarantee	**15,000**	163,593

Capital commitments

Capital commitments as at 31 March 2022 amounted to AED 6.5 million (31 December 2021: AED 6 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 2022 (Unaudited)					
	Underwriting			***Shareholders***		
	Medical AED	***Life AED***	***Total AED***	***Medical AED***	***Life AED***	***Total AED***
Segment revenue	**103,143,567**	**20,066,924**	**123,210,491**	**216,226**	**25,589,801**	**25,806,027**
Segment result	**16,871,634**	**3,316,747**	**20,188,381**	**216,226**	**25,589,801**	**25,806,027**
Wakala fees	**(18,417,932)**	**(2,489,512)**	**(20,907,444)**	**-**	**-**	**-**
Commission incurred	**-**	**-**	**-**	**-**	**(9,061,760)**	**(9,061,760)**
General and administrative expenses	**-**	**-**	**-**	**-**	**(15,518,446)**	**(15,518,446)**
Provision for Qard Hassan to policyholders' fund	**-**	**-**	**-**	**-**	**(719,063)**	**(719,063)**
Profit/(loss) attributable to policyholders/ shareholders	**(1,546,298)**	**827,235**	**(719,063)**	**216,226**	**290,532**	**506,758**

19 SEGMENT INFORMATION (continued)

	Three month period ended 31 March 2021 (Unaudited)					
	Underwriting			*Shareholders*		
	Medical AED	*Life AED*	*Total AED*	*Medical AED*	*Life 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)

	31 March 2022 (Unaudited)						
	Medical AED	***Life and saving AED***	***Underwriting Total AED***	***Shareholders' investments AED***	***Unallocated others AED***	***Total AED***	***Total AED***
Segment assets	**545,206,672**	**339,717,309**	**884,923,981**	**26,908,501**	**61,424,678**	**88,333,179**	**973,257,160**
Segment liabilities	**473,252,209**	**294,994,663**	**768,246,872**	-	**81,394,237**	**81,394,237**	**849,641,109**

	As at 31 December 2021 (Audited)						
	Medical AED	*Life and saving 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

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.

	31 March 2022 (Unaudited)			
	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	**-**	**217,728,117**	**-**	**217,728,117**
Sukuk investments	**62,005,263**	**-**	**-**	**62,005,263**
Available-for-sale	**57,619,641**	**-**	**-**	**57,619,641**
	200,385,262	**217,728,117**	**12,579,000**	**430,692,379**
Liabilities				
Investment linked contracts	**-**	**270,616,567**	**-**	**270,616,567**

20 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

	31 December 2021 (Audited)			
	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

21 SEASONALITY OF RESULTS

No income of seasonal nature was recorded in the statement of income for the three months period ended 31 March 2022.

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 March 2022, 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 September 2022 or provide a bank guarantee for solvency deficit. The business plan is approved by Central Bank of UAE and the Company is required to submit monthly progress reports to the Insurance Authority to demonstrate compliance with the business plan.

23 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 5 July 2022.

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 JUNE 2022

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Building a better working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TAKAFUL EMARAT - INSURANCE (PSC)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Takaful Emarat - Insurance (PSC) (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the interim consolidated statement of financial position as at 30 June 2022, and the related interim consolidated statements of profit or loss and comprehensive income, statement of changes in equity and cash flows for the six months period then ended and explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 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.

Basis for Qualified Conclusion

The Group's takaful receivables and other assets and other receivables, which are carried in the interim condensed consolidated statement of financial position at AED 183.3 million (31 December 2021: AED 183.3 million) and AED 10.9 million (31 December 2021: AED 11.8 million), respectively, includes other receivables of AED 65.4 million (31 December 2021: AED 43.1 million). We were not provided with sufficient and appropriate audit evidence supporting the carrying amount of these other receivables as at 30 June 2022 and, consequently, were unable to determine whether any adjustments to the attached condensed consolidated financial statements were necessary as a result of any potential adjustments to such assets

The Group's takaful and other payables, which are carried in the interim condensed consolidated statement of financial position at AED 106.5 million (31 December 2021: AED 130.2 million), includes accrued expenses and other payables of AED 5.25 million (31 December 2021: AED 7.1 million). We were not provided with sufficient and appropriate audit evidence supporting the carrying amount of these liabilities as at 30 June 2022 and, consequently, were unable to determine whether any adjustments to the attached condensed consolidated financial statements were necessary as a result of any potential adjustments to such liabilities.

The predecessor auditor's audit opinion on the consolidated financial statements of the Group as of and for the year ended 31 December 2021 was also modified in respect of these matters.

Qualified Conclusion

Except for the possible effects of the matters described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TAKAFUL EMARAT - INSURANCE (PSC) (continued)

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 22 to the condensed consolidated financial statements which states that the Group did not meet the Minimum Capital Requirements of AED 100 million as of 30 June 2022 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 UAE. This indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Other Matter

The interim condensed consolidated financial statements of the Group as of 30 June 2021 were reviewed by another auditor whose report dated 10 August 2021 expressed an unmodified conclusion on those interim condensed consolidated financial statements. Also, the consolidated financial statements of the Group as of 31 December 2021, were audited by another auditor whose report dated 18 April 2022 expressed a qualified opinion on those consolidated financial statements with regard to the same matters as described above in the Basis for Qualified Conclusion section.

For Ernst & Young

Signed by:
Ashraf Abu-Sharkh
Partner
Registration No. 690

12 August 2022

Dubai, United Arab Emirates

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022 (Unaudited)

	Notes	***30 June 2022 (Unaudited) AED***	*31 December 2021 (Audited) AED*
TAKAFUL OPERATIONS' ASSETS			
Cash and bank balances	9	**31,673,187**	55,500,051
Financial instruments	7	**395,067,223**	418,502,384
Takaful receivables and other assets		**183,345,333**	183,312,850
Retakaful contract assets	8	**84,064,067**	113,870,544
Investment properties	6	**57,503,031**	54,962,472
Deferred policy acquisition cost		**44,465,516**	51,246,159
Total Takaful Operations' Assets		**796,118,357**	877,394,460
Shareholders' Assets			
Cash and bank balances	9	**14,061,916**	11,377,988
Financial instruments	7	**22,406,089**	21,793,897
Other receivables		**10,853,284**	11,785,573
Statutory deposit	10	**4,000,000**	4,000,000
Property and equipment		**43,627,250**	45,369,456
Intangible assets		**1,421,302**	1,865,606
Receivable from policyholders		**112,579,372**	112,738,077
Total Shareholders' Assets		**208,949,213**	208,930,597
TOTAL ASSETS		**1,005,067,570**	1,086,325,057
Takaful Operations' Liabilities and Deficit			
Takaful Operations Liabilities			
Takaful and other payables		**106,453,941**	130,184,069
Takaful contract liabilities	8	**571,891,012**	633,161,594
Payable to shareholders		**112,579,372**	112,738,077
Total Takaful Operations liabilities		**790,924,325**	876,083,740
Deficit in Policyholders' Fund and Qard Hassan from Shareholders			
Deficit in policyholders' fund	11	**(5,194,031)**	(1,310,720)
Qard Hassan from shareholders	11	**5,194,031**	1,310,720
Deficit in Policyholders' Fund and Qard Hassan from Shareholders		**-**	-
TOTAL OPERATIONS' LIABILITIES AND SURPLUS		**790,924,325**	876,083,740

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 30 June 2022 (Unaudited)

	Notes	***30 June 2022 (Unaudited) AED***	*31 December 2021 (Audited) AED*
Shareholders' Liabilities and Equity			
Shareholders' Liabilities			
Takaful and other payables		**73,022,337**	62,298,801
Ijarah finance	12	**19,600,000**	21,700,000
Provision for employees' end of service benefits		**3,785,960**	3,133,223
Total Shareholders' Liabilities		**96,408,297**	87,132,024
Shareholders' and Policyholders Equity			
Share capital	13	**150,000,000**	150,000,000
Statutory reserve		**6,567,600**	6,567,600
Accumulated losses		**(80,361,132)**	(74,986,787)
Regulatory reserve		**830,307**	830,307
Cumulative changes in fair value of investments -policyholders		**40,698,173**	40,698,173
TOTAL SHAREHOLDERS' AND POLICYHOLDERS' EQUITY		**117,734,948**	123,109,293
Total Shareholders' Liabilities and Equity		**214,143,245**	210,241,317
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT AND SHAREHOLDERS' LIABILITIES AND EQUITY		**1,005,067,570**	1,086,325,057

H.E. Mohamed Haji AlKhoori
Chairman

Wael Al Sharif
Chief Executive Officer

Adnan Sabaalaish
Senior Manager - Finance

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the period ended 30 June 2022 (Unaudited)

		For the three-month period ended 30 June		*For the six-month period ended 30 June*	
	Notes	***2022 AED'000 (Unaudited)***	*2021 AED'000 (Unaudited)*	***2022 AED'000 (Unaudited)***	*2021 AED'000 (Unaudited)*
Attributable to policyholders:					
Gross contributions written	14	**60,571,738**	114,405,304	**205,577,333**	344,068,869
Changes in unearned contributions	14	**57,493,527**	48,301,211	**35,698,424**	(31,457,171)
Takaful contributions earned		**118,065,265**	162,706,515	**241,275,757**	312,611,698
Retakaful contributions	14	**(18,352,469)**	(26,565,146)	**(41,343,843)**	(54,307,936)
Change in unearned contributions	14	**(14,028,983)**	(13,985,898)	**(25,538,458)**	(25,742,914)
Retakaful contributions earned		**(32,381,452)**	(40,551,044)	**(66,882,301)**	(80,050,850)
Net earned contributions		**85,683,813**	122,155,471	**174,393,456**	232,560,848
Gross claims incurred		**(78,399,260)**	(115,855,603)	**(158,603,601)**	(237,546,194)
Retakaful share of claims incurred		**30,029,754**	32,573,934	**56,932,379**	80,364,721
Net claims incurred		**(48,369,506)**	(83,281,669)	**(101,671,222)**	(157,181,473)
Change in reserve	8.1	**(21,717,667)**	(5,532,130)	**(38,089,133)**	(15,128,821)
Net change in fair value of policyholders investment linked contracts		**983,152**	(12,547,532)	**2,224,654**	(20,740,477)
		(69,104,021)	(101,361,331)	**(137,535,701)**	(193,050,771)
Net takaful income		**16,579,792**	20,794,140	**36,857,755**	39,510,077
Wakalah fees	15	**(19,517,794)**	(25,883,658)	**(40,425,238)**	(45,153,766)
Investment income		**(226,246)**	3,039,386	**(315,828)**	4,737,690
Net (deficit) from takaful operations		**(3,164,248)**	(2,050,132)	**(3,883,311)**	(905,999)
Attributable to Shareholders:					
Wakalah fees from policyholders	15	**19,517,794**	25,883,658	**40,425,238**	45,153,766
Investment income		**32,220**	780,131	**248,446**	807,318
Other income		**3,141,162**	4,482,755	**7,823,519**	9,804,898
Commission incurred		**(8,755,472)**	(12,093,270)	**(17,817,232)**	(26,108,541)
General, administrative and other expenses		**(16,652,559)**	(19,591,998)	**(32,171,005)**	(35,896,353)
Recovery of Qard Hassan to policyholders' fund		**(3,164,248)**	(2,050,132)	**(3,883,311)**	(905,999)
Loss for the period attributable to shareholders		**(5,881,103)**	(2,588,856)	**(5,374,345)**	(7,144,911)
Basic and diluted (loss) per share (AED)	16	**(0.039)**	(0.017)	**(0.036)**	(0.048)

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 30 June 2022 (Unaudited)

		For the three-month period ended 30 June		*For the six-month period ended 30 June*	
	Notes	***2022 AED'000 (Unaudited)***	*2021 AED'000 (Unaudited)*	***2022 AED'000 (Unaudited)***	*2021 AED'000 (Unaudited)*
(Loss) for the period attributable to Shareholders		**(5,881,103)**	(2,588,856)	**(5,374,345)**	(7,144,911)
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
Other comprehensive income for the period		**-**	566,286	**-**	566,286
TOTAL COMPREHENSIVE (LOSS) FOR THE PERIOD		**(5,881,103)**	(2,022,570)	**(5,374,345)**	(6,578,625)

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 30 June 2022 (Unaudited)

		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 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
Balance at 1 January 2022	150,000,000	6,567,600	(74,986,787)	830,307	40,698,173	123,109,293
Total comprehensive income for the period	-	-	(5,374,345)	-	-	(5,374,345)
Balance at 30 June 2022 (Unaudited)	**150,000,000**	**6,567,600**	**(80,361,132)**	**830,307**	**40,698,173**	**117,734,948**

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

For the period ended 30 June 2022 (Unaudited)

	Notes	***Six months ended 30 June***	
		2022	*2021*
		AED	*AED*
			(Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) for the period		**(5,374,345)**	(7,144,911)
Adjustments for:			
Depreciation of property and equipment and amortisation intangible assets		**2,285,105**	2,365,037
Realised (gain) on sale of investments at fair value through profit or loss		**(249,086)**	9,465,560
Loss/ (gain) on revaluation of investments at fair value through profit or loss		**2,906,633**	(21,283,586)
Provision for employees' end of service benefits		**1,028,960**	210,531
Provision for doubtful debts		**-**	1,017,957
Operating cash flows before changes in operating assets and liabilities		**597,267**	(15,369,412)
Decrease in retakaful contract assets		**29,806,477**	15,865,051
Decrease/ (increase) in takaful receivables and other assets		**899,804**	(56,472,788)
Decrease in deferred policy acquisition cost		**6,780,643**	4,237,700
(Decrease)/ increase in takaful contract liabilities		**(61,270,580)**	118,077,325
(Decrease) in takaful and other payables		**(13,006,594)**	(44,240,254)
NET CASH (USED IN)/ GENERATED FROM OPERATIONS		**(36,192,984)**	22,097,622
Employees' end of service benefits paid		**(376,223)**	(310,850)
Net cash (used in)/ generated from operating activities		**(36,569,207)**	21,786,772
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments at FVTPL		**(127,750,772)**	(106,381,864)
Proceeds from sale of investments at FVTPL		**147,916,194**	99,891,229
Purchase of property and equipment		**(98,593)**	(698,890)
Purchase of investments properties		**(2,540,558)**	(1,597,466)
Net cash generated from/ (used in) investing activities		**17,526,271**	(8,786,991)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in bank borrowings		**(2,100,000)**	(2,100,000)
Net cash (used in) financing activities		**(2,100,000)**	(2,100,000)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		**(21,142,936)**	10,899,781
Cash and cash equivalents at the beginning of the period		**49,628,039**	83,271,528
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	9	**28,485,103**	94,171,309

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

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 Company is P.O. Box 64341, Dubai, United Arab Emirates.

These interim condensed 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			**2022**	2021
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 interim condensed consolidated financial statements.

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 interim condensed consolidated 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.

2 BASIS OF PREPARATION AND NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

2.1 Basis of Preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards IAS34, Interim financial reporting ("IAS 34").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 December 2021. In addition, results for the six months period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

2 BASIS OF PREPARATION AND NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

2.2 New and revised IFRSs applied with no material effect on the interim condensed consolidated financial statements

The Group has applied the following amendments to published standards for the first time for the annual reporting period commencing 1 January 2022:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the ’10 per cent’ test for derecognition of financial liabilities

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

2.3 New and revised IFRS standards and interpretations but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- IFRS 17 Insurance Contracts (effective for reporting periods beginning on or after 1 January 2023). Management of the Group is assessing the impact of the above standard on the Group's financial statements and does not intend to adopt the above standard before its effective date.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective for annual reporting periods beginning on or after 1 January 2023)
- Definition of Accounting Estimates - Amendments to IAS 8 (effective for annual reporting periods beginning on or after 1 January 2023)
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (applicable for annual periods beginning on or after 1 January 2023)

There are no other relevant applicable new standards and amendments to published standards that have been issued but are not effective for the first time for the Group’s financial period beginning on 1 January 2022 that would be expected to have a material impact on the financial statements of the Group.

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 the adoption of these new standards, interpretations and amendments, except for IFRS 17, mentioned above, is not expected to have a material impact on the financial statements of the Group in the period of initial application.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements 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 interim condensed consolidated financial statements 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 interim condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended 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 2021, with the exception of the impact of the novel coronavirus (COVID-19) outbreak on the Group which is detailed below.

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 2022.

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 2022 except for what is disclosed in the interim condensed consolidated financial statements.

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 2022 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 as at 30 June 2022. 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 2022. 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 interim condensed consolidated financial statements 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 2021. There have been no changes in the risk management department or in any risk management policies since the year end.

6 INVESTMENT PROPERTIES

	30 June 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Land	**15,401,897**	15,401,896
Residential apartments	**16,070,000**	16,070,000
	31,471,897	31,471,896
Work in progress	**26,031,134**	23,490,576
	57,503,031	54,962,472

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 2022 (31 December 2021: Level 3) and are located within the United Arab Emirates.

7 FINANCIAL INSTRUMENTS

	30 June 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Takaful operations' assets		
At fair value through profit or loss (Note 7.1)	**337,447,582**	360,882,743
Available-for-sale (Note 7.2)	**57,619,641**	57,619,641
	395,067,223	418,502,384
Shareholders' assets		
At fair value through profit or loss (Note 7.1)	**22,406,089**	21,793,897
Total	**417,473,312**	440,296,281

7.1 Financial instruments at fair value through profit or loss

	30 June 2022 (Unaudited)			
	Attributable to individual life policyholders AED	***Attributable to shareholders AED***	***Attributable to takaful operations AED***	***Total AED***
Mutual funds	**197,752,412**	**4,276,411**	**-**	**202,028,823**
Sukuk investments	**52,225,608**	**5,550,678**	**6,709,204**	**64,485,490**
Equity investments – quoted	**-**	**-**	**80,760,358**	**80,760,358**
Equity investments – unquoted	**-**	**12,579,000**	**-**	**12,579,000**
Total	**249,978,020**	**22,406,089**	**87,469,562**	**359,853,671**

7 FINANCIAL INSTRUMENTS (continued)

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

	31 December 2021 (Audited)			
	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

Movements during the period/year were as follows:

	30 June 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
At beginning of the period/year	**382,676,640**	319,259,904
Purchases during the period/year	**127,750,772**	208,110,823
Disposals during the period/year	**(147,667,108)**	(201,663,405)
Change in fair value during the period/year	**(2,906,633)**	56,969,318
At end of the period/year	**359,853,671**	382,676,640

7.2 Available-for-sale (AFS)

	30 June 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Shares – quoted	**57,619,641**	57,619,641

The fair value gain amounting to nil (30 June 2021: AED 0.57 million) has been recognised in the interim condensed consolidated statement of other comprehensive income.

7.3 Investment concentration

The UAE Insurance Authority has set the maximum limit for aggregate exposure in various investments category. As at 30 June 2022, the Group has invested over the limit in other invested assets category by AED Nil (31 December 2021: AED Nil), whereas, it has exceeded the sub-limits in all other categories except real estate investments by AED 123,188,361 (31 December 2021: AED 123,583,933).

8 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	30 June 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Gross takaful contract liabilities		
Claims reported	**129,279,135**	133,106,143
Claims incurred but not reported	**43,170,509**	44,997,319
Unearned contributions	**135,916,004**	171,614,428
Mathematics reserves	**13,521,789**	12,436,967
Policyholders' investment linked contracts at fair value	**250,003,575**	271,006,737
	571,891,012	633,161,594
Retakaful contract assets		
Retakaful share of claims reported	**32,053,907**	35,617,245
Retakaful share of claims incurred but not reported	**12,124,921**	13,042,844
Retakaful share of unearned contributions	**38,306,958**	63,845,416
Retakaful share of mathematics reserves	**1,578,281**	1,365,039
	84,064,067	113,870,544
Net takaful contract liabilities		
Claims reported	**97,225,228**	97,488,898
Claims incurred but not reported	**31,045,588**	31,954,475
Unearned contributions	**97,609,046**	107,769,012
Mathematics reserves	**11,943,508**	11,071,928
Policyholders' investment linked contracts at fair value	**250,003,575**	271,006,737
	487,826,945	519,291,050
Movement in payable to policyholders of investment linked contracts		
Opening balance	**271,006,737**	222,185,354
Gross contribution	**41,562,082**	101,619,787
Allocation charges	**(4,062,860)**	(13,940,242)
Redemption and other charges	**(56,277,730)**	(69,357,256)
Change in fair value	**(2,224,654)**	30,499,094
Closing balance	**250,003,575**	271,006,737

8.1 Change in reserves

	30 June 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Change in mathematical reserve – takaful life	**(1,141,551)**	5,199,580
Change in reserve relating to takaful life products	**37,006,030**	83,178,545
Change in fair value – individual life policyholders	**2,224,654**	(30,499,094)
	38,089,133	57,879,031

9 CASH AND BANK BALANCES

	30 June 2022 (Unaudited)		*31 December 2021 (Audited)*	
	Takaful operations AED	***Shareholders' operations AED***	*Takaful operations AED*	*Shareholders' operations AED*
Cash and bank balances	**14,423,187**	**14,061,916**	38,250,051	11,377,988
Deposit	**17,250,000**	**-**	17,250,000	-
	31,673,187	**14,061,916**	55,500,051	11,377,988
Less: Deposits maturing in more than three months	**(17,250,000)**	**-**	(17,250,000)	-
Total	**14,423,187**	**14,061,916**	38,250,051	11,377,988

The deposits carry profit rates of 1% (2021: 1%) per annum with maturity date as of 29 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 nil (2021: 1%) per annum.

11 DEFICIT IN POLICYHOLDERS' FUND

	30 June 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Deficit in policyholders' fund		
Balance at the beginning of the period/year	**(1,310,720)**	(1,246,783)
Deficit during the period/year	**(3,883,311)**	(63,937)
Balance at the end of the period/ year	**(5,194,031)**	(1,310,720)
Qard Hassan from shareholders		
Balance at beginning of period/year	**1,310,720**	1,246,783
Provision during the period/year	**3,883,311**	63,937
Balance at the end of the period/year	**5,194,031**	1,310,720
Total deficit in policyholders' fund	**-**	-

12 IJARAH FINANCE

The ijarah finance 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 is amounting to AED19.6 million as at 30 June 2022 (31 December 2021: AED 21.7 million).

The decrease in Ijarah finance of AED 2.1 million (2021: AED 2.1 million) during the period/year consists of settlement of repayment against the 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

	30 June 2022 AED (Unaudited)	*31 December 2021 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

14 NET EARNED CONTRIBUTIONS (UNAUDITED)

Three month period	***Three month period ended 30 June 2022***			*Three month period ended 30 June 2021*		
	Takaful Medical AED	***Life and savings AED***	***Total AED***	*Takaful Medical AED*	*Life and savings AED*	*Total AED*
Gross contributions written	**38,098,209**	**22,473,529**	**60,571,738**	91,196,348	23,208,956	114,405,304
Change in unearned contributions	**56,868,776**	**624,751**	**57,493,527**	48,463,762	(162,551)	48,301,211
Takaful contributions earned	**94,966,985**	**23,098,280**	**118,065,265**	139,660,110	23,046,405	162,706,515
Retakaful contributions	**(17,450,452)**	**(902,017)**	**(18,352,469)**	(24,483,971)	(2,081,175)	(26,565,146)
Change in unearned contributions	**(13,544,505)**	**(484,478)**	**(14,028,983)**	(14,298,554)	312,656	(13,985,898)
Retakaful contributions ceded	**(30,994,957)**	**(1,386,495)**	**(32,381,452)**	(38,782,525)	(1,768,519)	(40,551,044)
Net earned contributions	**63,972,028**	**21,711,785**	**85,683,813**	100,877,585	21,277,886	122,155,471

Six month period	***Six month period ended 30 June 2022***			*Six month period ended 30 June 2021*		
	Takaful Medical AED	***Life and savings AED***	***Total AED***	*Takaful Medical AED*	*Life and savings AED*	*Total AED*
Gross contributions written	**163,914,173**	**41,663,160**	**205,577,333**	299,465,442	44,603,427	344,068,869
Change in unearned contributions	**34,196,380**	**1,502,044**	**35,698,424**	(32,009,901)	552,730	(31,457,171)
Takaful contributions earned	**198,110,553**	**43,165,204**	**241,275,757**	267,455,541	45,156,157	312,611,698
Retakaful contributions	**(39,451,474)**	**(1,892,369)**	**(41,343,843)**	(50,885,025)	(3,422,911)	(54,307,936)
Change in unearned contributions	**(24,312,838)**	**(1,225,620)**	**(25,538,458)**	(25,419,446)	(323,468)	(25,742,914)
Retakaful contributions ceded	**(63,764,312)**	**(3,117,989)**	**(66,882,301)**	(76,304,471)	(3,746,379)	(80,050,850)
Net earned contributions	**134,346,241**	**40,047,215**	**174,393,456**	191,151,070	41,409,778	232,560,848

15 WAKALAH FEES

For group life, group medical and individual medical policies, wakalah fees were charged from 15.75% to 25% (2021: 13.5% 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 PER SHARE

	For the three-month period ended 30 June		***For the six-month period ended 30 June***	
	2022 AED'000 (Unaudited)	*2021 AED'000 (Unaudited)*	***2022 AED'000 (Unaudited)***	*2021 AED'000 (Unaudited)*
Loss for the period attributable to shareholders	**(5,881,103)**	(2,588,856)	**(5,374,345)**	(7,144,911)
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	**(0.039)**	(0.017)	**(0.036)**	(0.048)

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 June in respect of related parties included in the interim condensed consolidated financial statements are as follows:

	30 June 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Affiliates of major shareholders:		
Outstanding claims	**-**	339,864

17 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	For the three-month period ended 30 June		***For the six-month period ended 30 June***	
	2022 AED'000 (Unaudited)	*2021 AED'000 (Unaudited)*	***2022 AED'000 (Unaudited)***	*2021 AED'000 (Unaudited)*
Compensation of key management personnel:				
Short and long term benefits	**1,808,042**	1,486,655	**3,555,894**	2,384,649
Transactions with related parties during the period				
Gross written contribution	**-**	(1,670,061)	**-**	1,191,273
Gross claim incurred	**-**	405,223	**-**	488,598

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 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Letters of guarantee	**15,000**	163,593

Capital commitments
Capital commitments as at 30 June 2022 amounted to AED 6.7 million (31 December 2021: AED 6 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.

19 SEGMENT INFORMATION (continued)

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

	Three month period ended 30 June 2022 (Unaudited)					
	Underwriting			***Shareholders***		
	Medical AED	***Life AED***	***Total AED***	***Medical AED***	***Life AED***	***Total AED***
Segment revenue	**94,966,985**	**23,098,280**	**118,065,265**	**32,220**	**22,658,956**	**22,691,176**
Segment result	**13,923,005**	**2,430,541**	**16,353,546**	**32,220**	**22,658,956**	**22,691,176**
Wakala fees	**(17,046,845)**	**(2,470,949)**	**(19,517,794)**	**-**	**-**	**-**
Commission incurred	**-**	**-**	**-**	**-**	**(8,755,472)**	**(8,755,472)**
General and administrative expenses	**-**	**-**	**-**	**-**	**(16,652,559)**	**(16,652,559)**
Provision for Qard Hassan to policyholders' fund	**-**	**-**	**-**	**-**	**(3,164,248)**	**(3,164,248)**
Profit/(loss) attributable to policyholders / shareholders	**(3,123,840)**	**(40,408)**	**(3,164,248)**	**32,220**	**(5,913,323)**	**(5,881,103)**

	Three month period ended 30 June 2021 (Unaudited)					
	Underwriting			*Shareholders*		
	Medical AED	*Life AED*	*Total AED*	*Medical AED*	*Life 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
Wakala 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)

19 SEGMENT INFORMATION (continued)

	Six month period ended 30 June 2022 (Unaudited)					
	Underwriting			***Shareholders***		
	Medical AED	***Life AED***	***Total AED***	***Medical AED***	***Life AED***	***Total AED***
Segment revenue	**198,110,553**	**43,165,204**	**241,275,757**	**248,446**	**48,248,757**	**48,497,203**
Segment result	**30,794,643**	**5,747,284**	**36,541,927**	**248,446**	**48,248,757**	**48,497,203**
Wakala fees	**(35,464,778)**	**(4,960,460)**	**(40,425,238)**	**-**	**-**	**-**
Commission incurred	**-**	**-**	**-**	**-**	**(17,817,232)**	**(17,817,232)**
General and administrative expenses	**-**	**-**	**-**	**-**	**(32,171,005)**	**(32,171,005)**
Provision for Qard Hassan to policyholders' fund	**-**	**-**	**-**	**-**	**(3,883,311)**	**(3,883,311)**
Profit/(loss) attributable to policyholders / shareholders	**(4,670,135)**	**786,824**	**(3,883,311)**	**248,446**	**(5,622,791)**	**(5,374,345)**

	Six month period ended 30 June 2021 (Unaudited)					
	Underwriting			*Shareholders*		
	Medical AED	*Life AED*	*Total AED*	*Medical AED*	*Life 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
Wakala 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)
Provision for 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)

19 SEGMENT INFORMATION (continued)

	30 June 2022 (Unaudited)						
	Medical AED	***Life and saving AED***	***Underwriting Total AED***	***Shareholders' investments AED***	***Unallocated others AED***	***Total AED***	***Total AED***
Segment assets	**485,410,763**	**310,707,594**	**796,118,357**	**36,468,005**	**59,901,836**	**96,369,841**	**892,488,198**
Segment liabilities	**404,589,669**	**273,755,284**	**678,344,953**	**-**	**96,408,297**	**96,408,297**	**774,753,250**

	As at 31 December 2021 (Audited)						
	Medical AED	*Life and saving 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

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.

20 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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 2022 (Unaudited)			
	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	**-**	**202,028,823**	**-**	**202,028,823**
Sukuk investments	**64,485,490**	**-**	**-**	**64,485,490**
Available-for-sale	**57,619,641**	**-**	**-**	**57,619,641**
	202,865,489	**202,028,823**	**12,579,000**	**417,473,312**
Liabilities				
Investment linked contracts	**-**	**250,003,575**	**-**	**250,003,575**

	31 December 2021 (Audited)			
	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

21 SEASONALITY OF RESULTS

No income of seasonal nature was recorded in the statement of income for the three months period ended 30 June 2022.

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 30 June 2022, 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 September 2022 or provide a bank guarantee for solvency deficit. The business plan is approved by Central Bank of UAE and the Company is required to submit monthly progress reports to the Insurance Authority to demonstrate compliance with the business plan.

23 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 12 August 2022.

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2022

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Building a better
working world

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TAKAFUL EMARAT - INSURANCE (PSC)

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Takaful Emarat - Insurance (PSC) (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as at 30 September 2022, and the related interim condensed consolidated statements of profit or loss and comprehensive income for the three month period and nine month period then ended, and the statement of changes in equity and cash flows for the nine month period then ended and explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 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.

Basis for Qualified Conclusion

1 The Group's takaful receivables and other assets and other receivables, which are carried in the interim condensed consolidated statement of financial position at AED 141.4 million (31 December 2021: AED 183.3 million) and AED 15.6 million (31 December 2021: AED 11.8 million), respectively, includes other receivables of AED 86.4 million (31 December 2021: AED 43.1 million). We were not provided with sufficient and appropriate audit evidence supporting the carrying amount of these other receivables as at 30 September 2022 and, consequently, were unable to determine whether any adjustments to the attached condensed consolidated financial statements were necessary as a result of any potential adjustments to such assets

2 The Group's takaful and other payables, which are carried in the interim condensed consolidated statement of financial position at AED 163.5 million (31 December 2021: AED 130.2 million), includes accrued expenses and other payables of AED 17.24 million (31 December 2021: AED 7.1 million). We were not provided with sufficient and appropriate audit evidence supporting the carrying amount of these liabilities as at 30 September 2022 and, consequently, were unable to determine whether any adjustments to the attached condensed consolidated financial statements were necessary as a result of any potential adjustments to such liabilities.

3 The Group's financial instruments, which are carried in the interim condensed consolidated statement of financial position at AED 406.4 million (31 December 2021: AED 440.3 million), includes quoted equity investments at fair value through profit or loss and available for sale of AED 80.76 million and AED 57.62 million, respectively (31 December 2021: AED 80.76 million and AED 57.62 million, respectively). We were not provided with sufficient and appropriate audit evidence supporting the fair values of these assets as at 30 September 2022 and, consequently, were unable to determine whether any adjustments to the attached condensed consolidated financial statements were necessary as a result of any potential adjustments to such assets.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF TAKAFUL EMARAT - INSURANCE (PSC) (continued)

Basis for Qualified Conclusion (continued)

The predecessor auditor's audit opinion on the consolidated financial statements of the Group as of and for the year ended 31 December 2021 was modified in respect of matters 1 and 2 above.

Qualified Conclusion

Except for the possible effects of the matters described above, based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 22 to the condensed consolidated financial statements which states that the Group did not meet the Minimum Capital Requirements of AED 100 million as of 30 September 2022 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 UAE. This indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Other Matter

The interim condensed consolidated financial statements of the Group as of 30 September 2021 were reviewed by another auditor whose report dated 9 November 2021 expressed an unmodified conclusion on those interim condensed consolidated financial statements. Also, the consolidated financial statements of the Group as of 31 December 2021, were audited by another auditor whose report dated 18 April 2022 expressed a qualified opinion on those consolidated financial statements with regard to the same matters as described above in the Basis for Qualified Conclusion section.

For Ernst & Young

Signed by:
Ashraf Abu-Sharkh
Partner
Registration No. 690

23 November 2022

Dubai, United Arab Emirates

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022 (Unaudited)

	Notes	*30 September 2022 (Unaudited) AED*	*31 December 2021 (Audited) AED*
Takaful Operations' Assets			
Cash and bank balances	9	**37,094,668**	55,500,051
Financial instruments	7	**393,807,739**	418,502,384
Takaful receivables and other assets		**141,414,015**	183,312,850
Retakaful contract assets	8	**75,599,642**	113,870,544
Investment properties	6	**58,981,831**	54,962,472
Deferred policy acquisition cost		**41,204,387**	51,246,159
Total Takaful Operations' Assets		**748,102,282**	877,394,460
Shareholders' Assets			
Cash and bank balances	9	**15,025,375**	11,377,988
Financial instruments	7	**12,618,860**	21,793,897
Other receivables		**15,599,008**	11,785,573
Statutory deposit	10	**4,000,000**	4,000,000
Property and equipment		**42,738,575**	45,369,456
Intangible assets		**1,237,912**	1,865,606
Receivable from policyholders'		**114,601,784**	112,738,077
Total Shareholders' Assets		**205,821,514**	208,930,597
TOTAL ASSETS		**953,923,796**	1,086,325,057
Takaful Operations' Liabilities and Deficit			
Takaful Operations Liabilities			
Takaful and other payables		**95,128,060**	130,184,069
Takaful contract liabilities	8	**537,043,771**	633,161,594
Payable to shareholders		**114,601,784**	112,738,077
Total Takaful Operations liabilities		**746,773,615**	876,083,740
Deficit in Policyholders' Fund and Qard Hassan from Shareholders'			
Deficit in policyholders' fund	11	**(1,328,663)**	(1,310,720)
Qard Hassan from shareholders	11	**1,328,663**	1,310,720
Deficit in Policyholders' Fund and Qard Hassan from Shareholders		**-**	-
TOTAL OPERATIONS' LIABILITIES AND SURPLUS		**746,773,615**	876,083,740

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 30 September 2022 (Unaudited)

	Notes	*30 September 2022 (Unaudited) AED*	*31 December 2021 (Audited) AED*
Shareholders' Liabilities and Equity			
Shareholders' Liabilities			
Takaful and other payables		**68,406,814**	62,298,801
Borrowings	12	**18,550,000**	21,700,000
Provision for employees' end of service benefits		**4,006,188**	3,133,223
Total Shareholders' Liabilities		**90,963,002**	87,132,024
Shareholders' and Policyholders Equity			
Share capital	13	**150,000,000**	150,000,000
Statutory reserve		**6,567,600**	6,567,600
Accumulated losses		**(81,908,901)**	(74,986,787)
Regulatory reserve		**830,307**	830,307
Cumulative changes in fair value of investments - policyholders		**40,698,173**	40,698,173
Total Shareholders' and Policyholders' Equity		**116,187,179**	123,109,293
Total Shareholders' Liabilities and Equity and Policyholders' Equity		**207,150,181**	210.241317
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SURPLUS AND SHAREHOLDERS' LIABILITIES AND EQUITY		**953,923,796**	1,086,325,057

H.E Mohamed Haji Al Khoori
Chairman

Wael Al Sharif
Chief Executive Officer

Adnan Sabaalaish
Senior Manager - Finance

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the period ended 30 September 2022 (Unaudited)

		Three month ended 30 September		***Nine month ended 30 September***	
	Notes	***2022 (Unaudited)***	*2021 (Unaudited)*	***2022 (Unaudited)***	*2021 (Unaudited)*
Attributable to policyholders:					
Gross contributions written	14	**65,746,737**	149,120,371	**271,324,070**	493,189,240
Changes in unearned contributions	14	**31,408,908**	29,405,204	**67,107,332**	(2,051,967)
Takaful contributions earned		**97,155,645**	178,525,575	**338,431,402**	491,137,273
Retakaful contributions	14	**(17,406,862)**	(63,399,248)	**(58,750,705)**	(117,707,184)
Change in unearned contributions	14	**(1,145,135)**	22,321,643	**(26,683,593)**	(3,421,271)
Retakaful contributions ceded		**(18,551,997)**	(41,077,605)	**(85,434,298)**	(121,128,455)
Net earned contributions		**78,603,648**	137,447,970	**252,997,104**	370,008,818
Gross claims incurred		**(57,505,253)**	(112,486,710)	**(216,108,854)**	(350,032,904)
Retakaful share of claims incurred		**13,789,659**	34,716,215	**70,722,038**	115,080,936
Net claims incurred		**(43,715,594)**	(77,770,495)	**(145,386,816)**	(234,951,968)
Change in reserve	8.1	**(44,937,781)**	(25,709,226)	**(83,026,914)**	(40,838,047)
Net change in fair value of policyholders' investment linked contracts	8.1	**26,390,634**	(3,639,991)	**28,615,288**	(24,380,468)
Net takaful income		**16,340,907**	30,328,258	**53,198,662**	69,838,335
Wakalah fees	15	**(14,073,436)**	(28,953,959)	**(54,498,674)**	(74,107,725)
Investment income		**1,597,897**	370,817	**1,282,069**	5,108,507
Net surplus/ (deficit) from takaful Operations		**3,865,368**	1,745,116	**(17,943)**	839,117
Attributable to shareholders:					
Wakalah fees from policyholders	15	**14,073,436**	28,953,959	**54,498,674**	74,107,725
Investment (loss)/income		**(436,145)**	179,400	**(187,699)**	986,718
Other income		**3,269,157**	4,791,970	**11,092,676**	14,596,868
Commission incurred		**(8,320,283)**	(13,564,988)	**(26,137,515)**	(39,673,529)
General, administrative and other expenses		**(13,999,302)**	(20,732,624)	**(46,170,307)**	(56,628,977)
Recovery of (provision for) Qard Hassan to policyholders' fund		**3,865,368**	1,745,116	**(17,943)**	839,117
(Loss)/Profit for the period attributable to shareholders		**(1,547,769)**	1,372,833	**(6,922,114)**	(5,772,078)
Basic and diluted (loss)/earnings per share (AED)	16	**(0.010)**	0.009	**(0.046)**	(0.038)

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 30 September 2022 (Unaudited)

	Three month ended 30 September		***Nine month ended 30 September***	
	2022 (Unaudited)	*2021 (Unaudited)*	***2022 (Unaudited)***	*2021 (Unaudited)*
(Loss)/Profit for the period attributable to shareholders	**(1,547,769)**	1,372,833	**(6,922,114)**	(5,772,078)
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
Other comprehensive income for the period	-	-	-	566,286
Total comprehensive (loss)/income for the period	**(1,547,769)**	1,372,833	**(6,922,114)**	(5,205,792)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2022 (Unaudited)

	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 2021	150,000,000	6,567,600	(67,254,090)	128,567	24,134,296	113,576,372
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	108,370,580
Balance at 1 January 2022	150,000,000	6,567,600	(74,986,787)	830,307	40,698,173	123,109,293
Total comprehensive loss for the period	-	-	(6,922,114)	-	-	(6,922,114)
Balance at 30 September 2022 (unaudited)	**150,000,000**	**6,567,600**	**(81,908,901)**	**830,307**	**40,698,173**	**116,187,179**

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the period ended 30 September 2022 (Unaudited)

	Notes	Nine month period ended 30 September 2022 AED	2021 AED
Cash flows from operating activities			
Loss for the period		**(6,922,114)**	(5,772,078)
Adjustments for:			
Depreciation of property and equipment and amortisation of intangible assets		**3,369,669**	3,560,305
Realised loss on sale of investments at fair value through profit or loss		**(1,553,324)**	9,412,805
Loss/ (gain) on revaluation of investments carried at FVTPL	7	**29,297,267**	(24,962,028)
Provision for employees' end of service benefits		**1,457,961**	607,058
Provision for doubtful debts		**-**	2,152,684
Operating cash flows before changes in operating assets and liabilities		**25,649,459**	(15,001,254)
Decrease/(increase) in retakaful contract assets		**38,270,902**	(689,113)
Decrease/(increase) in takaful receivables and other assets		**38,085,400**	(17,412,277)
Decrease/(increase) in deferred policy acquisition cost		**10,041,772**	9,385,427
Increase/(decrease) in takaful contract liabilities		**(96,117,823)**	108,985,779
Decrease in takaful and other payables		**(28,947,996)**	(52,613,669)
Net cash (used in) / from operations		**(13,018,286)**	32,654,893
Employees' end of service benefits paid		**(584,996)**	(346,610)
Net cash (used in) / from operating activities		**(13,603,282)**	32,308,283
Cash flows from investing activities			
Purchase of investments at FVTPL		**(120,586,334)**	(167,933,421)
Proceeds from sale of investments at FVTPL		**126,712,073**	155,339,359
Purchase of property and equipment		**(54,594)**	(698,890)
Purchase of intangible assets		**(56,500)**	-
Addition to investments properties		**(4,019,359)**	(2,469,762)
Net cash from / (used in) investing activities		**1,995,286**	(15,762,714)
Cash flows from financing activities			
Repayment of borrowings	12	**(3,150,000)**	(3,150,000)
Cash used in financing activities		**(3,150,000)**	(3,150,000)
Net (decrease) / increase in cash and cash equivalents		**(14,757,996)**	13,395,569
Cash and cash equivalents at the beginning of the period		**49,628,039**	83,271,528
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**9**	**34,870,043**	96,667,097

The accompanying notes 1 to 23 form part of these interim condensed consolidated financial statements.

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 interim condensed consolidated 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			**2022**	2021
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 interim condensed consolidated 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 interim condensed consolidated 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 BASIS OF PREPARATION AND NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards IAS34, Interim financial reporting (“IAS 34”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as at 31 December 2021. In addition, results for the nine month period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

2 BASIS OF PREPARATION AND NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS (continued)

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

The Group has applied the following amendments to published standards for the first time for the annual reporting period commencing 1 January 2022:

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

2.2 New and revised IFRS standards and interpretations but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become 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).
- IAS 1 'Presentation of Financial Statements' – Amendments on Classifications. Effective for annual period beginning on or after 1 January 2023.
- 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).

There are no other relevant applicable new standards and amendments to published standards that have been issued but are not effective for the first time for the Group's financial period beginning on 1 January 2022 that would be expected to have a material impact on the financial statements of the Group.

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 the adoption of these new standards, interpretations and amendments, except for IFRS 17, mentioned above, is not expected to have a 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements 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 interim condensed consolidated financial statements 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 interim condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2021.

4 CHANGES IN JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of interim condensed consolidated 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 2021, with the exception of the impact of the novel coronavirus (COVID-19) outbreak on the Group which is detailed below.

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 September 2022.

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 September 2022 except for what is disclosed in the interim condensed consolidated financial statements.

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 2022 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 as at 30 September 2022. The Group will consistently monitor the market and ensure that the prices used by the Group are an accurate representation of fair values.

Provision for outstanding claims and claims incurred but not reported
The Group has performed an assessment of the impact of COVID-19 on its contractual arrangements, provisions for outstanding claims and claims incurred but not reported which included regular sensitivity analyses. The Group determined that there is no material impact on its risk position and provision balances for outstanding claims and claims incurred but not reported as at 30 September 2022. 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 interim condensed 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 2021.

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 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Land	**15,401,896**	15,401,896
Residential apartments	**16,070,000**	16,070,000
	31,471,896	31,471,896
Work in progress	**27,509,935**	23,490,576
	58,981,831	54,962,472

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 2022 (31 December 2021: Level 3).

7 Financial instruments

	30 September 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Takaful operations' assets		
At fair value through profit or loss (Note 7.1)	**336,188,098**	360,882,743
Available-for-sale (Note 7.2)	**57,619,641**	57,619,641
	393,807,739	418,502,384
Shareholders' assets		
At fair value through profit or loss (Note 7.1)	**12,618,860**	21,793,897
Total	**406,426,599**	440,296,281

7.1 Financial instruments at fair value through profit or loss

	30 September 2022 (Unaudited)			
	Attributable to individual life policyholders AED	***Attributable to shareholders AED***	***Attributable to takaful operations AED***	***Total AED***
Mutual funds	**197,376,006**	**39,860**	**-**	**197,415,866**
Sukuk investments	**51,342,530**	**-**	**6,709,204**	**58,051,734**
Equity investments – quoted	**-**	**-**	**80,760,358**	**80,760,358**
Equity investments – unquoted	**-**	**12,579,000**	**-**	**12,579,000**
Total	**248,718,536**	**12,618,860**	**87,469,562**	**348,806,958**

7 Financial instruments (continued)

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

	31 December 2021 (Audited)			
	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

Movements during the period/year were as follows:

	30 September 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
At beginning of the period/year	**382,676,640**	319,259,904
Purchases during the period/year	**120,586,334**	208,110,823
Disposals during the period/year	**(125,158,749)**	(201,663,405)
Change in fair value during the period/year	**(29,297,267)**	56,969,318
At end of the period/year	**348,806,958**	382,676,640

7.2 Available-for-sale (AFS)

	30 September 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Shares – quoted	**57,619,641**	57,619,641

The fair value gain amounting to nil (30 September 2021: AED 0.57 million) has been recognised in the interim condensed consolidated statement of comprehensive income.

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 September 2022, the Group has exceeded sub-limits in all other categories except real estate investments by AED 141,266,336 (31 December 2021: AED 123,583,933).

8 Takaful contract liabilities and retakaful contract assets

	30 September 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Gross takaful contract liabilities		
Claims reported	**125,822,197**	133,106,143
Claims incurred but not reported	**46,552,305**	44,997,319
Unearned contributions	**104,507,096**	171,614,428
Mathematical reserves	**11,442,497**	12,436,967
Policyholders’ investment linked contracts at fair value	**248,719,676**	271,006,737
	537,043,771	633,161,594
Retakaful contract assets		
Retakaful share of claims reported	**26,977,789**	35,617,245
Retakaful share of claims incurred but not reported	**9,758,108**	13,042,844
Retakaful share of unearned contributions	**37,161,823**	63,845,416
Retakaful share of mathematical reserve	**1,701,922**	1,365,039
	75,599,642	113,870,544
Net takaful contract liabilities		
Claims reported	**98,844,408**	97,488,898
Claims incurred but not reported	**36,794,197**	31,954,475
Unearned contributions	**67,345,273**	107,769,012
Mathematical reserves	**9,740,575**	11,071,928
Policyholders’ investment linked contracts at fair value	**248,719,676**	271,006,737
	461,444,129	519,291,050
Movement in payable to policyholders of investment linked contracts		
Opening balance	**271,006,737**	222,185,354
Gross contribution	**65,462,189**	101,619,787
Allocation charges	**(6,177,879)**	(13,940,242)
Redemptions during the period/year	**(52,956,083)**	(69,357,256)
Change in fair value	**(28,615,288)**	30,499,094
Closing balance	**248,719,676**	271,006,737

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*	
	2022 AED	*2021 AED*	***2022 AED***	*2021 AED*
Changes in mathematical reserve – takaful life	**(189,803)**	(164,008)	**(1,331,354)**	(1,086,661)
Change in reserve relating to takaful life products	**18,736,950**	(29,185,209)	**55,742,980**	(64,131,854)
Change in fair value-individual life policyholders	**26,390,634**	3,639,991	**28,615,288**	24,380,468
Total	**44,937,781**	(25,709,226)	**83,026,914**	(40,838,047)

9 Cash and bank balances

	30 September 2022 (Unaudited)		*31 December 2021 (Audited)*	
	Takaful operations AED	***Shareholders' operations AED***	*Takaful operations AED*	*Shareholders' operations AED*
Cash and bank balances	**19,844,668**	**10,025,375**	38,250,051	11,377,988
Deposit	**17,250,000**	**5,000,000**	17,250,000	-
	37,094,668	**15,025,375**	55,500,051	11,377,988
Less: Deposits maturing in more than three month	**(17,250,000)**	-	(17,250,000)	-
Total	**19,844,668**	**15,025,375**	38,250,051	11,377,988

The deposits carry profit rates ranging from 1.00% to 2.85% (2021: 1.00% to 2.40%) per annum with maturity dates ranging up to 8 December 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% (2021: 1%) per annum.

11 Deficit in policyholders' fund

	30 September 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Deficit in policyholders' fund		
Balance at the beginning of the period/ year	**(1,310,720)**	(1,246,783)
Deficit during the period/year	**(17,943)**	(63,937)
Balance at the end of the period/ year	**(1,328,663)**	(1,310,720)
Qard Hassan from shareholders		
Balance at beginning of period/year	**1,310,720**	1,246,783
Provision during the period/year	**17,943**	63,937
Balance at the end of the period/year	**1,328,663**	1,310,720
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 18.55 million (2021: AED 21.7 million).

The decrease in borrowings of AED 3.15 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 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Authorised, Issued and fully paid:		
150,000,000 ordinary shares of AED 1 each	**150,000,000**	150,000,000

14 Net earned contributions (unaudited)

	Three month period 30 September 2022			*Three month period 30 September 2021*		
	Takaful Medical AED	***Life and savings AED***	***Total AED***	*Takaful Medical AED*	*Life and savings AED*	*Total AED*
Gross contributions written	**40,341,622**	**25,405,115**	**65,746,737**	110,491,248	38,629,123	149,120,371
Change in unearned contributions	**32,429,976**	**(1,021,068)**	**31,408,908**	30,466,851	(1,061,647)	29,405,204
Takaful contributions earned	**72,771,598**	**24,384,047**	**97,155,645**	140,958,099	37,567,476	178,525,575
Retakaful contributions	**(15,217,585)**	**(2,189,277)**	**(17,406,862)**	(60,732,131)	(2,667,117)	(63,399,248)
Change in unearned contributions	**(2,046,881)**	**901,746**	**(1,145,135)**	21,481,717	839,926	22,321,643
Retakaful contributions ceded	**(17,264,466)**	**(1,287,531)**	**(18,551,997)**	(39,250,414)	(1,827,191)	(41,077,605)
Net earned contributions	**55,507,132**	**23,096,516**	**78,603,648**	101,707,685	35,740,285	137,447,970

Nine month period	***Nine-month period ended 30 September 2022***			*Nine month period ended 30 September 2021*		
	Takaful Medical AED	***Life and savings AED***	***Total AED***	*Takaful Medical AED*	*Life and savings AED*	*Total AED*
Gross contributions written	**204,255,795**	**67,068,275**	**271,324,070**	409,956,690	83,232,550	493,189,240
Change in unearned contributions	**66,626,356**	**480,976**	**67,107,332**	(1,543,050)	(508,917)	(2,051,967)
Takaful contributions earned	**270,882,151**	**67,549,251**	**338,431,402**	408,413,640	82,723,633	491,137,273
Retakaful contributions	**(54,669,059)**	**(4,081,646)**	**(58,750,705)**	(111,617,156)	(6,090,028)	(117,707,184)
Change in unearned contributions	**(26,359,719)**	**(323,874)**	**(26,683,593)**	(3,937,729)	516,458	(3,421,271)
Retakaful contributions ceded	**(81,028,778)**	**(4,405,520)**	**(85,434,298)**	(115,554,885)	(5,573,570)	(121,128,455)
Net earned contributions	**189,853,373**	**63,143,731**	**252,997,104**	292,858,755	77,150,063	370,008,818

15 Wakalah fees

For group life, group medical and individual medical policies, wakalah fees were charged from 13.5% to 25% (2021: 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 interim condensed consolidated statement of profit or loss when incurred.

16 Basic and diluted (loss) / earnings per share

	Three-month ended 30 September		***Nine-month ended 30 September***	
	2022 (Unaudited)	*2021 (Unaudited)*	***2022 (Unaudited)***	*2021 (Unaudited)*
(Loss) / Profit for the period attributable to shareholders (AED)	**(1,547,769)**	1,372,833	**(6,922,114)**	(5,772,078)
Weighted average number of shares outstanding during the period	**150,000,000**	150,000,000	**150,000,000**	150,000,000
(Loss) / Earnings per share (AED)	**(0.010)**	0.009	**(0.046)**	(0.038)

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

17 Related party transactions and balances

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

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

	30 September 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Affiliates of major shareholders:		
Outstanding claims	-	-

17 Related party transactions and balances (continued)

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

	Three-month period ended 30 September		*Nine-month period ended 30 September*	
	2022 (Unaudited)	*2021 (Unaudited)*	***2022 (Unaudited)***	*2021 (Unaudited)*
Compensation of key management personnel:				
Short and long term benefits	**1,862,729**	952,731	**5,418,623**	3,337,380

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 2022 AED (Unaudited)	*31 December 2021 AED (Audited)*
Letters of guarantee	**-**	163,593

Capital commitments
Capital commitments as at 30 September 2022 amounted to AED 6.7 million (31 December 2021: AED 6 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.

19 Segment information (continued)

	Three month period ended 30 September 2022 (Unaudited)					
	Underwriting			***Shareholders***		
	Medical AED	***Life AED***	***Total AED***	***Medical AED***	***Life AED***	***Total AED***
Segment revenue	**72,771,598**	**24,384,047**	**97,155,645**	**(436,145)**	**12,733,375**	**12,297,230**
Segment result	**13,935,285**	**4,003,519**	**17,938,804**	**(436,145)**	**12,733,375**	**12,297,230**
Wakalah fees	**(11,582,062)**	**(2,491,374)**	**(14,073,436)**	**-**	**-**	**-**
Commission incurred	**-**	**-**	**-**	**-**	**(8,320,283)**	**(8,320,283)**
General and administrative expenses	**-**	**-**	**-**	**-**	**(13,999,302)**	**(13,999,302)**
Provision for Qard Hassan to policyholders' fund	**-**	**-**	**-**	**-**	**3,865,368**	**3,865,368**
Profit/(loss) attributable to policyholders / shareholders	**2,353,223**	**1,512,145**	**3,865,368**	**(436,145)**	**(5,720,842)**	**(6,156,987)**

	Three month period ended 30 September 2021 (Unaudited)					
	Underwriting			*Shareholders*		
	Medical AED	*Life AED*	*Total AED*	*Medical AED*	*Life 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
Wakalah 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

19 Segment information (continued)

	Nine month period ended 30 September 2022 (unaudited)					
	Underwriting			***Shareholders***		
	Medical AED	***Life AED***	***Total AED***	***Medical AED***	***Life AED***	***Total AED***
Segment revenue	**270,882,151**	**67,549,251**	**338,431,402**	**(187,699)**	**60,982,132**	**60,794,433**
Segment result	**44,729,928**	**9,750,803**	**54,480,731**	**(187,699)**	**60,982,132**	**60,794,433**
Wakalah fees	**(47,046,840)**	**(7,451,834)**	**(54,498,674)**	**-**	**-**	**-**
Commission incurred	**-**	**-**	**-**	**-**	**(26,137,515)**	**(26,137,515)**
General and administrative expenses	**-**	**-**	**-**	**-**	**(46,170,307)**	**(46,170,307)**
Provision for Qard Hassan to policyholders' fund	**-**	**-**	**-**	**-**	**(17,943)**	**(17,943)**
Profit/(loss) attributable to policyholders / shareholders	**(2,316,912)**	**2,298,969**	**(17,943)**	**(187,699)**	**(11,343,633)**	**(11,531,332)**

	Nine month period ended 30 September 2021 (unaudited)					
	Underwriting			*Shareholders*		
	Medical AED	*Life AED*	*Total AED*	*Medical AED*	*Life 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
Profit/(loss) attributable to policyholders / shareholders	(1,352,299)	2,191,416	839,117	986,718	(6,758,796)	(5,772,078)

19 Segment information (continued)

	30 September 2022 (Unaudited)						
	Medical AED	***Life and saving AED***	***Underwriting Total AED***	***Shareholders' investments AED***	***Unallocated others AED***	***Total AED***	***Total AED***
Segment assets	**442,484,262**	**305,618,020**	**748,102,282**	**27,644,235**	**63,575,495**	**91,219,729**	**839,322,011**
Segment liabilities	**362,052,962**	**270,118,869**	**632,171,831**	**-**	**90,963,002**	**90,963,002**	**723,134,833**

	31 December 2021 (Audited)						
	Medical AED	*Life and saving 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	763,345,664	-	87,132,024	87,132,024	850,477,687

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.

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 interim consolidated statement of financial position.

	30 September 2022 (Unaudited)			
	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	**-**	**197,415,866**	**-**	**197,415,866**
Sukuk investments	**58,051,734**	**-**	**-**	**58,051,734**
Available-for-sale*	**-**	**57,619,641**	**-**	**57,619,641**
	58,051,734	**335,795,865**	**12,579,000**	**406,426,599**
Liabilities				
Investment linked contracts	**-**	**248,719,676**	**-**	**-**

	31 December 2021 (Audited)			
	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

*The investments in shares of Anan Investments have been classified from Level 1 to Level 2 instruments in the current quarter as the trading for this Company has currently been suspended on Abu Dhabi Securities Exchange due to the Company not filing its returns on time.

21 Seasonality of results

No income of seasonal nature was recorded in the interim consolidated statement of income for the nine month period ended 30 September 2022.

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 2021, 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 September 2022 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 2022, the Company requested for further extension until end of current year which is under consideration by the Central Bank of U.A.E till date.

23 Approval of the condensed consolidated financial information

The interim condensed consolidated financial information were approved by the Board of Directors and authorised for issue on 23 November 2022.

TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

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BOARD OF DIRECTORS REPORT

Dear Shareholders,

We have a pleasure in presenting 2022 Board of Directors Report, along with the consolidated financial statements and Auditor's report for the year ended 31 December 2022.

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.

UAE leadership took timely measures to mitigate the risks faced by the economy and to safeguard public safety.

In 2022, the Company continued to take measures 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 for the year 2022:

- Gross written contributions of AED 354 million in 2022, despite challenging market conditions.

- Net Earned Contribution decreased by AED 140 million from AED 474 million in 2021 to AED 334 million in 2022.

- Net Takaful Income AED 65 million in 2022.

To the best of our knowledge, the consolidated financial statements for the year ended 2022 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.

Chairman
H.E Mohamed Haji Al Khoori

Building a better working world

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

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 (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the 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 possible 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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

Basis for Qualified Opinion

1. The Group's financial instruments disclosed in Note 14, which are carried at AED 409.5 million (31 December 2021: AED 440.3 million), include unquoted equity instruments at fair value through profit or loss and available for sale of AED 93.3 million and AED 57.6 million, respectively (31 December 2021: AED 93.3 million and AED 57.6 million, respectively). We were not provided with sufficient and appropriate audit evidence supporting the fair values of these assets as at 31 December 2022 and, consequently, we were unable to determine if any adjustments to the consolidated financial statements were necessary as a result of any potential adjustments to such assets.

2. The Group's Takaful Contract Liabilities disclosed in Note 16, which are carried at AED 455.8 million, include outstanding claims payable amounting to AED 6 million for which we were unable to obtain a recent statement of account and an independent confirmation from the relevant third-party administrator for the balance as at 31 December 2022. Furthermore, we were unable to obtain direct independent confirmations from other third-party administrators with outstanding claims payable amounting to AED 6.67 million as of 31 December 2022. In the absence of the above, we were unable to determine if any adjustments to the consolidated financial statements were necessary as a result of any potential adjustments to such liabilities.

3. The Group's Takaful receivables and Other Assets disclosed in Note 15, which are carried at AED 39.5 million, include long overdue receivables of AED 6.1 million for which we were not provided with a provision assessment as per IAS 39, Financial Instruments: Recognition and Measurement requirements as at 31 December 2022. Consequently, we were unable to determine if any adjustments to the consolidated financial statements were necessary to the carrying value of these assets.

4. The Group's Investment Properties disclosed in Note 17 include investment properties in residential apartments with a carrying value of AED 9.8 million that were still under construction as of 31 December 2022. An independent valuation provided by the Group indicated that the fair values of such properties are based on comparables for completed properties. Based on our real estate specialists' review, such properties' fair values should be discounted as the properties were still under construction. Accordingly, the fair values of such investment properties are overstated by AED 1.9 million as of 31 December 2022.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY (continued)

Report on the audit of the consolidated financial statements (continued)

Basis for Qualified Opinion (continued)

5. The Group's Takaful and Other Payables disclosed in Note 7 include ReTakaful payables amounting to AED 56.8 million. Direct confirmations received from certain relevant counterparties indicate that there are unreconciled differences of AED 5.8 million as of 31 December 2022. In the absence of detailed reconciliations of such differences, and the lack of any alternative audit procedures that we could carry out in this regard, we were unable to assess whether any adjustment are required to the consolidated financial statements of the Group as of 31 December 2022.

6. The auditors' opinion on the Group consolidated financial statements for the year ended 31 December 2021 was qualified with respect to limitation of scope on certain insurance receivables and payables with carrying values of AED 43.1 million and AED 7.1 million, respectively. We were unable to perform procedures on such opening balances and, consequently, were unable to assess the impact of such qualifications on the results for the year ended 31 December 2022.

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

Emphasis of Matter

We draw attention to Note 35 to the consolidated financial statements which states that the Group did not meet the Minimum Capital Requirements of AED 100 million as required by CBUAE, based on the reports prepared by the Management as of 30 September 2022, and the reports as of 31 December 2022 have not yet been finalized. This matter may result in negative consequences on the Company's operations, compliance and licensing purposes. This indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. However, our audit report is not qualified in this regard.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed a qualified opinion on those financial statements in their audit report dated 18 April 2022.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current year. In addition to the matter(s) described in the Basis for Qualified Opinion section and Emphasis of Matter section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the consolidated financial statements section* of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Key Audit Matter	How our audit Addressed the Key Audit Matter
Valuation of Takaful Contract Liabilities and ReTakaful Contract Assets *(refer to note 16 of the consolidated financial statements)*	
As at 31 December 2022, Takaful Contract Liabilities and ReTakaful Contract Assets amounted to AED 455.8 million and AED 66.9 million respectively, as detailed in Note 16 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 notes 3, 4 and 16 to the consolidated financial statements for the accounting policy, disclosures of the related judgements and estimates regarding takaful contract liabilities and retakaful contract assets.	The work that we preformed to address this key audit matter included the following procedures: • Assessing the design and implementation of key controls relating to the data used in the actuarial reserving process. • Assessment of key controls around the claims handling and reserve setting processes of the Group along with the recognition and release of Retakaful assets. • We checked samples of claims reserves and the respective share of retakaful assets, through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters and where relevant inspection of the Group's correspondence with lawyers and reinsurers where the claims are under investigation. • We reviewed management's reconciliation of the underlying Group data recorded in the policy administration systems with the data used in the actuarial reserving calculations. • We traced the insurance contract liabilities and reinsurance assets as recommended by the Group's actuary to the liabilities and assets in the consolidated financial statements. • We involved our actuarial specialist team members, and compared the methodology, models and assumptions used against recognized actuarial practices. • We obtained the reinsurance treaty summary for the year and verified the details in the summary to the respective agreements. • We reviewed the ratios of reinsurance assets to related insurance contact liabilities to identify any variance from reinsurance treaty arrangements.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY (continued)

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key Audit Matter	How our audit Addressed the Key Audit Matter
Valuation of investment properties *(refer to note 17 of the consolidated financial statements)*	
The Group's investment properties portfolio is carried at AED 61.7 million as at 31 December 2022 in the consolidated statement of financial position, which represents 6.9% of total assets, and the net fair value gain recorded in the consolidated statement of profit or loss is AED 1.2 million for the year ended 31 December 2022. Valuations of investment properties are carried out by third party valuers 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. Please refer to notes 3, 4 and 17 to the consolidated financial statements for the accounting policy, disclosures of the related judgements and estimates regarding investment properties.	The work that we preformed to address this key audit matter included the following procedures: • We obtained an understanding of the process of determining the fair value of the investment properties. • We assessed the competence, skills, qualifications and objectivity of the independent external valuers. • We verified the completeness and relevance of the input data used for deriving fair values. • We utilized our internal valuation experts to evaluate the methodology used and the appropriateness of key assumptions used in the investment property valuations and re-performed the mathematical accuracy of the valuations. • We compared the results of our specialists' valuations to the amounts recorded in the consolidated financial statements. Refer to *Basis for qualified opinion* section of our report.

Report on the audit of the consolidated financial statements (continued)

Key audit matters (continued)

Key Audit Matter	How our audit Addressed the Key Audit Matter
Valuation of unquoted equity investments *(refer to note 14 of the consolidated financial statements)*	
The Group's financial instruments disclosed in Note 14, which are carried at AED 409.5 million as at 31 December 2022 includes unquoted equity instruments at fair value through profit or loss and available for sale of AED 93.3 million and AED 57.6 million respectively which represents 16.9% of total assets as of 31 December 2022. 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. As disclosed in Note 4 "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. Please refer to notes 3, 4 and 14 to the consolidated financial statements for the accounting policy, disclosures of the related judgements and estimates regarding investment securities.	The work that we performed to address this key audit matter included the following procedures: • We were not provided with sufficient and appropriate audit evidence supporting the fair values of these assets as at 31 December 2022 and hence we were unable to determine if any adjustments to the consolidated financial statements were necessary as a result of any potential adjustments to such assets. This has been included in a *Basis for qualified opinion* section of our report.

Report on the audit of the consolidated financial statements (continued)

Other information

Other information consists of the information included in the Annual Report, other than the consolidated financial statements and our auditors' report thereon. The Board of Directors and Management is responsible for the other information.

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, 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 of Qualified Opinion section of our report.

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 in compliance with the applicable provisions of the Group's Articles of Association and of the UAE Federal Decree Law No. (32) of 2021 and UAE 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.

Auditors' 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.

Report on the audit of the consolidated financial statements (continued)

Auditors' 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 Group's 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's 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 auditors' 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.

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 auditors' 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.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY (continued)

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. (32) of 2021, except for the matters referred to in the Basis for Qualified Opinion paragraph, we report that for the year ended 31 December 2022:

i) the Group has maintained proper books of account.

ii) we have obtained all the information we considered necessary for the purposes of our audit;

iii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Group's Articles of Association and the UAE Federal Decree Law No. (32) of 2021;

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

v) as disclosed in Note 14 to the consolidated financial statements, the Group has investment in securities as at 31 December 2022;

vi) note 28 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 contravened during the financial year ended 31 December 2022, any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or its Articles of Association, which would have a material impact on its activities or its financial position as at 31 December 2022; and

viii) the Group has no social contributions made during the year.

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 of Qualified Opinion section of our report.

For Ernst & Young

Signed by:
Ashraf Abu-Sharkh
Partner
Registration No. 690

7 April 2023

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	*2022* *AED*	*2021* *AED*
ASSETS			
Takaful Operations' Assets			
Cash and bank balances	13	**90,916,816**	55,500,051
Financial instruments	14	**396,913,385**	418,502,384
Takaful receivables and other assets	15	**39,548,526**	183,312,850
ReTakaful contract assets	16	**66,966,447**	113,870,544
Investment properties	17	**61,708,938**	54,962,472
Deferred policy acquisition cost	18	**38,919,955**	51,246,159
Total Takaful Operations' Assets		**694,974,067**	877,394,460
Shareholders' Assets			
Cash and bank balances	13	**13,053,028**	11,377,988
Financial instruments	14	**12,622,434**	21,793,897
Other receivables	15	**16,406,401**	11,785,573
Statutory deposit	19	**4,000,000**	4,000,000
Property and equipment	5	**795,916**	45,369,456
Intangible assets	6	**1,093,660**	1,865,606
Receivable from policyholders		**149,930,597**	112,738,077
Total Shareholders' Assets		**197,902,036**	208,930,597
TOTAL ASSETS		**892,876,103**	1,086,325,057
LIABILITIES AND SURPLUS			
Takaful Operations' Liabilities and Deficit			
Takaful Operations Liabilities			
Takaful and other payables	7	**87,641,629**	130,184,069
Takaful contract liabilities	16	**455,797,545**	633,161,594
Payable to shareholders		**149,930,597**	112,738,077
Total Takaful Operations liabilities		**693,369,771**	876,083,740
Deficit in Policyholders' Fund and Qard Hassan from Shareholders			
Deficit in policyholders' fund	32	**(1,604,293)**	(1,310,720)
Qard Hassan from shareholders	32	**1,604,293**	1,310,720
Deficit in Policyholders' Fund and Qard Hassan from Shareholders		-	-
Total Operations' Liabilities and Surplus		**693,369,771**	876,083,740

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2022

	Notes	*2022* AED	*2021* AED
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' Liabilities			
Takaful and other payables	7	**52,283,002**	62,298,801
Ijarah finance	8	**17,500,000**	21,700,000
Provision for employees' end of service benefits	9	**4,216,858**	3,133,223
Total Shareholders' Liabilities		**73,999,860**	87,132,024
Shareholders' and Policyholders' Equity			
Share capital	10	**150,000,000**	150,000,000
Statutory reserve	11a	**6,812,383**	6,567,600
Accumulated losses		**(73,272,282)**	(74,986,787)
Regulatory reserve	11b	**1,268,198**	830,307
Cumulative changes in fair value of investments- policyholders		**40,698,173**	40,698,173
Total Shareholders' and Policyholders' Equity		**125,506,472**	123,109,293
Total Shareholders' Liabilities and Equity		**199,506,332**	210,241,317
TOTAL TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT AND SHAREHOLDERS' LIABILITIES AND EQUITY		**892,876,103**	1,086,325,057

Mohamed Haji Al Khoori
Chairman

Adnan Sabaalaish
Senior Finance Manager

The accompanying notes 1 to 39 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	*2022* AED	*2021* AED
Attributable to policyholders:			
Gross contributions written	20	**354,440,408**	583,946,275
Changes in unearned contributions	20	**85,756,150**	47,594,048
Takaful contributions earned		**440,196,558**	631,540,323
ReTakaful contributions	20	**(82,905,112)**	(140,347,996)
Change in unearned contributions	20	**(22,706,834)**	(16,826,387)
ReTakaful contributions ceded		**(105,611,946)**	(157,174,383)
Net earned contributions		**334,584,612**	474,365,940
Gross claims incurred	20	**(265,335,937)**	(452,302,741)
ReTakaful share of claims incurred	20	**79,527,805**	144,361,348
Net claims incurred		**(185,808,132)**	(307,941,393)
Change in reserves	21	**(69,036,207)**	(57,879,031)
Net change in fair value of policyholders investment linked contracts	21	**(15,058,325)**	(30,499,094)
		(269,902,664)	(396,319,518)
Net Takaful income		**64,681,948**	78,046,422
Wakalah fees	22	**(67,362,902)**	(106,411,607)
Investment income, net	23	**1,187,381**	28,944,248
Change in fair value of investment property	17	**1,200,000**	(643,000)
Net loss from Takaful operations		**(293,573)**	(63,937)
Attributable to Shareholders:			
Wakalah fees from policyholders	22	**67,362,902**	106,411,607
Investment loss, net	23	**4,717,862**	(6,642,578)
Other income	24	**33,907,160**	20,369,556
Amortisation of deferred policy acquisition cost	18	**(39,949,178)**	(52,982,198)
General and administrative expenses	25	**(63,297,347)**	(73,774,975)
Provision for Qard Hassan to policyholders' fund	32	**(293,573)**	(63,937)
Profit/(loss) for the year attributable to Shareholders		**2,447,826**	(6,682,525)
Basic and diluted profit/(loss) per share	26	**0.016**	(0.045)

The accompanying notes 1 to 39 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	*2021*
	AED	*AED*
Proft/(Loss) for the period attributable to Shareholders	**2,447,826**	(6,682,525)
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
Total other comprehensive income for the year	**-**	16,563,877
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,447,826**	9,881,352

The accompanying notes 1 to 39 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2022

	Attributable to shareholders				*Attributable to policyholders*	
	Share capital AED	*Statutory reserve AED*	*Accumulated losses AED*	*Regulatory reserve AED*	*Cumulative change in fair value AED*	*Total AED*
Balance at 1 January 2021	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
Total comprehensive income for the year	-	-	2,447,826	-	-	2,447,826
Zakat Paid	-	-	(50,647)	-	-	(50,647)
Transfer to regulatory/statutory reserve	-	244,783	(682,674)	437,891	-	-
Balance at 31 December 2022	**150,000,000**	**6,812,383**	**(73,272,282)**	**1,268,198**	**40,698,173**	**125,506,472**

The accompanying notes 1 to 39 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	***2022 AED***	*2021 AED*
Cash flows from operating activities			
Profit/(Loss) for the year		**2,447,826**	(6,682,525)
Adjustments for:			
Depreciation and amortisation of property and equipment and intangible assets		**4,174,223**	4,762,568
Disposal of property and equipment		**(11,439,096)**	-
Realised gain on sale of investments at fair value through profit or loss	23	**(1,656,237)**	9,362,763
Gain on revaluation of investments carried at fair value through profit or loss	14	**(14,376,346)**	(56,969,318)
Provision for doubtful debts		**5,417,466**	102,684
ReTakaful receivables written off	24	**-**	206,089
Change in fair value of investment properties		**(1,200,000)**	643,000
Provision for employees' end of service benefits	9	**1,769,817**	882,353
Operating cash flows before changes in operating assets and liabilities		**(14,862,347)**	(47,692,386)
Decrease in reTakaful contract assets		**46,904,097**	17,810,379
Decrease/(increase) in Takaful receivables and other assets		**133,726,029**	(12,730,872)
Decrease in deferred policy acquisition cost		**12,326,204**	14,366,530
Increase/(decrease) in Takaful contract liabilities		**(177,364,049)**	59,763,692
Increase in Takaful and other payables		**(52,558,239)**	(39,661,710)
Cash used in operating activities	9	**(51,828,305)**	(8,144,367)
End of service benefits paid		**(686,182)**	(463,657)
Net cash used in operating activities		**(52,514,487)**	(8,608,024)
INVESTING ACTIVITIES			
Change in deposits with maturity of more than three months	13	**(23,892,000)**	-
Purchase of investments at fair value through profit or loss	14	**(177,963,280)**	(208,110,823)
Proceeds from sale of investments at fair value through profit or loss		**224,756,325**	192,300,642
Deposit		**-**	-
Purchase of intangible assets	6	**(100,500)**	-
Purchase of property and equipment	5	**(289,141)**	(698,890)
Proceeds from disposal of property and equipment		**53,000,000**	-
Addition to investments properties		**(5,546,465)**	(3,977,962)
Net cash generated from/ (used in) investing activities		**69,964,939**	(20,487,033)
CASH FLOWS FROM FINANCING ACTIVITIES			
Zakat paid	12	**(50,647)**	(348,432)
Net movement in ijarah finances		**(4,200,000)**	(4,200,000)
Net cash used in financing activities		**(4,250,647)**	(4,548,432)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**13,199,805**	(33,643,489)
Cash and cash equivalents at the beginning of the year		**49,628,039**	83,271,528
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	**62,827,844**	49,628,039

The accompanying notes 1 to 39 form an integral part of these financial statements.

1 GENERAL INFORMATION

Takaful Emarat - Insurance (PSC), Dubai, United Arab Emirates (the "Group") 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 57589, Dubai, United Arab Emirates.

Federal Law No. 32 of 2022 on Commercial Companies (the "New Companies Law") was issued on 20 September 2022 and came 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 has reviewed and applied the new provisions. Federal Decree Law No. (24) of 2021 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 2021 and the amendments came into effect on 2 January 2022. Effective 2 January 2022, 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			***2022***	*2021*
Modern Tech Investment	Investment	United Arab Emirates	**100%**	100%

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for revaluation of certain financial instruments and investment properties carried at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Group presents its consolidated statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the Articles of Association of the Company and of United Arab Emirates Laws.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards and interpretations effective after 1 January 2022
The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. 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.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to 'Interest Rate Benchmark Reform - Phase 2, that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.
- Amendments relating to IAS 16, IAS 37, IFRS 3 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16
- Amendment to IFRS 16 'Leases' to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New and revised IFRS standards and interpretations but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below.

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

- Amendments to IAS 1: Classification of Liabilities as Current or Non-current. Effective for annual period beginning on or after 1 January 2023.
- Amendments to IAS 8: Definition of Accounting Estimates. Effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies. Effective for annual period beginning on or after 1 January 2023 with earlier application permitted.
- IFRS 17: Insurance Contracts. Effective for annual period beginning on or after 1 January 2023

IFRS 17, 'Insurance Contracts'
IFRS 17, 'Insurance contracts' is applicable for annual reporting periods commencing on 1 January 2023 and the Group expects to first apply IFRS 17 on that date. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF"). The key objectives of IFRS 17 are comparable recognition and measurement of contracts in the scope of the standard, the recognition of insurance service results based on the services provided to the policyholder and provision of disclosures that will enable the users of the financial statements to assess the impact of these contracts on the financial position, financial results and cash flows of the entity. The standard distinguishes between the sources of profit and quality of earnings between insurance service results and insurance finance income and expense (reflecting the time value of money and financial risk)

IFRS 17 also allows entities, in very limited circumstances, that have applied IFRS 9 'Financial instruments' to annual reporting period before the initial application of IFRS 17, to redesignate their financial assets associated with insurance.

The implementation project at the group is governed by the Audit Committee and the IFRS 17 Steering Committee. These committees provide oversight and governance over the implementation of the IFRS 17 project. The steering committee is comprised of executive management as well as senior management from various functions including finance, actuarial, risk, information technology and reinsurance. Technical papers, actuarial methodologies and disclosure requirements have been defined and are approved by the committees. The IFRS 17 project team remains up to date, and closely monitors, all technical developments from the IASB and industry to evaluate the effects of such developments. Where applicable, the policy and methodology papers are updated to reflect any changes in requirements.

The Group is currently working on the following areas to ensure successful implementation of IFRS 17 and compliance with the regulatory requirements:

- Finalization of transition balances as at year end 2021 and sign off on the same by the Steering Committee, Audit Committee, and the external auditor.
- Comparatives for the year 2022
- Finalization of User Acceptance Testing of the IFRS 17 engine.
- Configuration of the new core systems for life and generation of data reports as per the requirements of IFRS 17.
- Continuation of the knowledge transfer and trainings of key stakeholders in the business, and;
- Implementation of future financial and data governance processes and accountabilities.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 17, 'Insurance Contracts' (continued)

Measurement models

Measurement is not carried out at the level of individual contracts, but on the basis of groups of contracts. To allocate individual insurance contracts to groups of contracts, an entity first needs to define portfolios which include contracts with similar risks that are managed together. These portfolios are to be subdivided into groups of contracts based on profitability and annual cohorts. IFRS 17 consists of 3 measurement models:

- **General model:** This approach is applied to all insurance contracts, unless they have direct participation features or the contract is eligible for, and the entity elects to apply, the premium allocation approach.

- **Variable fee approach**: This approach is applied to insurance contracts with direct participation features. Such contracts are substantially investment-related service contracts under which an entity promises an investment return based on underlying items. This approach cannot be used for the measurement of reinsurance contracts issued or held.

- **Premium allocation approach**: This approach is an optional simplification of the measurement of the liability for remaining coverage for insurance contracts with short-term coverage.

The measurement of the liability for incurred claims is identical under all three measurement models and follows the principles of the general model, apart from the determination of locked-in profit rates.

General measurement model
The general measurement model ("GMM"), also known as the building block approach, consists of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows represent the risk-adjusted present value of an entity's rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting and an explicit risk adjustment for non-financial risk. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The contractual service margin("CSM") represents the unearned profit from in-force contracts that the Group will recognize as it provides services over the coverage period.

At inception, the contractual service margin cannot be negative. If the fulfilment cash flows lead to a negative contractual service margin at inception, it will be set to zero and the negative amount will be recorded immediately in the consolidated statement of profit and loss.

At the end of a reporting period, the carrying amount of a group of insurance contracts is the sum of the liability for remaining coverage and the liability of incurred claims. The liability for remaining coverage consists of the fulfilment cash flows related to future services and the contractual service margin, while the liability for incurred claims consists of the fulfilment cash flows related to past services.

The contractual service margin gets adjusted for changes in cash flows related to future services and for the profit accretion at profit rates locked-in at initial recognition of the group of contracts. A release from the contractual service margin is recognized in profit or loss each period to reflect the services provided in that period based on "coverage units". IFRS 17 only provides principle-based guidance on how to determine these coverage units.

The Group applies the General Measurement model to the following classes of business:
- Endowment Insurance
- Universal Life Insurance
- Term Insurance

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 17, 'Insurance Contracts' (continued)

Measurement models (continued)

Variable fee approach
The variable fee approach ("VFA") is a mandatory modification of the general measurement model regarding the treatment of the contractual service margin in order to accommodate direct participating contracts. An insurance contract has a direct participation feature if the following three requirements are met:

- the contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- the entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items;
- the entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

The Standard does not require separate adjustments to be identified for changes in the contractual service margin arising from changes in the amount of the entity's share of the fair value of the underlying items and changes in estimates of fulfilment cash flows relating to future services. A combined amount might be determined for some or all of the adjustments.

Under the Variable fee approach, adjustments to the contractual service margin are determined using current discount rates whereas under the general model, adjustments are determined using discount rates locked in at inception of a group of insurance contracts.

In contrast to insurance contracts measured under the general measurement model, the contractual service margin for contracts with direct participation features is not explicitly adjusted for the accretion of profit since the adjustment of the contractual service margin for the changes in the amount of the entity's share of the fair value of underlying items already incorporates an adjustment for financial risks, and this represents an implicit adjustment using current rates for the time value of money and other financial risks.

The Group applies the Variable Fee Approach model to following classes of business:
- Unit Linked DSF
- Unit Linked Banca

Premium Allocation Approach
As the premium allocation approach is a simplified approach for the measurement of the liability of remaining coverage, an entity may choose to use the premium allocation approach when the measurement s not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

For insurance contracts measured under the PAA, it is assumed that contracts are not onerous at initial recognition, unless facts and circumstances indicate otherwise. The Group's focus is to grow a profitable and sustainable business and does not anticipate the recognition of onerous contracts except where the following have been identified:
- Relevant pricing decisions.
- Initial stages of a new business acquired where the underlying contracts are onerous.
- Any other strategic decisions the board considers appropriate.

The Group applies the premium allocation approach to groups of insurance contracts that it issues and
groups of reinsurance contracts that it holds where the coverage period is 12 months or less. The Group performed PAA eligibility assessment for the groups of contracts where the coverage period is more than 12 months. Based on the assessment performed, the Group expects all of its non-life, health and short term life contracts follow PAA measurement model,

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 17, 'Insurance Contracts' (continued)

Measurement models (continued)

Insurance revenue and insurance service expenses
As the group provides insurance contract services under the group of insurance contracts, it reduces the Liability for Remaining Coverage and recognizes insurance revenue. The amount of insurance revenue recognized in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Group expects to be entitled to in exchange for those services.

For insurance contracts measured under the general measurement model and the variable fee approach, insurance revenue includes claims and other directly attributable expenses as expected at the beginning of the reporting period, changes in the risk adjustment for non-financial risk, amounts of the CSM recognized for the services provided in the period, experience adjustments arising from premiums received in the period other than those that relate to future service and other amounts, including any other pre-recognition cash flows assets derecognized at the date of initial recognition. For insurance contracts measured under the premium allocation approach, expected premium receipts are allocated to insurance revenue based on the passage of time, unless the expected pattern of incurring the insurance service expenses differs significantly from the passage of time, in which case the latter should be used. The Standard requires losses to be recognized immediately on contracts that are expected to be onerous.

Insurance service expenses include incurred claims and benefits, other incurred directly attributable expenses, insurance acquisition cash flows amortization, changes that relate to past service (i.e changes in the FCF relating to the LIC), changes that relate to future service (i.e changes in the FCF that result in onerous contract losses or reversals of those losses) and insurance acquisition cash flows assets impairment.

Accounting policy choices
The following table sets out the accounting policy choices adopted by the Group:

	Measurement model the option is allowed to be applied	IFRS 17 options	Adopted approach
Insurance acquisition cash flows	PAA	IFRS 17 allows an accounting policy choice of either expensing the insurance acquisition cash flows when incurred or amortizing them over the contract's coverage period, provided that the coverage period of each contract in the group at initial recognition is no more than one year	The Group capitalizes insurance acquisition cash flows for portfolios measured under PAA. It also allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis.
Liability for Remaining Coverage ("LRC") adjusted for financial risk and time value of money	PAA	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of profit on the LRC.	The Group makes an allowance for accretion of profit on the LRC for long term non-life portfolios (where applicable)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 17, 'Insurance Contracts' (continued)

Accounting policy choices (continued)

	Measurement model the option is allowed to be applied	IFRS 17 options	Adopted approach
Liability for Incurred Claims ("LIC") adjusted for time value of money	PAA	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	The Group has a plan to adjust LIC for the time value of money.
Insurance finance income and expenses	GMM, VFA and PAA	IFRS 17 provides an accounting policy choice to recognise the impact of changes in discount rates and other financial variables in profit or loss or in OCI. The accounting policy choice (the PL or OCI option) is applied on a portfolio basis.	The Group has two options, whether to recognize the impact of changes in discount rates and other financial variables in profit or loss or in OCI.
Disaggregation of risk adjustment	GMM, VFA and PAA	An insurer is not required to include the entire change in the risk adjustment for non-financial risk in the insurance service result. Instead, it can choose to split the amount between the insurance service result and insurance finance income or expenses.	The Group has a plan to recognize the entire change in risk adjustment for non-financial risk in insurance service result as this is an operationally simple option.
Recovery of insurance acquisition cash flows	GMM and VFA	It is an accounting policy choice whether or not to consider the time value of money in allocating the portion of the premiums that relates to the recovery of insurance acquisition cash flows.	The Group has a plan to not consider the time value of money when allocating the portion of the premiums that relates to the recovery of insurance acquisition cash flows.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 17, 'Insurance Contracts' (continued)

Areas of significant judgements

The following are key judgements and estimates which the Group expects to apply as a result of IFRS 17

CSM and Coverage Units
For contracts being measured under PAA, the revenue recognition pattern is determined at the defined portfolio level. The revenue recognition pattern will be linear for all contracts other than Engineering type contracts which will follow a non-linear (increasing risk) methodology.

For long term Individual Life contracts, measured under the GMM, the Group will recognize a contractual service margin (CSM) which represents the unearned profit the Group will earn as it provides service under those contracts. A coverage units methodology will be used for the release of the CSM. Based on the benefit for the policy holders, the applicable CSM release pattern will be determined by using coverage unit methodology which will reflect the benefit defined in the insurance contracts with the policy holders.

In performing the above determination, management will apply judgement that might significantly impact the CSM carrying values and amounts of the CSM allocation recognized in the consolidated statement of profit or loss the year.

Discount rates
For GMM and PAA, the Group has a plan to use the bottom-up approach will be used to derive the discount rate. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The Group intends to derive the risk-free rate using the EIBOR rates available in the market denominated in the same currency as the product being measured. Management uses judgement to assess liquidity characteristics of the liability cash flows.

For VFA, the Group intends to use an average of the historical fund returns to set a yield curve to discount the cashflows.

Risk adjustment
For portfolios being measured under PAA, the Group has a plan to calculate the risk adjustment using the Mack Method. The confidence level (probability of sufficiency) considered by the Group is to be based on the risk profile as well as management decision. The Group also plans to consider impact of diversification between line of business.

For portfolios being measured under GMM and VFA, margin method would be employed to calculate risk adjustment for LRC. This approach would be refined in the future and the Group may plan to replace the current methodology with the VaR or Cost of Capital approach.

Contract Boundary
The concept of a contract boundary is used to determine which future cash flows should be considered in the measurement of a contract within the scope of IFRS 17. Judgements might be involved to determine when the Group is capable of repricing the entire contract to reflect the reassessed risks, when policyholders are obliged to pay premiums, and when premiums reflect risks beyond the coverage period.

Modification and derecognition
All endorsements are to be treated as changes in Fulfilment Cash flows with the exception of cancellations, where contract would need to be derecognized (consistent with current practice). For contracts applying the premium allocation approach, any adjustments to premium receipts or insurance acquisition cash flows arising from a modification adjust the liability for remaining coverage and insurance revenue is allocated to the period for services provided (which would also require judgement in determining the period to which the modification applies).

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 17, 'Insurance Contracts' (continued)

Transition

There are three approaches to calculate liability balances at the transition date:

- Full retrospective approach: At the transition date, the full retrospective application requires the entity to identify, recognise and measure each group of insurance contracts and any assets for insurance acquisition cash flows as if IFRS 17 had always been applied. This would involve looking back to the date of initial recognition and using the actual policy data and information available then, without the use of hindsight, to identify groups of insurance contracts and determine the components (expected cash flows, adjustment for time value of money and for non-financial risks) of fulfilment cash flows and in particular, the CSM or loss component on initial recognition.

- A modified retrospective approach that specifies modifications to full retrospective application. This approach allows insurers that lack limited information to achieve opening transition balances that are as close to the retrospective application as possible, depending on the amount of reasonable and supportable information available to that insurer. Each modification would increase the difference between the modified retrospective approach and the outcome that would have been obtained if a fully retrospective approach had been applied.

- A fair value approach that uses the fair value of the contracts at the date of transition to determine a value for the contractual service margin ('CSM'). The fair value approach enables an entity to determine the opening transition balances, even if the entity does not have reasonable and supportable information about the contracts that exist at the transition date.

The transition approach is determined at the level of a group of insurance contracts, and it affects the way the CSM is calculated on initial adoption of IFRS 17:

a. full retrospective approach – the CSM at initial recognition is based on initial assumptions when groups of contracts were recognized and rolled forward to the date of transition as if IFRS 17 had always been applied
b. modified retrospective approach – the CSM at initial recognition is calculated based on assumptions at transition using some simplifications and taking into account the actual pre-transition fulfilment cash flows; and
c. fair value approach – the pre-transition fulfilment cash flows and experience are not considered.

Contracts measured under GMM and VFA
The Group has assessed that it is impracticable to apply the full or modified retrospective approach to calculate transition balances for long term life business contracts due to several practical challenges. The group has decided to employ the fair value approach in order to calculate the liability balances for long-term life portfolios measured under GMM and VFA.

Contracts measured under PAA
The Group has determined that reasonable and supportable information is available for most of the contracts in force at the transition date. In addition, as the contracts are eligible for the PAA, the group has made an assessment of the available data and has decided to use a mixture of Modified and Full retrospective approach to calculated the liability balances at the transition data.

Accordingly, the Group will:

- identify, recognize and measure each group of insurance contracts and any asset for insurance acquisition cash flows as if IFRS 17 had always applied;
- derecognize any existing balances that would not exist if IFRS 17 had always applied; and
- recognize any resulting net difference in equity.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 17, 'Insurance Contracts' (continued)

Impact on transition to IFRS 17
The management anticipates that the implementation of IFRS 17 will have an effect on the amounts reported and disclosures made in these consolidated financial statements with regard to its issued and retained reinsurance contracts. Opening equity is anticipated to be significantly influenced by the following factors, according to estimates made thus far:

- Impact of discounting
- Impact of risk adjustment assumptions
- Impact of onerous contracts identified.
- Impact of deferment of acquisition cost
- Introduction of CSM

The effects on the Group's consolidated financial statements are currently being evaluated. Even though the project was well underway at the time these consolidated financial statements were published, it is still not yet practical to accurately evaluate the transition impact.

Impact on presentation and disclosures on transition to IFRS 17
In the consolidated statement of financial position, deferred acquisition costs and insurance related receivables will no longer be presented separately but as part of the insurance asset or liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities.

The amounts presented in the consolidated statement of financial performance (consolidated statement of comprehensive income) need to be disaggregated into an insurance service result, consisting of the insurance revenue and the insurance service expenses, and insurance finance income and expenses. Income or expenses from reinsurance contracts held need to be presented separately from the expenses or income from insurance contracts issued.

The Group is required to provide disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts.
- Significant judgements, and changes in those judgements, when applying the standard

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.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of 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.

Fair value measurement
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 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 at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Insurance contracts

Classification
The Group issues contracts that transfer either insurance risk or both insurance and financial risks.

Contracts under which the Group accepts significant insurance 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 insurance contracts. Insurance 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.

Insurance contracts may also transfer some 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 prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Contracts where insurance risk is not significant are classified as investment contracts. Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contracts (continued)

Classification (continued)

Some insurance contracts and investment contracts contain discretionary participating features (DPF) which entitle the contract holder to receive, as a supplement to the standard guaranteed benefits, additional benefits;

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the insurer;
- that are contractually based on;
  - (i) the performance of a specified pool of contracts or a specified type of contract,
  - (ii) realised/unrealised investment returns on a specified pool of assets held by the issuer or,
  - (iii) the profit or loss of the Group, fund or other entity that issues that contract.

Under IFRS 4, DPF can be either treated as an element of equity or as a liability, or can be split between the two elements. The Group policy is to treat all DPF as a liability within insurance or investment contract liabilities.

The policyholder bears the financial risks relating to some insurance contracts or investment contracts. Such products are usually unit-linked contracts.

Recognition and measurement
Insurance contracts are classified into two main categories, depending on the nature of the risk, duration of the risk and whether or not the terms and conditions are fixed.

These contracts are general insurance contracts and life assurance contracts.

General insurance contracts
Gross premiums written reflect business incepted during the year and exclude any fees and other amounts collected with and calculated based on premiums. These are recognised when underwriting process is complete and policies are issued. Premiums are recognized as revenue (earned premiums) proportionately over the period of coverage.

The earned portion of premium is recognised as an income and are shown in the profit or loss before deduction of commission. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

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

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

Premiums 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 premiums 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 premium or limited number of premium payments due over a significantly shorter period than the period during which the benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unearned premium provision
The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the consolidated statement of financial position date. UPR is calculated using the 1/365 method. The UPR for marine cargo is recognised as fixed proportion of the written premiums as required in the financial regulation issued under UAE Federal Law No. 6 of 2007, and UPR for general accident assumes a linear increase in risk with the duration of the project such that the risk faced is 100% at the expiry of the contract, the rate at which the premium is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy. Unearned premiums for individual life business are considered by the Group's actuary in the calculation for life reserve fund.

Claims
Claims incurred comprise the settlement and the internal and external handling costs paid and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

Claims outstanding comprise provisions for the Group's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expense reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the consolidated financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provision is also made for any claims incurred but not reported (“IBNR”) at the date of consolidated statement of financial position using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required by the regulations.

Provision for premium deficiency / liability adequacy test
Provision is made for premium deficiency arising from general insurance contracts and short term group life contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums provision and already recorded claim liabilities in relation to such policies.

Reinsurance
Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are recognised as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer, are included in insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance contract assets.

The Group cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Group from its direct obligations to its policyholders.

Amounts due to and from reinsurers are accounted for in a manner consistent with the related insurance policies and in accordance with the relevant reinsurance contracts. Reinsurance premiums are deferred and expensed using the same basis as used to calculate unearned premium reserves for related insurance policies. The deferred portion of ceded reinsurance premiums is included in reinsurance assets.

Reinsurance assets are assessed for impairment on a regular basis. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Group may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in consolidated statement of profit or loss in the year in which they are incurred.

Profit commission in respect of reinsurance contracts is recognised on an accrual basis. Reinsurance assets or liabilities are derecognized when the contractual obligations/rights are extinguished or expire or when the contract is transferred to another party.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred acquisition cost
For general insurance contracts, the deferred acquisition cost asset represents the position of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the reporting date. Commission income related to underwriting activities are recognised on a time proportion basis over the effective period of policy using the same basis as described for unearned premium reserve.

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred.

Insurance receivables and payables
Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract liabilities or reinsurance assets.

Life assurance fund
The fund is determined by the independent actuarial valuation of future policy benefits. 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. Adjustments to the balance of fund are affected by charges or credits to income. Certain generated returns are accrued and provided for in the life fund.

Unit linked liabilities
For unit linked policies, liability is equal to the policy account values. The account value is the number of units times the bid price.

Insurance contract liabilities and reinsurance assets
Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Group and still unpaid at the consolidated statement of financial position date, in addition for claims incurred but not reported and Life assurance fund. Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period after reduction for the expected value of salvage and other 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 end of the reporting period. 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 it is expired, discharged or cancelled.

The reinsurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as reinsurance contract assets in the financial statements.

Salvage and subrogation reimbursements
Estimates of salvage and subrogation reimbursements are considered as an allowance in the measurement of the insurance liability for claims.

Revenue (other than insurance revenue)
Revenue (other than insurance revenue) comprises the following:

Fee and commission income
Fee and commissions received or receivable which do not require the Group to render further service are recognised as revenue by the Group on the effective commencement or renewal dates of the related policies.

Dividend income
Dividend income is recognised when the Group’s right to receive the payment has been established.

profit income
profit income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. profit income is accrued on a time basis, by reference to the principal outstanding and at the effective profit rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (other than insurance revenue) (continued)

Rental income
Rental income from investment property which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

General and administrative expenses
Direct expenses are charged to the respective departmental revenue accounts. Indirect expenses are allocated to departmental revenue accounts on the basis of gross written premiums of each department. Other administration expenses are charged to profit or loss as unallocated general and administrative expenses.

Leases
The Group as lessee
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below USD 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The Group as lessor
The Group enters into lease agreements as a lessor with respect to some of its investment properties.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Property and equipment

Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and identified impairment losses. Land is not depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment and is recognised net within other income/other expenses in profit or loss.

Subsequent costs
The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in statement of profit or loss as incurred.

Depreciation
Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation (continued)
Depreciation is recognised in statement of profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate. No depreciation is charged on freehold land and capital-work-in-progress. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

The estimated useful lives with their capabilities for various categories of property and equipment is as follows :

Office building	30 years
Other property and equipment	5 years

Intangible assets (software)
Software acquired by the Group is measured at cost less accumulated amortisation and any identified impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight line basis in the statement of profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods are four years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Investment properties
Investment properties are properties are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in providing services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognized in the consolidated statement of profit or loss.

The Group determines fair value on the basis of valuations provided by two independent valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment properties being valued.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties include the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs.

Impairment of non-financial assets
At the end of each reporting period, the Group reviews the carrying amounts of their 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.

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 the 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 the 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 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-derivative financial assets and liabilities

Recognition
The Group initially recognises insurance receivables and insurance payables on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Group becomes party to the contractual provision of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

All recognised financial assets and financial liabilities are subsequently measured in their entirety at either amortised cost or fair value.

Classification
Financial assets measured at amortised cost.
At inception a financial asset is classified as measured at amortised cost or fair value.

A financial asset qualifies for amortised cost measurement only if it meets both of the following two conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cashflows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principle and profit SPPI on the principal amount outstanding.

If a financial asset does not meet both conditions, then it is measured at fair value.

The Group makes an assessment of a business model at portfolio level as this reflect the best way the business is managed and information is provided to the management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Group considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual profit revenue;
- the degree of frequency of any expected asset sales;
- the reason of any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Insurance and other receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective profit method.

Financial assets measured at fair value through profit or loss
Financial assets at FVTPL are:

(i) assets with contractual cash flows that are not SPPI; or/and
(ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
(iii) assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in consolidated statement of profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-derivative financial assets and liabilities (continued)

Classification (continued)

Equity instruments at FVOCI
Investments in equity instruments/funds at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments in equity instruments/funds, but reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

Debt instruments at amortised cost or at FVOCI
At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period, the Group has not identified a change in its business models.

When a debt instrument measured at FVOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortized cost or at FVOCI are subject to impairment.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand, balances with the banks and fixed deposits with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value, and are used by the Group in the management of short-term commitments.

Cash and cash equivalents are carried at amortized cost in the consolidated statement of financial position.

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
Ordinary shares of the Group are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

An equity instrument is any contract that evidences a residual profit 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.

Non-derivative financial liabilities
Insurance and other payables are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities (except for deferred reinsurance commission) are subsequently measured at amortized cost using the effective profit method, with profit expense recognised on an effective yield basis except for short term payable when the recognition of profit would be immaterial.

The effective profit method is a method of calculating the amortized cost of a financial liability and of allocating profit expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-derivative financial assets and liabilities (continued)

Impairment
The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, cash and bank balances, insurance receivables and reinsurance receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL (expected credit losses) for insurance receivables and reinsurance receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

The Group has adopted simplified approach in case of insurance and other receivables. In case of financial assets for which simplified approach is adopted lifetime expected credit loss is recognised.

Details of these statistical parameters/inputs are as follows:

PD - The probability of default is an estimate of the likelihood of default over a given time horizon.

LGD - The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the IFI would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

EAD - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-derivative financial assets and liabilities (continued)

Impairment (continued)

Forward-looking information
The measurement of expected credit losses considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Macroeconomic factors
In its models, the Group relies on a broad range of forward looking information as economic inputs, such as: GDP, GDP annual growth rate, unemployment rates, inflation rates, Profit rates, etc. Various macroeconomic variables considered are Brent, CPI, Stock, Inflation and Loans to private sector.

The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the consolidated financial statements.

Presentation of allowance for ECL in the statement of financial position
Loss allowances for ECL are presented in the consolidated statement of financial position as follows:

Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets.

Definition of default
Objective evidence that financial assets are impaired can include significant financial difficulty of the Islamic facility holder or issuer, default or delinquency by an Islamic facility holder, restructuring of an amount due to the Group on terms that the Group would not otherwise consider, indication that an Islamic facility holder or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse change in the payment status of Islamic facility holders or issuers, or economic conditions that correlate with defaults in the Group.

In assessing whether an Islamic facility holder is in default, the Group considers indicators that are:

- Qualitative - e.g. breaches of covenant,
- Quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and
- Based on data developed internally and obtained from external sources.

Derecognition of financial assets and financial liabilities
The Group derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risk and rewards of the ownership are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control on the financial asset. Any profit in transferred financial assets that qualify for derecognition that is carried or retained by the Group is recognised as separate asset or liability in the consolidated statement of financial position. On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the financial assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the services. The Group derecognises a financial liability when its contractual obligation are discharged or cancelled or expire.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividend distribution
Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is approved by the Group's shareholders.

Reinsurance reserves
In accordance with Article 34 of Insurance Authority's Board of Directors Decision No.(23) of 2021, the Group shall allocate an amount equals to 0.5% of the total reinsurance premiums ceded to reinsurance reserve. This reserve shall be accumulated year after year and may not be disposed off without the written approval of the Director General of the Insurance Authority

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Foreign currency transactions
The consolidated financial statements of the Group are presented in the currency of the primary economic environment in which the Group operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of the Group are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the year in which they arise.

Employee terminal benefits
The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and are not less than the liability arising under UAE Labour Law.

The Group contributes to the pension scheme for UAE nationals under the UAE pension and social security law. This is a defined contribution pension plan and the Group's contributions are charged to the consolidated statement of profit or loss in the period to which they relate. In respect of this scheme, the Group has a legal and constructive obligation to pay the fixed contributions as they fall due and no obligations exist to pay the future benefits.

Earnings per share
The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's headquarters) and head office expenses.

Offsetting
Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when, and only when, the Group has a legally enforceable right to offset the recognised amounts audit intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or of gains and losses arising from a group of similar transactions such as in the Group's trading activity.

Directors' remuneration
Pursuant to Article 171 of Federal Decree Law No. (32) of 2021 and in accordance with the Articles of Association of the Group, the Directors are entitled for remuneration which shall not exceed 10% of the net profits after deducting depreciation and reserves.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3 to these financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of investments
Management decides on acquisition of an investment whether it should be classified as FVTPL, FVTOCI or FV at amortised cost. The Group classifies investments at FVTPL if they are acquired primarily for the purpose of making a short term profit by the dealers.

Equity instruments are classified as FVOCI securities when they are considered by management to be strategic equity investments that are not held to benefit from changes in their fair value and are not held for trading.

Management is satisfied that the Group's investments in securities are appropriately classified.

Classification of properties
In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment, property under development and property held for sale. In making its judgment, management has considered the detailed criteria and related guidance set out in IAS 2 – Inventories, IAS 16 – Property, Plant and Equipment, and IAS 40 – Investment Property, with regards to the intended use of the property.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.1 Critical accounting judgements (continued)

Business model assessment
Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Group monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the years presented.

Insurance contract classification
Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Group.

There are a number of contracts sold where the Group exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Group is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

4.2 Key sources of estimation uncertainty

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

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 2021.

Individual life insurance
The assumptions used in the actuarial valuations for life fund are consistently applied and these assumptions are based on mortality and withdrawal rate assumptions.

Provision for outstanding claims whether reported or not
The estimation of ultimate liability arising from the claims made under insurance contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will eventually pay for such claims. Estimates have to be made at the end of the reporting period for both the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

Provision for outstanding claims whether reported or not (continued)
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 2022. The Group will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

4.2 Key sources of estimation uncertainty (continued)

Calculation of loss allowance
When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. Forward looking factor considered as the GDP of U.A.E. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Liability adequacy test
At each consolidated statement of financial position date, liability adequacy tests are performed to ensure the adequacy of insurance 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.

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 property being valued. The independent valuers provide the fair value of the Group's investment properties portfolio annually.

Valuation technique and significant unobservable inputs
The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

The Group has taken the highest and best use fair values for the fair value measurement of its investment properties.

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurements
1) Income valuation approach 2) Sales comparative valuation approach 3) Residual approach	-Expected market rental growth rate -Free hold property -Free of covenants, third party rights and obligations -Statutory and legal validity -Condition of the property, location and plot area -Recent sales value of comparable properties	The estimated fair value increase/decrease if: - Expected market rental growth rate were higher - The risk adjusted discount rates were lower/higher - The property is not free hold - The property is subject to any covenants, rights and obligations - The property is subject to any adverse legal notices / judgment - The property is subject to any defect / damages - The property is subject to sales value fluctuations of surrounding properties in the area.

Depreciation of property and equipment
The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. Management has not considered any residual value as it is deemed immaterial.

Impairment of intangible assets
The period of amortisation of the intangible assets is determined based on the pattern in which the asset's future economic benefits are expected to be consumed by the Group and technological obsolescence. Management has concluded that no impairment of intangible assets is required based on impairment test performed by the Group as of the reporting date.

Valuation of unquoted investments
The Group carries unquoted investments at fair value through profit and loss. The valuation of these unquoted investments use inputs other than observable market data and are inherently subjective. Management has been unable to provide any basis for deriving at the fair value for these unquoted investments.

5 PROPERTY AND EQUIPMENT

	Building AED	*Office equipment AED*	*Furniture and fixtures AED*	*Motor vehicles AED*	*Total AED*
Cost:					
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
Additions during the year	-	289,141	-	-	289,141
Disposals during the year	(48,628,321)	(796,078)	(7,266,471)	-	(56,690,870)
At 31 December 2022	**-**	**2,867,557**	**3,903,745**	**171,969**	**6,943,271**
Accumulated depreciation:					
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
Depreciation for the year	2,038,025	361,176	900,925	1,651	3,301,777
Disposals during the year	(9,709,271)	(716,470)	(4,704,225)	-	(15,129,966)
At 31 December 2022	**-**	**2,103,988**	**3,872,228**	**171,139**	**6,147,355**
Carrying amount:					
At 31 December 2022	**-**	**763,569**	**31,517**	**830**	**795,916**
At 31 December 2021	40,957,075	915,212	3,494,688	2,481	45,369,456

The building has been mortgaged against facilities obtained from the bank. (Note 8)

6 INTANGIBLE ASSETS

	Software *AED*	*Work in progress* *AED*	*Total* *AED*
Cost:			
At 31 December 2020	13,854,089	-	13,854,089
At 31 December 2021	13,854,089	-	13,854,089
Additions during the year	-	100,500	100,500
At 31 December 2022	**13,854,089**	**100,500**	**13,954,589**
Accumulated amortization:			
At 01 Jan 2021	10,785,828	-	10,785,828
Amortisation for the year	1,202,655	-	1,202,655
At 31 December 2021	11,988,483	-	11,988,483
Amortisation for the year	872,446	-	872,446
At 31 December 2022	**12,860,929**	**-**	**12,860,929**
Carrying amount:			
At 31 December 2022	**993,160**	**100,500**	**1,093,660**
At 31 December 2021	1,865,606	-	1,865,606

7 TAKAFUL AND OTHER PAYABLES

2022

	Takaful operations AED	***Shareholders's operations AED***	***Total AED***
ReTakaful payables	**56,851,414**	**5,707,732**	**62,559,146**
Accrued expenses and other payables	**30,790,215**	**46,575,270**	**77,365,485**
	87,641,629	**52,283,002**	**139,924,631**

2021

	Takaful operations AED	*Shareholders's 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

7 TAKAFUL AND OTHER PAYABLES (continued)

2022

	Takaful operations AED	***Shareholders's operations AED***	***Total AED***
Inside UAE			
ReTakaful payables	**55,833,885**	**5,126,557**	**60,960,442**
Payable to insurance agents	**-**	**641,647**	**641,647**
Payable to insurance brokers	**-**	**5,272,326**	**5,272,326**
Payable to staff	**-**	**893,626**	**893,626**
Other payables	**30,790,215**	**39,767,671**	**70,557,886**
	86,624,100	**51,701,827**	**138,325,927**
Outside UAE			
ReTakaful payables	**1,017,529**	**581,175**	**1,598,704**

2021

	Takaful operations AED	*Shareholders's 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

8 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 was AED 17.5 million (2021: AED 21.7 million).

The decrease in ijarah finance of AED 4.2 million (2021: AED 4.2 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, Wakala time deposit and promissory notes. The Group's finance agreement is subject to certain financial covenants. As at 31 December 2022, these covenants have been complied with.

9 PROVISION FOR EMPLOYEES END OF SERVICE BENEFITS

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

	2022	*2021*
	AED	*AED*
Balance at the beginning of the year	**3,133,223**	2,714,527
Charge for the year	**1,769,817**	882,353
Paid during the year	**(686,182)**	(463,657)
Balance at the end of the year	**4,216,858**	3,133,223

10 SHARE CAPITAL

	2022	*2021*
	AED	*AED*
Authorised issued and fully paid:		
150,000,000 ordinary shares of AED 1 each	**150,000,000**	150,000,000

11 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.

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.

12 ZAKAT

Zakat is payable by the shareholders. Management has informed the shareholders the amount of Zakat payable by each shareholder. Zakat paid in 2022 AED 50,647 (2021: AED 348,432).

13 CASH AND BANK BALANCES

	2022		*2021*	
	Takaful operations AED	***Shareholders's operations AED***	*Takaful operations AED*	*Shareholders's operations AED*
Cash and bank balances	**54,834,816**	**7,993,028**	38,250,051	11,377,988
Deposits	**36,082,000**	**5,060,000**	17,250,000	-
Total	**90,916,816**	**13,053,028**	55,500,051	11,377,988
Less: deposits maturing in more than three months	**(36,082,000)**	**(5,060,000)**	(17,250,000)	-
Cash and cash equivalents	**54,834,816**	**7,993,028**	38,250,051	11,377,988

The fixed deposits carry profit rate from 3.5% to 4.9% per annum as of December 2022 (December 2021 1%)

14 FINANCIAL INSTRUMENTS

	2022 AED	*2021 AED*
Takaful operations' assets		
At fair value through profit or loss (Note 14 (a))	**339,293,744**	360,882,743
Available-for-sale (Note 14 (b))	**57,619,641**	57,619,641
	396,913,385	418,502,384
Shareholders' assets		
At fair value through profit or loss (Note 14 (a))	**12,622,434**	21,793,897
Total	**409,535,819**	440,296,281

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

	2022			
	Attributable to individual life operations AED	***Attributable to Shareholders's AED***	***Attributable to Takaful operations AED***	***Total AED***
Mutual funds	**192,298,987**	**43,434**	**-**	**192,342,421**
Sukuk investments	**59,525,195**	**-**	**6,709,204**	**66,234,399**
Equity investments – unquoted	**-**	**12,579,000**	**80,760,358**	**93,339,358**
Total	**251,824,182**	**12,622,434**	**87,469,562**	**351,916,178**

14 FINANCIAL INSTRUMENTS (continued)

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

	2021			
	Attributable to individual life operations 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

Movements during the year were as follows:

	2022			
	Attributable to individual life operations AED	***Attributable to Shareholders' AED***	***Attributable to Takaful operations AED***	***Total AED***
At beginning of the year	**267,129,778**	**21,793,897**	**93,752,965**	**382,676,640**
Purchases during the year	**177,963,280**	**-**	**-**	**177,963,280**
Disposals during the year)	**(208,327,201)**	**(9,171,463)**	**(5,601,424)**	**(223,100,088)**
Change in fair value during the year	**15,058,325**	**-**	**(681,979)**	**14,376,346**
Total	**251,824,182**	**12,622,434**	**87,469,562**	**351,916,178**

	2021			
	Attributable to individual life operations AED	*Attributable to Shareholders's 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

14 FINANCIAL INSTRUMENTS (continued)

(b) Available-for-sale (AFS)

	2022 AED	*2021 AED*
Shares – quoted	**57,619,641**	57,619,641

A fair value gain amounting to AED Nil (2021: AED 16.56 million) has been recognized in the consolidated statement of comprehensive income.

15 TAKAFUL RECEIVABLES AND OTHER ASSETS

2022

	Takaful operations AED	***Shareholders's operations AED***	***Total AED***
Takaful receivables	**32,067,194**	**-**	**32,067,194**
Allowance for doubtful debt (Note 7 (a))	**(15,807,004)**	**-**	**(15,807,004)**
Prepaid expenses	**540,680**	**2,575,058**	**3,115,738**
Other receivables	**22,747,656**	**13,831,343**	**36,578,999**
	39,548,526	**16,406,401**	**55,954,927**

Note 15 (a) Movement in the allowance for doubtful debts

Balance at the beginning of the year	**10,888,302**	**-**	**10,888,302**
Provision made during the year	**5,417,466**	**-**	**5,417,466**
Bad debts written off	**(498,764)**	**-**	**(498,764)**
Balance at the end of the year	**15,807,004**	**-**	**15,807,004**

	Takaful operations AED	***Shareholders's operations AED***	***Total AED***
Takaful receivables and other assets – Inside UAE			
Takaful receivables	**32,067,194**	**-**	**32,067,194**
Receivables from reTakaful companies	**-**	**-**	**-**
Allowance for doubtful debt	**(15,807,004)**	**-**	**(15,807,004)**
Prepaid expenses	**540,680**	**2,575,058**	**3,115,738**
Other receivables	**22,747,656**	**13,831,343**	**36,578,998**
	39,548,526	**16,406,401**	**55,954,927**
Takaful receivables and other assets – Outside UAE			
Receivable from reTakaful companies	**-**	**-**	**-**

15 TAKAFUL RECEIVABLES AND OTHER ASSETS (continued)

2021

	Takaful operations AED	*Shareholders's 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 15 (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

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

15 TAKAFUL RECEIVABLES AND OTHER ASSETS (continued)

2022

	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	**14,338,193**	**2,018,401**	**489,620**	**848,960**	**2,812,837**	**11,559,183**	**32,067,194**
Receivable from reTakaful companies	-	-	-	-	-	-	-
Allowance for doubtful debt						**(15,807,004)**	**(15,807,004)**
Other receivables	**39,694,737**	-	-	-	-	-	**39,694,737**
Total	**54,032,930**	**2,018,401**	**489,620**	**848,960**	**2,812,837**	**(4,247,821)**	**55,954,927**
Outside UAE:							
Receivable from reTakaful companies	-	-	-	-	-	-	-

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

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.

16 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

	2022 AED	*2021 AED*
Gross Takaful contract liabilities		
Claims reported	**67,263,052**	133,106,143
Claims incurred but not reported	**24,744,949**	44,997,319
Unearned contributions	**85,858,278**	171,614,428
Mathematics reserves	**11,936,145**	12,436,967
Policyholders' investment linked contracts at fair value	**265,995,121**	271,006,737
	455,797,545	633,161,594

16 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS (continued)

	2022 *AED*	*2021* *AED*
ReTakaful contract assets		
ReTakaful share of claims reported	**16,276,208**	35,617,245
ReTakaful share of claims incurred but not reported	**7,829,031**	13,042,844
ReTakaful share of unearned contributions	**41,138,582**	63,845,416
ReTakaful share of mathematics reserves	**1,722,626**	1,365,039
	66,966,447	113,870,544
Net Takaful contract liabilities		
Claims reported	**50,986,844**	97,488,898
Claims incurred but not reported	**16,915,918**	31,954,475
Unearned contributions	**44,719,696**	107,769,012
Mathematics reserves	**10,213,519**	11,071,928
Policyholders' investment linked contracts at fair value	**265,995,121**	271,006,737
Total	**388,831,098**	519,291,050

	2022 *AED*	*2021* *AED*
Movement in payable to policyholders of investment linked contracts		
Opening balance	**271,006,737**	222,185,354
Gross contribution	**98,283,863**	101,619,787
Allocation charges	**(8,637,965)**	(13,940,242)
Redemption and other charges	**(109,715,839)**	(69,357,256)
Change in fair value	**15,058,325**	30,499,094
Closing balance	**265,995,121**	271,006,737

17 INVESTMENT PROPERTIES

	2022 *AED*	*2021* *AED*
Land	**15,401,897**	15,401,896
Residential apartments	**17,270,000**	16,070,000
	32,671,897	31,471,896
Work in progress	**29,037,041**	23,490,576
	61,708,938	54,962,472

17 INVESTMENT PROPERTIES (continued)

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

The carrying value of residential apartments represents its fair value as at 31 December 2022 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 2022. Land, on which construction is under progress, and the work in progress as at 31 December, 2022 amounting to AED 44,438,938 (31 December 2021: AED 38,892,472) 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 2022 (31 December 2021: Level 3).

18 DEFERRED POLICY ACQUISITION COST

	2022 ***AED***	*2021* *AED*
Balance at beginning of the year	**51,246,159**	65,612,689
Amortisation for the year	**(39,949,178)**	(52,982,198)
Commission paid during the year	**27,622,974**	38,615,668
	38,919,955	51,246,159

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.

19 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% (2021: 1%) per annum.

20 NET EARNED CONTRIBUTIONS

	2022			2021		
	Medical AED	***Life savings AED***	***Total AED***	*Medical AED*	*Life savings AED*	*Total AED*
Gross contribution written	**254,344,180**	**100,096,228**	**354,440,408**	478,256,003	105,690,272	583,946,275
Change in unearned contributions	**84,997,168**	**758,982**	**85,756,150**	47,432,069	161,979	47,594,048
Takaful contributions earned	**339,341,348**	**100,855,210**	**440,196,558**	525,688,072	105,852,251	631,540,323
ReTakaful contributions	**(78,610,968)**	**(4,294,144)**	**(82,905,112)**	(133,212,247)	(7,135,749)	(140,347,996)
Change in unearned contributions	**(22,140,532)**	**(566,302)**	**(22,706,834)**	(16,761,067)	(65,320)	(16,826,387)
ReTakaful contributions ceded	**(100,751,500)**	**(4,860,446)**	**(105,611,946)**	(149,973,314)	(7,201,069)	(157,174,383)
Net earned contributions	**238,589,848**	**95,994,764**	**334,584,612**	375,714,758	98,651,182	474,365,940

20 NET EARNED CONTRIBUTIONS (continued)

2022

	Gross Claims			*Re-Takaful*			*Net Claims*		
	Medical AED	***Life savings AED***	***Total AED***	***Medical AED***	***Life savings AED***	***Total AED***	***Medical AED***	***Life savings AED***	***Total AED***
Takaful claims paid	**349,306,391**	**2,125,007**	**351,431,398**	**(102,488,888)**	**(1,593,767)**	**(104,082,655)**	**246,817,503**	**531,240**	**247,348,739**
Movement in provision for claims reported and unsettled	**(65,759,072)**	**(84,019)**	**(65,843,091)**	**19,285,456**	**55,581**	**19,341,037**	**(46,473,616)**	**(28,438)**	**(46,502,050)**
Movement in provision for claims incurred but not reported	**(20,032,897)**	**(219,472)**	**(20,252,370)**	**4,952,463**	**261,350**	**5,213,813**	**(15,080,434)**	**41,877**	**(15,038,557)**
Claims recorded in the consolidated statement of profit or loss	**263,514,422**	**1,821,515**	**265,335,937**	**(78,250,969)**	**(1,276,836)**	**(79,527,805)**	**185,263,453**	**544,679**	**185,808,132**

2021

	Gross Claims			*Re-Takaful*			*Net Claims*		
	Medical AED	*Life savings AED*	*Total AED*	*Medical AED*	*Life savings AED*	*Total AED*	*Medical AED*	*Life savings 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

21 CHANGE IN RESERVE

	2022 AED	2021 AED
Change in mathematical reserve – Takaful life	**(858,411)**	5,910,787
Change in reserve relating to Takaful life products	**84,952,943**	82,467,338
Change in fair value – individual life policyholders	**(15,058,325)**	(30,499,094)
	69,036,207	57,879,031

22 WAKALAH FEES

Wakalah fees for the year ended 31 December 2022 amounted to AED 67,362,902 (2021: AED 106,411,607).

For group life, individual medical and group medical policies, Wakalah fees were charged up to 18% 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 Internal Sharia'a supervision committtee and is charged to the consolidated statement of profit or loss when incurred.

23 INVESTMENT INCOME/(LOSS) - NET

	2022 AED	2021 AED
Return on investment in fixed deposits	**3,516,458**	5,594,765
Realised gain/(loss) on sale of investments at fair value through profit or loss	**1,656,237**	(9,362,763)
Fair value changes on investments at fair value through profit or loss	**1,430,596**	26,470,224
Investment management charges	**(315,280)**	(400,556)
Provision for dividend receivable	**(382,768)**	-
	5,905,243	22,301,670
Attributable to shareholders	**4,717,862**	(6,642,578)
Attributable to policyholders	**1,187,381**	28,944,248
	5,905,243	22,301,670

24 OTHER INCOME

	2022 AED	2021 AED
Surrender and other charges on unit linked policies	**14,856,139**	20,011,806
Others	**19,051,021**	357,750
	33,907,160	20,369,556

25 GENERAL AND ADMINISTRATIVE EXPENSES

	2022 AED	*2021 AED*
Salaries and other benefits	**23,164,250**	22,723,587
Third party administrator expenses	**9,462,838**	25,399,387
Authority fees	**3,748,974**	5,039,141
Policy overhead expenses	**6,186,960**	4,172,724
IT expenses	**3,224,545**	3,374,471
Depreciation and amortization	**4,173,864**	4,762,568
Provision for doubtful debt	**63,608**	102,684
Marketing expenses	**686,701**	1,521,445
Legal and professional fees	**3,832,062**	3,783,589
Rent and related expenses	**238,075**	192,609
ReTakaful receivable written off	**-**	206,089
Other expenses	**8,515,470**	2,496,681
	63,297,347	73,774,975

26 BASIC AND DILUTED PROFIT/ (LOSS) PER SHARE

	2022 AED	*2021 AED*
Profit/(Loss) for the year attributable to shareholders (in AED)	**2,447,826**	(6,682,525)
Weighted average number of shares outstanding during the year	**150,000,000**	150,000,000
Profit/(Loss) per share (AED)	**0.016**	(0.045)

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

27 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.

28 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.

Compensation of the key management personnel is as follows:

	2022 AED	*2021 AED*
Short term employee benefits	**3,458,636**	3,540,001
End of service benefits	**1,013,002**	705,857
	4,471,638	4,245,858

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

29 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

	2022					
	Underwriting			*Shareholders*		
	Medical AED	***Life AED***	***Total AED***	***Investments AED***	***Others AED***	***Total AED***
Segment revenue	**339,341,348**	**100,855,210**	**440,196,558**	**4,717,862**	**101,270,062**	**105,987,924**
Segment result	**53,539,963**	**13,529,366**	**67,069,329**	**4,717,862**	**101,270,062**	**105,987,924**
Wakalah fees	**(57,065,339)**	**(10,297,562)**	**(67,362,902)**	**-**	**-**	**-**
Amortisation of deferred policy acquisition cost	**-**	**-**	**-**	**-**	**(39,949,178)**	**(39,949,178)**
General and administrative expenses	**-**	**-**	**-**	**-**	**(63,297,347)**	**(63,297,347)**
Provision for Qard Hassan to policyholders' fund	**-**	**-**	**-**	**-**	**(293,573)**	**(293,573)**
Profit/(loss) attributable to policyholders/ shareholders	**(3,525,376)**	**3,231,804**	**(293,573)**	**4,717,862**	**(2,270,036)**	**2,447,826**

29 SEGMENT INFORMATION (continued)

	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)

2022

	Medical AED	***Life and savings AED***	***Underwriting Total AED***	***Shareholders' investments AED***	***Unallocated Others AED***	***Total AED***	***Total AED***
Segment assets	**380,799,492**	**314,174,575**	**694,974,067**	**25,675,462**	**22,295,977**	**47,971,439**	**742,945,506**
Segment liabilities	**250,017,558**	**293,421,616**	**543,439,174**	**-**	**73,999,861**	**73,999,861**	**617,439,035**

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

30 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 2021.

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).

2022

	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	**-**	**192,342,420**	**-**	**192,342,420**
Sukuk investments	**66,234,400**	**-**	**-**	**66,234,400**
Available-for-sale	**-**	**-**	**57,619,641**	**57,619,641**
	66,234,400	**192,342,420**	**150,958,999**	**409,535,819**
Liabilities				
Investment linked contracts	**-**	**265,995,121**	**-**	**265,995,121**

30 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

31 MOVEMENT IN FINANCIAL ASSETS AT LEVEL 3

	2022 ***AED***	*2021* *AED*
Balance at the beginning of the year	**12,579,000**	20,400,000
Changes in value	**138,379,999**	(7,821,000)
Balance at the end of the year	**150,958,999**	12,579,000

32 POLICY HOLDERS' FUND

	2022 ***AED***	*2021* *AED*
Deficit in policy holders' fund		
Balance at the beginning of the year	**(1,310,720)**	(1,246,783)
(Deficit)/ surplus during the year	**(293,573)**	(63,937)
Balance at the end of the year	**(1,604,293)**	(1,310,720)
Qard Hassan from shareholders		
Balance at beginning of year	**1,310,720**	1,246,783
Provision during the year	**293,573**	63,937
Balance at the end of the year	**1,604,293**	1,310,720
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.

(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 2022 and 31 December 2021.

(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.

33 RISK MANAGEMENT (continued)

33.1 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.

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 86% of amounts due from reinsurance companies at 31 December 2022 (2021: 87%).

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)

33.2 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:

	2022	*2021*
	AED	*AED*
Cash and bank balances	**103,969,843**	66,878,039
Statutory deposit	**4,000,000**	4,000,000
Takaful and other receivables excluding prepayments	**52,839,189**	192,391,841
ReTakaful share of claims reported and unsettled	**16,276,208**	35,617,245
Investments at fair value through profit or loss	**351,916,178**	382,676,640
Available-for-sale	**57,619,641**	57,619,641
	589,621,059	739,183,406

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.

33 RISK MANAGEMENT (continued)

33.2 Financial risk (continued)

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:

2022	***Less than three months AED***	***From three months to one year AED***	***Over one year AED***	***Total AED***
Financial assets				
Cash and bank balances	**62,827,843**	**41,142,000**	**-**	**103,969,843**
Statutory deposit	**-**	**-**	**4,000,000**	**4,000,000**
Takaful receivables and other assets	**50,917,192**	**6,169,818**	**(4,247,821)**	**52,839,189**
ReTakaful share of claims reported	**16,276,208**	**-**	**-**	**16,276,208**
Investments at fair value through profit or loss	**-**	**-**	**351,916,177**	**351,916,177**
Available-for-sale	**-**	**-**	**57,619,641**	**57,619,641**
Total	**130,021,243**	**47,311,818**	**409,287,997**	**586,621,058**
Financial liabilities				
Takaful and other payables	**71,565,920**	**14,927,526**	**53,431,184**	**139,924,630**
Claims reported	**67,263,052**	**-**	**-**	**67,263,052**
Ijarah finance	**-**	**-**	**17,500,000**	**17,500,000**
Policyholders' investment linked contracts at fair value	**-**	**-**	**265,995,121**	**265,995,121**
Total	**138,828,972**	**14,927,526**	**336,926,305**	**490,682,803**

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

33 RISK MANAGEMENT (continued)

33.2 Financial risk (continued)

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.

	Increase in basis points	*Effect on results for the year AED*
2022		
Profit bearing assets	**+100**	**3,095,886**
Expense bearing liabilities	**+100**	**175,000**
2021		
Profit bearing assets	+100	3,105,873
Expense bearing liabilities	+100	217,000

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*
2022		
Profit bearing assets	**17,595,809**	**(17,595,809)**
2021		
Profit bearing assets	19,133,832	(19,133,832)

33 RISK MANAGEMENT (continued)

33.2 Financial risk (continued)

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.

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.

33.3 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 2022 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 (2021: AED 757,309).

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.

Capital commitments.
Capital commitments as of 31 December 2022 amounted to AED 6.5 million (2021: AED 6 million).

34 CONTINGENCIES (continued)

Other commitments
The Group has lease agreements which are payable as follows:

	2022	*2021*
	AED	*AED*
Less than one year	**369,435**	108,780

35 REGULATORY FRAMEWORK AND GOING CONCERN

As per Article (8) of Section 2 of the financial regulations issued for insurance companies in UAE, the Group shall at all times comply with the requirements of Solvency Margin. As at 31 December 2022, the Group had a solvency deficit as compared to the Minimum Capital Requirements of AED 100 million. The Group has made a business plan to meet the solvency requirements. 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.

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.

The solvency position of the Group as of 30 September 2022 and 31 December 2021 is presented below. The Group has presented the solvency position as of 30 September 2022 which is the latest available solvency position as of the date of approval of these consolidated financial statements.

	2022	*2021*
	AED	*AED*
Minimum Capital Requirement (MCR)	**100,000,000**	100,000,000
Solvency Capital Requirement (SCR)	**77,995,029**	9,649,214
Minimum Guarantee Fund (MGF)	**72,904,437**	100,964,786
Basic Own Funds	**(127,781,410)**	(9,197,346)
MCR Solvency Margin (Surplus/deficit)	**(227,781,410)**	(109,197,346)
SCR Solvency Margin (Surplus/deficit)	**(205,776,439)**	(100,846,561)
MGF Solvency Margin (Surplus/deficit)	**(200,685,848)**	(110,162,132)

36 TECHNICAL PROVISION

	2022 *AED*	*2021* *AED*
Claims reported and unsettled	**67,263,052**	133,106,143
Claims incurred but not reported	**24,744,949**	44,997,319
Unearned contributions	**85,858,278**	171,614,428
Mathematical reserve	**11,936,145**	12,436,967
Policyholders' investment linked contracts at fair value	**265,995,121**	271,006,737
Technical provisions	**455,797,545**	633,161,594

Medical business

	2022 *AED*	*2021* *AED*
Claims reported and unsettled	**65,001,379**	130,760,452
Claims incurred but not reported	**24,445,779**	44,478,676
Unearned contributions	**84,890,392**	169,887,561
Mathematical Reserve	**4,110,705**	2,985,123
Technical provisions	**178,448,253**	348,111,812

Life business

	2022 *AED*	*2021* *AED*
Claims reported and unsettled	**2,261,675**	2,345,691
Claims incurred but not reported	**299,170**	518,643
Unearned contributions	**967,886**	1,726,867
Mathematical Reserve	**7,825,440**	9,451,844
Policyholders' investment linked contracts at fair value	**265,995,121**	271,006,737
Technical provisions	**277,349,292**	285,049,782

37 CLAIMS DEVELOPMENT SCHEDULE

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

38 SUBSEQUENT EVENTS

On 3 October 2022, the Group confirmed through an announcement on Dubai Financial Market, the initial approval for the intended merger (through share issuance) with Islamic Arab Insurance Company (Salama). However, as of 16 February 2023, the Group provided an update on Dubai Financial Market that the merger with Islamic Arab Insurance Company PSC (Salama) was not being considered and that discussions are in place for alternative arrangements, including the acquisition of the Takaful operations of Takaful Emarat – Insurance (PSC). Subsequently, there have been no further conclusion in the ongoing acquisition until the date of approval of the consolidated financial statements.

39 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 6 April 2023.