takaful emarat

# ANNUAL REPORT 2021


بسم الله الرحمن الرحيم

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# Board of Directors

**Mohamed Haji Al Khoori**
Chairman

**Yousef Ahmed Mohamed**
Deputy Chairman

**Ajit Vijay Joshi**
Board Member

**Omar Saeed Al Hamiri**
Board Member

**Abdul Hamid**
Board Member

**Ahmed Mohammad Khalil Alseksek**
Board Member

**Mariam Mohamed Omar Abdulla Balfaqeh**
Board Member

# Shariah Supervisory Board Report

**In the Name of Allah, the Most Gracious, the Most Merciful**

**The Annual Sharia Report of the Internal Shariah Supervision Committee (the "ISSC") of Takaful Emarat for the Financial Year ended 31st of December 2021**

**To the General Assembly of the Company Shareholders**

**Issued on:** 24th Mar 2022

**To: Shareholders of Takaful Emarat Insurance PSC**

السلام عليكم ورحمة الله وبركاته,

Praise to Allah and Peace be upon our Prophet Muhammad.

In line with Article (63) of the Company's Articles of Association, we present the following report about the activities and accounts of the Company:

The ISSC reviewed the basis on which the Company's business has been conducted, the financial results, the investments and the products it has engaged in during the financial year ending on December 31, 2021, samples of the Takaful (Insurance) policies entered into by the Company and the new contracts and agreements signed by the Company and other activities presented to the ISSC in order to make the opinion on whether the Company is compliant with the Islamic Sharia provisions and principles, the advisory opinions, resolutions and directives issued by the ISSC.

Ensuring the Company's compliance with the Islamic Sharia provisions and principles is the responsibility of the Board of Directors and the Executive Management that is in charge of the implementation of the Company activities in accordance with its Articles of Association and in line with Islamic Sharia provisions and principles. The ISSC responsibility is limited to making an independent Shariah opinion.

The ISSC reviewed the Company's financial results and its financial structure by reviewing the balance sheet, income statement and statement of revenues and expenses.

The ISSC reviewed the Zakat calculation for a period from 1st Jan 2021 to 31st Dec 2021. The per share Zakat amount is AED 0.00232. The ISSC endorsed the Zakat calculation methodology.

The ISSC was provided with the information and interpretations to give reasonable assurance that the Company did not violate the Islamic provisions and principles in general and within the activities presented to the ISSC.

**THE ISSC'S OPINION ON THE SHARI'AH COMPLIANCE STATUS OF THE COMPANY**

Based on the information and explanations that were provided to the ISSC with the aim of ascertaining the Company's compliance with the Islamic Shari'ah, the ISSC has unanimously

concluded with a reasonable level of confidence that the Company's Activities are in Compliance with the Islamic Shari'ah.

The ISSC formed its opinion, as outlined above, exclusively on the basis of information perused by the ISSC during the financial year.

**Internal Shari'ah Supervision Committee of Takaful Emarat**

**Shaikh Abdul Nasser Ahmed Al-Mannaie**

**Chairman - ISSC**

**Shaikh Mufti Muhammad Hassan Kaleem**

**Member - ISSC**

**Shaikh Fazal Rahim Abdul Rahim**

**Member - ISSC**

# Board Of Directors Report

Dear Shareholders,

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

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

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

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

**Key Financial results achieved for the year 2021:**

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

- Gross written contributions of AED 584 million in 2021, despite challenging market conditions.
- Net Earned Contribution increased by AED 63 million from AED 411 million in 2020 to AED 474 million in 2021.
- Net Takaful Income AED 78 million in 2021.

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

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

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

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

**Mohamed Haji Al khoori**

**Chairman**

# TAKAFUL EMARAT - INSURANCE (PSC)
# AND ITS SUBSIDIARY
## Reports and consolidated financial statements
## for the year ended 31 December 2021

Deloitte.

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# INDEPENDENT AUDITOR'S REPORT

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

**Report on the audit of the consolidated financial statements**

**Qualified Opinion**

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

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

**Basis for Qualified Opinion**

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

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

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

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

**Material Uncertainty Related to Going Concern**

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

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

**Key audit matters**

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

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

**Key audit matters** (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Valuation of takaful contract liabilities and retakaful contract assets***<br><br>As at 31 December 2021, takaful contract liabilities and retakaful contract assets amounted to AED 633.2 million and AED 113.9 million respectively, as detailed in note 8 to these consolidated financial statements.<br><br>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.<br><br>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.<br><br>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.<br><br>Please refer to note 3, 4 and 8 of the consolidated financial statements for the accounting policy, disclosures of the related judgements and estimates and takaful contract liabilities and retakaful contract assets. | Our audit procedures included:<br><br>• Assessing the design and implementation of key controls related to the data used in the actuarial reserving process;<br>• Evaluating and testing the claims handling and case reserve setting processes of the Group including allocation of retakaful portion of claims;<br>• Evaluating and testing the data used in the actuarial reserving process;<br>• Testing samples of claims case reserves by comparing the estimated amount of the case reserve to appropriate documentation, such as confirmations obtained from lawyers, retakaful contracts etc;<br>• Re-performing reconciliations between the claims data recorded in the Group's systems and the data used in the actuarial reserving calculations;<br>• Evaluating the objectivity, skills, qualifications and competence of independent external actuary;<br>• We reviewed the engagement letter with the independent external actuary to determine if the scope was sufficient for audit purposes; and<br>• Agreeing samples of unearned contribution to appropriate documentation;<br><br>In addition, with the assistance of our internal actuarial specialists, we:<br>• performed necessary reviews to ascertain whether the results are appropriate for the valuation of takaful contract liabilities and retakaful contract assets;<br>• reviewed the actuarial report compiled by the independent external actuary of the Group and calculations underlying these provisions, particularly the following areas:<br>  • Appropriateness of the calculation methods and approach (actuarial best practice)<br>  • Review of assumptions<br>  • Consistency between valuation periods<br>  • General application of financial and mathematical rules.<br>We assessed the disclosures in the consolidated financial statements about takaful contract liabilities and retakaful contract assets against the requirements of IFRSs. |

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

**Key audit matters** (continued)

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

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

**Key audit matters** (continued)

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

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

**Other information**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Report on other Legal and Regulatory Requirements**

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

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

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

iii) The Group has maintained proper books of account;

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

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

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

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

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

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

Deloitte & Touche (M.E.)

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

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

### Consolidated statement of financial position
### at 31 December 2021

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

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

TAKAFUL EMARAT - INSURANCE (P'SC) AND ITS SUBSIDIARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 1. General information

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

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

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

Federal Law No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

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

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

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

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

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

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

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

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

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

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**3. Summary of significant accounting policies**

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

**3.1 Statement of compliance**

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

**3.2 Basis of preparation**

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

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

**3. Summary of significant accounting policies** (continued)

**3.2 Basis of preparation** (continued)

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

**3.3 Basis of consolidation**

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

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

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

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

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

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

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

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

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

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

**3. Summary of significant accounting policies** (continued)

**3.3 Basis of consolidation** (continued)

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

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

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

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

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

*Business combination*

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

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

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

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

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

**3. Summary of significant accounting policies** (continued)

**3.3 Basis of consolidation** (continued)

*Business combination* (continued)

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

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

**3.4 Takaful contracts**

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

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

**3.5 Takaful contributions**

*Medical takaful contracts*

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

*Life assurance contracts*

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

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

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

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

**3. Summary of significant accounting policies** (continued)

**3.5 Takaful contributions** (continued)

*Life assurance contracts* (continued)

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

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

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

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

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

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

**3.6 Takaful contributions earned**

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

**3.7 Retakaful contributions**

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

**3.8 Wakalah fees**

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

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

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

**3. Summary of significant accounting policies** (continued)

**3.9 Claims**

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

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

**3.10 Retakaful share of claims incurred**

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

**3.11 Policy acquisition costs**

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

**3.12 Investment income**

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

**3.13 Liability adequacy test**

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

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

## 3. Summary of significant accounting policies (continued)

### 3.14 Foreign currency translation

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

### 3.15 Segment reporting

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

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

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

### 3.16 Product classification

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

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

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

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

## 3. Summary of significant accounting policies (continued)

### 3.16 Product classification (continued)

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

### 3.17 Property and equipment

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

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

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

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

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

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

### 3.18 Investment properties

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

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

**3. Summary of significant accounting policies** (continued)

**3.18 Investment properties** (continued)

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

**3.19 Intangible assets**

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

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

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

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

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

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

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

**3. Summary of significant accounting policies** (continued)

**3.19 Intangible assets** (continued)

*Impairment of tangible and intangible assets*

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

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

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

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

**3.20 Deferred acquisition costs (DAC)**

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

**3.21 Trade and settlement date accounting**

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

**3. Summary of significant accounting policies** (continued)

**3.22 Financial instruments**

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

**a. Financial assets**

***Initial recognition and measurement***

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

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

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

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

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

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

***Subsequent measurement***

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

**Financial assets at fair value through profit or loss**

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

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

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

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

**3. Summary of significant accounting policies** (continued)

**3.22 Financial Instruments** (continued)

**a. Financial assets** (continued)

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

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

**Loans and receivables**

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

**Available-for-sale financial assets**

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

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

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

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

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

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

**3. Summary of significant accounting policies** (continued)

**3.22 Financial instruments** (continued)

**a. Financial assets** (continued)

**Derecognition of financial assets**

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

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

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

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

**Impairment of financial assets**

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

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

**Cash and bank balances**

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

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

**Takaful receivables**

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

**3. Summary of significant accounting policies** (continued)

**3.22 Financial instruments** (continued)

**a. Financial assets** (continued)

**Takaful receivables** (continued)

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

**b. Financial liabilities and equity instruments issued by the Group**

***Classification as debt or equity***

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

***Equity instruments***

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

***Financial liabilities***

*Initial recognition and measurement*

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

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

*Subsequent measurement*

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

*Financial liabilities at fair value through profit and loss*

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

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

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

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

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

**3. Summary of significant accounting policies** (continued)

**3.22 Financial instruments** (continued)

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

***Financial liabilities*** (continued)

*Expense bearing financing and ijarah finance*

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

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

**3.23 Takaful contract liabilities**

*(i) Unearned contributions*

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

*(ii) Claims incurred but not reported*

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

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

*(iii) Claims reported and unsettled*

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

*(iv) Mathematical reserves*

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

*(v) Policyholders' investment linked contracts at fair value*

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

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

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

**3. Summary of significant accounting policies** (continued)

**3.24 Investment contract liabilities**

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

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

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

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

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

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

**3.25 Ijarah finance**

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

**3.26 Surplus/deficit in policyholders' fund**

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

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

**3. Summary of significant accounting policies** (continued)

**3.27 Provisions**

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

**3.28 Employees' end of service benefits**

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

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

**3.29 Retakaful contracts held**

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

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

**3.30 Offsetting financial instruments**

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

*Offsetting of retakaful receivable and payable balances*

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

**3. Summary of significant accounting policies** (continued)

**3.31 Leases**

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

**3.32 Contingencies**

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

**3.33 Fair value measurement**

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

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

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

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

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

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

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

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

## 4. Critical accounting estimates and judgments in applying accounting policies

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

**Judgements**

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

*Classification of properties*

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

*Classification of investments*

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

*Claims incurred but not reported*

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

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

**Estimation uncertainty**

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

*Provision for outstanding claims, whether reported or not*

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

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

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

**Estimation uncertainty** (continued)

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

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

The Group has performed an assessment of the impact of COVID-19 on its contractual arrangements and provisions for outstanding claims and claims incurred but not reported which included regular sensitivity analyses. The Group determined that there is no material impact on its risk position and provision balances for outstanding claims and claims incurred but not reported, as at 31 December 2021. The Group will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

*Impairment losses on deferred acquisition costs*

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

*Amortization of deferred acquisition costs*

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

*Valuation of investment properties*

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

*Impairment of available-for-sale securities*

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

*Liability adequacy test*

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

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

**Estimation uncertainty** (continued)

*Allowance for doubtful debt on takaful receivables*

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

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

*Mathematical reserve*

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

*Going concern*

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

*Useful lives of property and equipment*

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

*Fair value measurement of financial instruments*

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

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

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

## 5. Cash and bank balances

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

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

## 6. Financial instruments

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

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

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

**6. Financial instruments** (continued)

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

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

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

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

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

**6. Financial instruments** (continued)

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

Movements during the year were as follows:

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

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

**(b) Available-for-sale (AFS)**

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

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

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

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

## 7. Takaful receivables and other assets

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

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

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

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

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

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

**7. Takaful receivables and other assets** (continued)

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

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

Movement in the allowance for doubtful debts,

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

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

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

**7. Takaful receivables and other assets** (continued)

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

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

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

**2021**

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

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

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

**7. Takaful receivables and other assets** (continued)

2020

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

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

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

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

## 8. Takaful contract liabilities and retakaful contract assets

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

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

## 9. Investment properties

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

***Movement during the year***

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

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

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

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

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

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

## 10. Deferred policy acquisition cost

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

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

## 11. Statutory deposit

Statutory deposit is maintained in accordance with the requirements of UAE Federal Law No. 6 of 2007 for the purpose of carrying on takaful operations in the United Arab Emirates and is not available to finance the day to day operations of the Group. This deposit carries a profit rate of 1% (2020: 3.40%) per annum.

**TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary**

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

## 12. Property and equipment

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

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

**TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary**

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

## 13. Intangible assets

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

## 14. Takaful and other payables

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

**14. Takaful and other payables** (continued)

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

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

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

## 15. Ijarah finance

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

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

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

## 16. Provision for employees end of service benefits

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

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

## 17. Share capital

| | **2021**<br>**AED** | 2020<br>AED |
|---|---|---|
| Authorised issued and fully paid: | | |
| 150,000,000 ordinary shares of AED 1 each | **150,000,000** | 150,000,000 |

## 18. Reserves

### a) Statutory reserve

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

**TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary**

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

**18. Reserves** (continued)

**b) Regulatory reserve**

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

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

**19. Zakat**

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

**TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary**

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

## 20. Net earned contributions

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

**TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary**

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

## 21. Claims incurred

**2021**

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

**TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary**

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

**21. Claims incurred** (continued)

2020

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

**TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary**

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

## 22. Change in reserve

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

## 23. Wakalah fees

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

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

## 24. Investment income/(loss) - net

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

**TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary**

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

## 25. Other income

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

## 26. General and administrative expenses

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

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

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

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

**TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary**

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

## 28. Fatwa and Sharia'a Supervisory Board

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

## 29. Related party transactions and balances

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

The significant balances outstanding at 31 December in respect of related parties included in the consolidated financial statements are as follows:

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

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

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

Compensation of the key management personnel is as follows:

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

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

**TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary**

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

## 30. Segment information

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

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

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

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

**TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary**

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

**30. Segment information** (continued)

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

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

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

## 31. Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms.

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

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

**TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary**

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

## 31. Fair value of financial instruments (continued)

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

### 31.1 Movement in financial assets at level 3

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

## 32. Policy holders' fund

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

## 33. Risk management

### *(i)* Governance framework

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

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

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

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

**TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary**

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

**33. Risk management** (continued)

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

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

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

***(iii)* Regulatory framework**

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

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

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

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

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

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

**33A Takaful risk**

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

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

**33. Risk management** (continued)

**33A Takaful risk** (continued)

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

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

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

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

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

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

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

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

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

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

**TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary**

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

**33. Risk management** (continued)

**33B Financial risk**

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

The Group does not enter into derivative transactions.

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

***Credit risk***

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

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

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

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

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

**TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary**

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

**33. Risk management** (continued)

**33B Financial risk** (continued)

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

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

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

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

**2021**

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

**33. Risk management** (continued)

**33B Financial risk** (continued)

***Liquidity risk*** (continued)

2020

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

***Profit rate risk***

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

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

**33. Risk management** (continued)

**33B Financial risk** (continued)

***Profit rate risk*** (continued)

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

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

***Equity price risk***

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

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

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

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

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

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

## 33. Risk management (continued)

### 33B Financial risk (continued)

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

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

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

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

Further, the Group has performed stress testing as required by the Central Bank of UAE approved by the Board of Directors, who are satisfied that the Group will continue to operate as a going concern. Accordingly, these financial statements have been prepared on a going concern basis. Management will continue to monitor the situation and, will take necessary and appropriate actions on a timely basis to respond to this unprecedented situation.

### 33C Operational risk

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

## 34. Contingencies

***Contingent liabilities***

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

***Legal claims***

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

## 34. Contingencies (continued)

***Capital commitments***

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

***Other commitments***

The Group has lease agreements which are payable as follows:

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

## 35. Regulatory framework and going concern

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

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

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

## 35. Regulatory framework and going concern (continued)

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

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

## 36. Technical provision

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

**Medical business**

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

**TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary**

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

## 36. Technical provision (continued)

**Life business**

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

## 37. Claims development schedule

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

## 38. Approval of the consolidated financial statements

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

takaful
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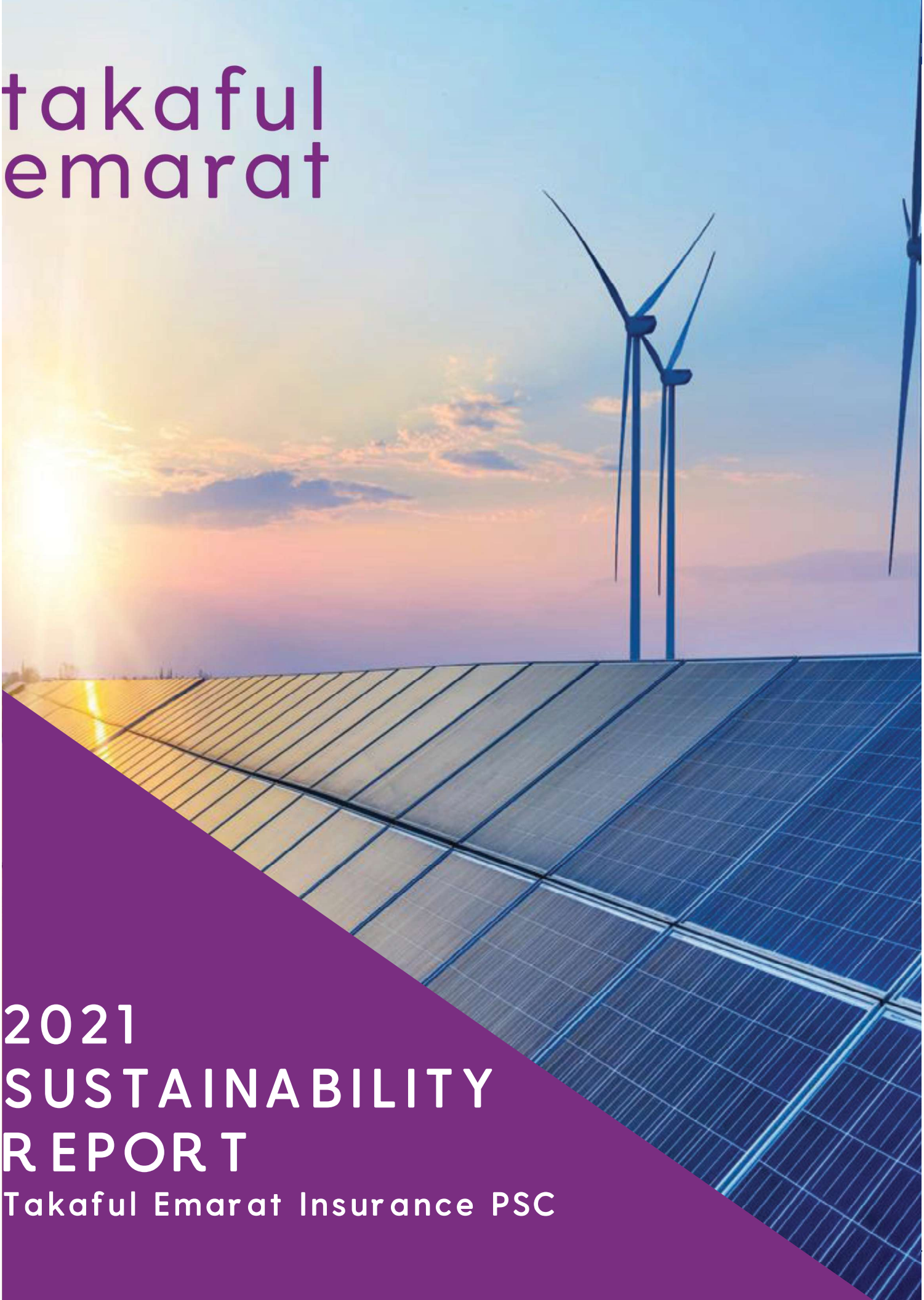
takaful emarat



# 2021 SUSTAINABILITY REPORT

## Takaful Emarat Insurance PSC

# Table Of Content

# About Takaful Emarat (TE)

## Our History

Takaful Emarat Insurance PSC, established in 2008, is a leading Shariah compliant Life and Health Takaful Provider in the UAE. Takaful Emarat markets a wide range of individual and corporate life and health Takaful products including protection, savings and investment plans through variety of distribution channels.

## Our Objective

To promote the concept of Takaful as a genuine shariah compliant alternate to Insurance. To design & promote Takaful products based on emerging needs and modern approach. To achieve the best financial results for participants and shareholders. To expand Takaful Emarat regionally and globally.

## Our Vision

To become an international leader of Takaful Insurance in GCC, Middle East, North Africa and other Islamic countries.

## Our Mission

To manage participants financial security with full compliance of Shariah. To gain trust and confidence by providing value added products and services backed by international expertise. To act fairly and transparently in the best interest of participants.

# Sustainability @TakafulEmarat

## CEO Message

Wael Al Sharif, CEO of Takaful Emarat, said: "During the past year, we have been following an aspirational and transformative strategy that cover various aspects which is clearly demonstrated in our results for 2021. With this said, I am pleased to extend my thanks and appreciation to every member of our Board of Directors for their contribution & supervision. I also congratulate our leadership team, and all employees and partners on this success."

Mr. Al Sharif added: "We have carefully evaluated all sectors of our business and invested in a state-of-the-art technology by continuing to focus on innovation and operational resilience, which enhanced our capacity to reach a wider customer base and achieve exceptional levels of loyalty".

Takaful Emarat has become an instructive illustration in terms of applying the latest technologies and innovations, which streamlines our customers' access to our services, and reinforces our Company's standing as a leader of the UAE's insurance sector.

## Approach

Takaful, meaning "solidarity" is a co-operative insurance system. It is based on the concept of shared contributions and mutual co-operation. We do not charge interest! Instead, we provide regimented subscription and pooled compensation to protect our members in case of loss or need. Our Takaful insurance companies adhere to both UAE law and an appointed Shariah Supervisory Board.

We are committed to ensuring a sustainable future, while creating value for our customers. An important feature of this commitment is regular transparent and best practice-aligned disclosure of our corporate sustainability actions and progress.

- Takaful vs Conventional Insurance:

In Arabic, Takaful means 'solidarity and cooperation among group of people'. Takaful insurance is a form of co-operative insurance in compliance with Islamic Shariah, which is based on the concept of shared contributions and mutual co-operation between the participants to compensate one another in case of loss.

- Takaful mechanism:

Participants pay the contributions on a voluntary basis as a donation to a shared Takaful fund, providing protection for each member against combined risks and sharing surplus equally. The company will manage and operate the Takaful fund on their behalf with no prior expectations of fixed returns.

Takaful insurance parties include "participants" and "Takaful fund operators", which corresponds to "the insured" and "the insurer" in conventional insurance.

## 2021 – Highlights

Takaful Emarat total comprehensive income for 2021 is AED 6.8 million. These promising results come amid wide uncertainty and financial turmoil around the globe caused by the COVID-19 crisis.

These results follow a comprehensive restructuring during which the Company maintained control over expenses and its ability to overcome the implications of the pandemic. These results are a testimony for the company's strategy in leveraging innovation and focusing on digital solutions, which contributed to strengthening Takaful Emarat's leading position in the insurance sector in the UAE.

Below are some key indicators on the Company's financial performance for 2021:

- ✓ Gross written contributions for 2021 are AED 583.9 million.
- ✓ The 2021 Net Takaful Income is AED 78 million.

## Stakeholder Engagement

We reviewed internally and externally our stakeholder's perspectives and opinions. The process identified the impact we have on our stakeholder group as well as the level of influence each stakeholder group has on our business. We communicate with our stakeholders through multiple channels, listening and seeking their feedback. We have listed below our key stakeholder groups and our engagement methods along with the frequency of engagement.

- Employees

Intranet, Newsletters, CEO Communications, Management Meetings, Surveys, Team building & inhouse training events.

- Customers

Customer services & interaction via multiple platforms like Call, Website, email, etc. Surveys & Feedbacks, Social media platforms & Google, TE Digital Platform for Sales.

- Business Partners

Trainings & Workshops, Events, Service portals Personal contacts, Digital Transformation Strategy Partners.

- Regulatory Authorities, Media, Society and others

Voluntary Participations, Interviews, Publications & Social Events Exchange of ideas & communications with regulators, Projects & Surveys.

- Shareholders & Investors

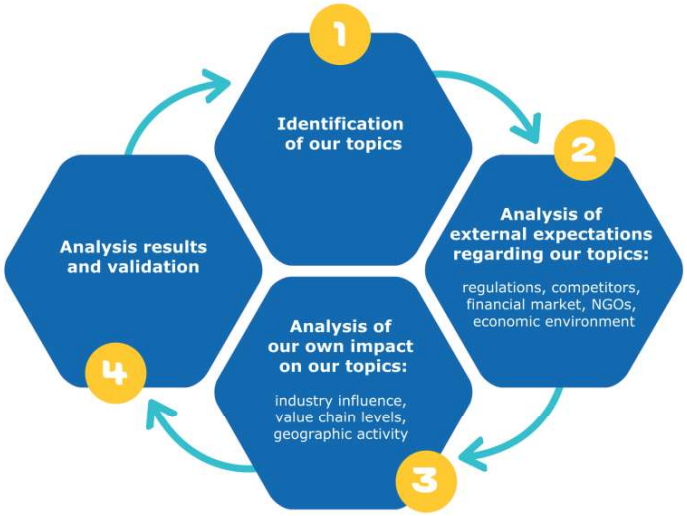
Market Disclosures, General Assembly, Meeting, Personal Contacts by Investor Relations, Corporate Notices.

- Industry

Networking Events / Conferences, Collaborations, Personal Contacts.

## Materiality Subjects

In 2021, We have identified some material subjects that enables us to achieve our best contribution to mutual sustainable improvement vision. These subjects have direct or indirect impact on an organization ability to create, preserve or erode economic, environmental & social value for itself & stakeholders. These subjects are main reason that reflects the organization's economic, environmental & social impact or influencing the decisions of stakeholders.




### Our Subjects

| | |
|---|---|
| Digital Transformation | Health & Safety |
| Insurance & Sharia Compliance | Governance & Risk Management |
| Data Privacy & Security | Sustainable Solutions |
| Financial Market Stability | Employee Engagement |
| Customer Experience | Training & Development |

## Sustainable Procurement & Goals

TE seek to ensure our procurement processes are performed responsibly and that our supply chain is managed in consideration of environmental, social and ethical standards. To that end, our objective is to ensure goods and services are procured in a sustainable manner while Implementing cost-saving initiatives to reduce financial impact of unbudgeted expenses and minimize environmental impact. We aim to source locally whenever it is feasible, supporting and contributing to the development of UAE economy. Investing in local suppliers creates jobs, builds local capacity and supports a more stable business environment.


- **Integration into Strategy**

Integrating the principles of sustainable operations and embedding relevant ESG issues into our business strategy.

- **Environmental Stewardship**

At TE, we are committed to mitigating climate change, conserving natural resources, and taking steps to reduce our carbon footprint each year.

- **Corporate Governance & Responsible Business Practices**

We believe in building sustainable relationship with our stakeholders. Acting responsibly through our business value chain is of highest importance.

## Corporate Governance & Risk Management

TE continues to be one of the leading insurance company in the UAE and GCC with a strong market position, the maintenance of a strong governance framework, ensuring the right oversight and control at each level of our structure, is central in everything we do. This is achieved through Risk Management Policies & the committees steering them. To make the sustainability performance of TE even more transparent, the measurement and monitoring of TE's corporate ESG metrics is going to be a key target for the upcoming years.

- Compliance & Ethical Business Practices

TE is committed to corporate governance standards encouraging integrity, accountability, and decision-making mechanisms which is essential to our business continuity. The governance framework is in line with regulatory requirement applicable to listed companies in UAE. Sound corporate governance and business ethics contributes to the company's ability to achieve its objectives and deliver value to shareholders within a framework of effective controls. ESG strategy and targets.

Participation and attendance of conferences and lectures by the company's management at high levels on the role of governance and sustainability in supporting business and investment:
TE Participated in a session organized by HAWKAMAH on "The Role of Governance and Sustainability in Attracting Long-Term Investments for Companies" with a leading personalities.

The participating in these lectures contributed to benefiting and exchanging experiences, and then working on developing the mechanisms used by the company in the field of governance, transparency and disclosure.

- Risk Management

TE can proactively monitor and regulate reinsurance structures, large & unusual transactions. They also ensure that adequate and reasonable reserves are in place for insurance exposures along with the appropriateness of credit risk associated with insurance receivables/ reinsurance recoverable.

TE's Board Committee understands the core operations activities and its risk profile and therefore regularly monitors all material risks. Our internal control function reports to the Board Audit Committee and adopts a holistic approach considering the correlations across all functions of the company and aligning the risk management framework to evolving business model, and corporate strategies.

TE's risk management framework comprises comprehensive policies & procedures including risk identification, assessment, risk response and control measures. This sets the tone of risk aware culture ensuring risk acceptance and management in line with risk appetite.

# Operational Excellence

## Digital Transformation

TE's digitization initiatives are driven by path breaking technologies, built around strong partnerships with key players in Insurance, prominent brands & technology companies globally.

We have applied strong measures to guarantee our clients' privacy and confidentiality through the implementation of data privacy and security solutions in compliance with IS standard and best practices

We had consistently implemented solutions like :

- ✓ Core Business Application – Life & Health
- ✓ ERP – Oracle Financials
- ✓ Digital Platform
- ✓ Programmatic Marketing
- ✓ End to End Customer Tracking
- ✓ Enterprise Content Management System E-Commerce website – Individual Medical Portal
- ✓ Customer Relationship Management Tool
- ✓ EMAIL Automation Tool
- ✓ Human Resource Management Program
- ✓ Digital Work force
- ✓ Analytical tools
- ✓ Call Centre System
- ✓ Digital Signature
- ✓ Digital Video Calling Tools
- ✓ Social Media Tools

TE has transformed his conventional business to and fully digital business. Being early adopters of RPA (ROBOTIC PROCESS AUTOMATION) technologies in the UAE market, once again clearly confirms our pioneering role.

## Information Security & Data Privacy

TE continuously takes measures to mitigate the risks associated with data management and security and ensures compliance with all applicable information security requirements in line with regulations and best industry practices.

Apart from implementing mature and robust security management systems, TE also carries out annual IT audit via external consultant confirming to our best IT security practices and advising on improvements. Our Business Continuity & Disaster recovery design ensures adequate timely support to our primary IT infrastructure covering untimely contingent events.

We Provide training to our employees regularly on cybersecurity awareness programs. We have well defined security policies and procedure which are audited regularly and updated.

In addition, periodic independent IT auditing is performed to identify major risk and implement remediation actions.

Data privacy & information security :

- ✓ We provide data privacy and information security awareness sessions to employees.
- ✓ Sending information security awareness emailers to employees.
- ✓ Continuously performing cyber security risk assessment.
- ✓ Vulnerability and phishing emails are detected by our state of art systems and taking preventive measures by IT Team.
- ✓ Implemented multi-tier security systems to prevent any breach and data loss.
- ✓ Cloud Infrastructure IaaS and Cloud Platform Services PaaS support latest applications and tools.
- ✓ Update and test the data backup plan.

# Stakeholders Sustainability

## Customer Engagement

TE success depends on continued measurement of customer satisfaction which helps us to improve our products and services to meet their requirements. Customers are encouraged to provide feedback via various channels including satisfaction surveys through call, website, email, SMS, Social media channels and customer experience. This enables us to measure our service levels and understand the root causes for resolution and find distinctive ways to deliver value. Our sustained customer loyalty and lasting growth comes by meeting evolving customer expectations through delivering valued Shariah product & services, easy to use & intuitive smart Digital platforms and ongoing personalized insurance engagement through policy cycle.

- ✓ Understanding and assessing customer insurance needs.
- ✓ Delivering Value for our Corporate & Individual customers.
- ✓ Guiding to make informed insurance decisions and risk mitigation both Corporate & Individual.
- ✓ Meeting customer expectations with tailored boutique insurance solutions.
- ✓ Keeping It Simple, Secure, and transparent through digital smart platforms.
- ✓ Being responsible to our customers' requirements and improving our services.
- ✓ Encouraging our customers in fostering their corporate responsibility goals.
- ✓ Ongoing engagement through the policy cycle.

## Employee Engagement

Operating in dynamic insurance landscape requires high level of competence, expertise and learning agility. Our efforts are geared towards building an inclusive and attractive work environment building foundation to strong corporate culture who are professionally qualified. We are committed to diversity and equality. We believe that diverse work culture supplements value creation and greater employee engagement fostering ownership towards corporate goals & success.

Several recreation activities are organized round the year celebrating notable achievements of the company, awarding best performers, organizing team building activities, and much more. Such events foster team spirit and optimistic solution-oriented workspace. In today's digital age, we believe in making it easy for our employees to process their personnel services such as leave

Requests, request for salary certificates, appraisals, personnel information management, alerts, and others via HRMS application. Comprehensive employee handbook is accessible to all employees covering corporate policies & process guide. This also includes focus areas such as employee rights and health & safety policies.

## Staff Strength

At TE, we believe that our people are the pivotal determinant of our growth and resilience, our workforce is our strength and the cornerstones of our business success. We provide a work environment with open communication; our employees are encouraged to share their ideas and constructive feedback to enhance employee engagement and well-being.

The company's purpose on diversity and inclusiveness drives from operating in a country which has set strong guiding principles on tolerance and inclusion. UAE is home to a diverse population of close to 200+ nationalities. We celebrate the diversity, experience & harmony that our employees add to the spirit of the company. With 147 employees of more than 18 different nationalities, diversity is ingrained in Takaful Emarat company culture.

| Category | Female | Male |
|---|---|---|
| Manager | 5 | 32 |
| Staff | 52 | 58 |
| **Total** | **57** | **90** |

Our strategy is to increase the number of Emirati talent & the successful integration of the national workforce to core insurance positions enabling thus our people for a long-term career in the insurance sector. 6.8%. Percentage of UAE National Employees in 2021.

## 2021 Initiatives

"In 2021, Takaful Emarat's digital ecosystem helped to serve customer better by having 98% digital payments, 88% documents signed digitally, 97% attendance of all customer calls. Additionally, Takaful Emarat was one of the very first Agile companies to work remotely during lockdown phase (within a week), this exhibited a resilient Business Continuity planning. We launched 3 Digital Life Insurance products in 3 months despite of working remotely. Takaful Emarat honored the COVID -19 front line workers by launching a CSR initiative in the form of Free Personal Accident Plan."

- ✓ The Head Office was distributed in 3 zones, to prevent in case of any contamination zone.
- ✓ 60% paper trail signed had been converted into DocuSign.
- ✓ 50% of staffs are working WFH ( Work From Home ).
- ✓ We are disruptive, innovative and customer centric
- ✓ We have launched 3 Digital insurance products: Term life insurance, CSR Initiative Accident Insurance, Personal Accident Insurance
- ✓ First digital term insurance in the local insurance sector
- ✓ One of the first companies in UAE to start working remotely in a matter of week
- ✓ Business continuity

## Financial Well being

TE cares for the employee's wellbeing and financial security, benefits packages are designed to create value for our employees including pension plans, health insurance, life and personal accident insurance, and employee financing.

TE encourages its employees to adopt healthy lifestyle. Amongst our other employee programs, we also arrange and conduct regular health checkups and wellness awareness sessions in association with reputed medical service providers for all staff during the year.

## Training & Development

Nurturing talent is the key driver to our success over the years. Trainings for our employees are aimed to strengthen our knowledge base as well as offer career advancement opportunities creating digital savvy workforce. With the rapid adoption of technology, ongoing trainings become essential for the users who leverage it to bring success. Our IT team actively conducts awareness sessions on rising cyber security threats. Special training programs are delivered in-house, meeting the requirements of employees including mandatory sessions on AML/CFT updates, Anti- Bribery & Corruption, Cyber security, Code of Conduct, and others. At the minimum, ten hours learnings in the form of in-house trainings or scheduled courses, workshops, others, is being encouraged for all employees during the year, which adds to the
department score in annual appraisal process conducted through balance scorecard. Besides, inhouse structured learning, we encourage UAE nationals to pursue the courses offered by Central Bank and EIBFS focusing on development and career progression in Insurance. Participating in “Central Bank training Initiatives “Combating Financial Crime Training” etc., using Virtual training programs & setup.

# Social Responsibility

In Jan 2018:
Takaful Emarat team made it to Standard Chartered Dubai Marathon supporting a fundraising case - donation for Al Jalila Foundation
In May 2018:

- ✓ We gave away our old office furniture for free in spirit of the holy month of Ramadan.
- ✓ 17th May 2018: On World Hypertension Day, an awareness program was organized by Les Laboratories Sevier, at Takaful Emarat office:
- ✓ Supported by Dubai Health Authority, The Emirates Cardiac Society, Emirates Medical Association

In May 2019:
Team Takaful Emarat joined hands with Roaya Society – Sahem initiative to provide food supplies to families and individuals in need. Our team packed the items from Union Coop.

Free Optical & Dental check-up at Takaful Emarat – sponsors: Al Jaber Optical & Dr. Joy Dental clinic

2020 initiatives

- ✓ FREE Personal Accidents policies for doctors & nurses covering accidental death only per below split and cost (This is our way to say Thank you heroes):
- ✓ Personal Accident policies for 500 doctors with a face amount (coverage) of AED 250k each
- ✓ Personal Accident policies for 5000 nurses with a face amount (coverage) of AED 50k each

2021 initiatives:

- ✓ FREE Mass PCR Testing done across all staff to make sure to work from office.
- ✓ A Work From Home (WFM) was initiated for those, who haven't vaccinated.
- ✓ Special bootcamp had been setup, for vaccination at TE office.

# Environmental Responsibility

TE understand our major role being timely response to customers when they need assurance and especially when being impacted by the climate change claims. Moving from the traditional insurer role, we also realize that climate change risk requires us to actively engage with our entire value chain in implementing preventive risk management and adaptive strategies. While we try to reduce our environmental impact as far as possible, it is going to be a long journey building socio-economic resilience and transitioning to low-carbon economy together. Therefore, amongst others we want to take part through planned investments, awareness, and trainings (risk preparation and mitigation).

- ✓ Favoring Eco-design – Eco design Buildings
- ✓ Waste Management & Recycling – Smart Sanitary equipment, Sensor Lights systems
- ✓ Resource Efficiency - Paperless office
- ✓ Reducing Carbon footprint – 40 % - 45 % of the employees to Work from Home

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# Corporate Governance Report 2021

## Corporate Governance Report 2021

1. **Statement of procedures taken to complete the corporate governance system, during 2021, and method of implementing thereof:**

The Board of Directors of Takaful Emarat Insurance PSC, in cooperation with the Audit Committee, the Nomination and Remuneration Committee of the Board, the External Auditor of the Company and the Compliance and Internal Audit Departments, have applied the rules of the corporate governance and standards of corporate discipline under Federal Decree Law 32 of 2021 concerning the Commercial Companies and the decision of the Securities and Commodities Authority's Chairman of the Board of Directors No. (3) of 2020 regarding the Standards of Institutional Discipline and Corporate Governance guide which was issued subsequently, in order to find an integrated system of financial and non-financial control through which the Company's management and control .

The Board of Directors encouraged the Company's team to participate in the training programs and workshops organized by the regulatory bodies such as the Securities and Commodities Authority and the Dubai Financial Market in order to raise the level of compliance and transparency by protecting the rights of shareholders.

The Management has committed itself to providing the Board of Directors and its committees with sufficient information in a timely and complete manner to enable it to make decisions on the basis of proper performance of its duties and responsibilities. The Board of Directors were provided all the information that enables it to take its decisions on a sound basis.

The Company's management presents the business updates to the Board at its regular meeting for taking the appropriate decisions. The Company is committed to implementing the SCA Decision (3) for the year 2020 regarding Corporate Governance Guide in addition to the laws and legislation in force in the United Arab Emirates.

2. **Statement of ownership and transactions of Board members and their spouses, their children in the Company securities during 2021, according to the following schedule:**

| Ser. | Name | Position / Kinship | Owned shares as on 31/12/2021 | Total sale | Total purchase |
|---|---|---|---|---|---|
| 1 | H.E Mohamed Haji Al Khoori | Chairman of the Board | Nil | Nil | Nil |
| 2 | Mr. Yousef Ahmed Mohamed | Deputy Chairman | Nil | Nil | Nil |

| | | | | | |
|---|---|---|---|---|---|
| | Naser Baselaib | | | | |
| **3** | Mr. Omar Saeed Abdulla Brouk Al Hameiri | Board Member | Nil | Nil | Nil |
| **4** | Mr. Abdulhamid Abdulkarim Mohammed Bukhashem | Board Member | Nil | Nil | Nil |
| **5** | Mr. Ahmad Mohammad Khaleel Alseksek | Board Member | Nil | Nil | Nil |
| **6** | Mr. Ajit Vijay Joshi | Board Member | Nil | Nil | Nil |
| **7** | Ms. Mariam Mohamed Omar Abdulla Balfaqeh | Board Member | Nil | Nil | Nil |

**3. Board Formation:**

**A. Statement of the current Board formation (along with the names of both the resigned and appointed Board members) according to the following schedule:**

| Ser. | Name | Category (executive, non-executive, and independent) | Experiences and qualifications | The period he spent as a Board member from the date of his first election | Their membership and positions at any other joint- stock companies | Their positions in any other important regulatory, government or commercial positions. |
|---|---|---|---|---|---|---|
| 1 | HE Mohamed Haji Al Khoori | Non-Executive Independent | B.A in Economics - California State University – San Bernardino. More than 30 years of experience includes | From 09/01/2020 | None | International Emirates Driving Company |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | Executive Management, Organization Development, Financial Management, Business Investments and Project Management. | | | |
| 2 | *Mr. Yousef Ahmed Mohamed Naser Baselaib | Non-Executive Independent | Bachelor in Business Administration from Higher College of Technology in Dubai. More than 12 years experience on Executive and Strategic positions | From 29/04/2021 | None | Executive Director – Masdar Strategy & Corporate Development Division |
| 3 | *Mr. Abdulhamid Abdulkarim Mohammed Bukhashem | Non-Executive Independent | More than 20 years experience in Banking Retail Asset management. Bachelor in Business Administration / Marketing from Eastern Washington University USA | From 29/04/2021 | None | Assistant General Manager – Majid Al Futtaim Retail |
| 4 | Mr. Omar Saeed Abdulla Brouk Al Hameiri | Non-Executive Independent | Holds a bachelor's degree in Finance from the American University in Dubai. He has 9 years of experience in Finance in several organizations. | From 14/12/2017 | None | National Library and Archives |

| | | | | | | |
|---|---|---|---|---|---|---|
| 5 | *Ms. Mariam Mohamed Omar Abdulla | Non-Executive Independent | Bachelors in Finance, Zayed University (2007). Master's in Public Administration, Harvard Kennedy School, (2018) | From 29/04/2021 | None | Department Manager, Financial Government Affairs, Abu Dhabi Executive Council |
| 6 | Mr. Ajit Vijay Joshi | Non-Executive Non-Independent | Holds a Bachelor of Engineering degree in Computer Science and holds an MBA. He has over 12 years of professional experience in technology consulting and investment management. | From 19/03/2019 | Eshraq Investments PJSC<br><br>Head of Public and Private Markets – Shuaa Capital PSC | |
| 7 | *Mr. Ahmad Mohammad Khaleel Alseksek | Non-Executive Independent | Bachelor degree in Computer Information System 2003. Total of 18 years of experience in Business Investment, Portfolio | From 29/04/2021 | None | General Manager - International Avenue Investment |

* These four members appointed through Board Elections held in Annual General Assembly Meeting on 29 April 2021.

Following Board members completed the term and did not contest Board Elections held in Annual General Assembly Meeting on 29 April 2021:

- Abdulla Bakheet Saif Murshed Almarar
- Dr. Nooraldeen Subhi Ahmed Atatreh

Mr. Fahim Mohamed Ahmed Alkouk Alshehi resigned on 12 January 2021.

**B. Statement of the percentage of female representation in the Board for 2021:**

The female representation in the Board is 14.29%.

**C. Statement of the following:**

**1- The total remunerations paid to the Board members for 2020:**

There was no remuneration paid to the Board members for 2020.

**2- The total remunerations of the Board members, which are proposed for 2021, and will be presented in the annual general assembly meeting for approval:**

The Board proposed remuneration to the General Assembly to be paid to the Board Members for the year 2021.

**3- Details of the allowances for attending sessions of the committees emanating from the Board, which were received by the Board members for 2021 fiscal year:**

There were no allowances paid to Board members for attending session of committees for 2021.

**4- Details of the additional allowances, salaries or fees received by a Board member other than the allowances for attending the committees and their reasons:**

No additional allowances, salaries or fees received by any Board member during 2021.

**D. Number of the Board meetings held during 2021 fiscal year along with their convention dates, personal attendance times of all members, and members attending by proxy:**

| Ser. | Date of meeting | Number of attendees | Number of attendees by proxy | Names of absent members |
|---|---|---|---|---|
| 1 | 29/03/2021 | Four Members | None | Mr. Abdulla Bakheet Saif Murshed Almarar |
| 2 | 06/05/2021 | Seven Members | None | None |
| 3 | 10/08/2021 | Seven Members | None | None |
| 4 | 26/08/2021 | Seven Members | None | None |
| 5 | 09/11/2021 | Six members | None | Ms. Mariam Mohamed Omar Abdulla Balfaqeh |

**E. Number of the Board resolutions passed during the 2021 fiscal year by circulation, along with its meeting convention dates:**

| | |
|---|---|
| 2 | 15/05/2021 |

**F. Statement of Board duties and powers exercised by Board members or the executive management members during 2021 based on an authorization from the Board, specifying the duration and validity of the authorization according to the following schedule:**

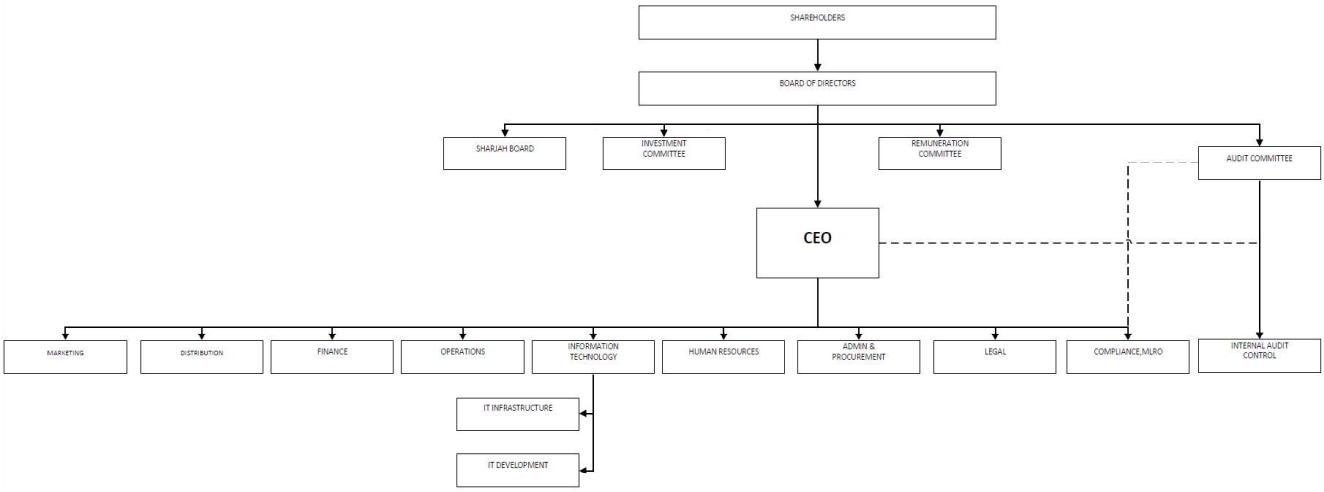
| # | Name of the authorized person | Delegation authority | Duration of Delegation |
|---|---|---|---|
| 1 | Mr. Wael Al Sharif - Chief Executive Officer | The Board delegated to following authority:<br>- Conducting day to day commercial and internal affairs of the company<br>- Representing the company before the government departments, ministries.<br>- Representing the company and signing agreements inside and | Until 08/03/2023 |

| | | | |
|---|---|---|---|
| | | outside the country<br>Representing the company before courts and arbitration boards | |
| 2 | - Mr. Wael Al Sharif - Chief Executive Officer jointly with Mr. Ajit Vijay Joshi – Board Member<br><br>- Two Board Members or CEO with one of the Board Members | The Board delegated following authority:<br><br>Open, close, operate bank account<br>Add/delete bank signatories<br>Obtain credit facilities<br>Sale/purchase of investments<br>Notify Board in next Board meeting. | Until 08/03/2023 |

**G. Statement of the details of transactions made with the related parties (Stakeholders) during 2021:**

As per the Chairman of the SCA Board of Directors' Decision (3 RM) of 2020 on Joint Stock Companies Governance Guide related parties are defined as the Chairman and members of the Company Board, members of the Senior Executive Management of the Company, employees of the Company, and the companies in which any of such persons holds 30% or more of its capital, as well as subsidiaries or sister companies or affiliate companies. The Company was not a party to any related party transaction during the year 2021.

**H. The complete organizational structure of the company:**




**I. A detailed statement of the senior executives in the first and second grade according to the company organizational structure (according to 3-H), their jobs and dates of their appointment, along with a statement of the total salaries and bonuses paid to them, according to the following schedule:**

| Position | Date of Appointment | Total Salaries and Allowances paid in 2021 (AED) | Total Bonuses paid in 2021 (AED) | Any other Cash/in-kind benefits for 2021 or payable in the future (AED) |
|---|---|---|---|---|
| Chief Executive Officer | 29/09/2019 | 1,560,000 | Nil | Nil- |
| Chief Operating Officer (Operations) | 16/12/2010 | 783,009 | Nil | Nil- |
| Senior Manager Finance (Finance) | 28/08/2016 | 387,600 | Nil | Nil- |

| | | | | |
|---|---|---|---|---|
| Head of Administration & Procurement | 25/08/2013 | 240,000 | Nil | Nil- |
| Senior Compliance Manager | 16/12/2013 | 351,000 | Nil | Nil- |
| Human Resource Manager | 13/12/2021 | 240,000 | Nil | Nil- |
| In-house Legal Officer | 10/01/2021 | 216,000 | Nil | Nil- |

Note: Bonuses paid for 2020 in 2021 were already reported in last year report. Bonuses for 2021 are not yet approved and paid.

4. **External Auditor:**
   A. **Submit an overview of the company auditor to shareholders.**

Deloitte is a multinational professional services firm headquartered in London, England. Deloitte is one of the Big Four accounting firms. It provides assurance, tax, consulting and advisory services to companies.
Deloitte in the UAE has over 1,100 professionals based within five practice offices in Dubai, Abu Dhabi, Fujairah, Ras Al Khaimah, and Sharjah.

   B. **Statement of fees and costs for the audit or services provided by the external auditor, according to the following schedule:**

| | |
|---|---|
| **Name of the audit office and partner auditor** | Deloitte - Mr. Sunder Nurani |
| **Number of years he served as the company external auditor** | Two years |
| **Total audit fees for 2021 in (AED)** | AED 380,000 |
| **Fees and costs of other private services other than auditing the financial statements for 2021 (AED), if any, and in case of absence of any other fees, this shall be expressly stated.** | AED 110,000 |
| **Details and nature of the other services (if any). If there are no other services, this matter shall be stated expressly.** | Certifications related to periodic Insurance Authority reports<br>Actuarial certifications for medical and life |

| | products |
|---|---|
| **Statement of other services that an external auditor other than the company accounts auditor provided during 2021 (if any). In the absence of another external auditor, this matter is explicitly stated.** | Assurance engagement of the Internal Controls over Financial Reporting as at 31 December 2021 – AED 110,000<br>Other Projects – AED 358,068 |

**C. Statement clarifying the reservations that the company auditor included in the interim and annual financial statements for 2021:**

"The auditors issued qualified opinion on the reported Takaful receivable/payable in the financial statements for the year ended 31st December 2021"

**5. Audit Committee**

**A. The Audit Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness:**

Mr. Yousef Ahmed Mohamed Naser Baselaib, Audit Committee Chairman, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

**B. Names of the Audit Committee members and clarifying their competences and tasks assigned to them:**

Audit Committee Members until 29/04/2021:

Mr. Omar Saeed Abdulla Brouk Al Hameiri – Chairman
HE Mohamed Haji Al Khoori
Mr. Ajit Vijay Joshi

Audit Committee Members from 06/05/2021:

Mr. Yousef Ahmed Mohamed Naser Baselaib - Chairman
Ms. Mariam Mohamed Omar Abdulla Balfaqeh
Mr. Omar Saeed Abdulla Brouk Al Hameiri

Tasks assigned to Audit Committee:

1. Review Company's financial and accounting policies and procedures.
2. It shall oversee the integrity of and review the Company's financial statements and annual, semiannual and quarterly reports in the course of its operations during the year and shall, in particular, focus on:
    - Any changes of accounting policies and practices
    - Highlighting matters that are subject to the management's judgment
    - Material amendments emerging out of auditing
    - Assumption of the Company's going concern
    - Adherence to the accounting criteria set by the Authority, and
    - Adherence to listing and disclosure rules as well as other financial reporting legal requirements

3. It shall coordinate with the board of directors, the executive management and the financial manager or the manager assuming the same duties in the company in order to duly fulfill its duties. The Committee shall hold a meeting with the company's external auditor at least once per annum.
4. It shall consider any outstanding unconventional issues that are or have to be reflected in these reports and accounts and shall pay necessary attention to any issues raised by the financial manager of the Company, the manager assuming the same duties, the compliance officer or the external auditor.
5. Submit recommendations to the Board of Directors regarding the selection, resignation or removal of the auditor. In the event that the Board of Directors does not agree with the recommendations of the Audit Committee in this regard the Board of Directors must include in the Corporate Governance Report an statement explaining the recommendations of the Audit Committee and reasons that prompted the Board of Directors not to adopt the recommendations.
6. Setting and implementing an external audit policy and recommending to the Board of Directors by identifying the issues where actions are required to be taken.
7. Ensure that the auditors meet the requirements of laws and regulations and monitor their independence.
8. Meet the auditors without the presence of company's senior executive management once in a year and discuss nature, scope and effectiveness of audit in accordance with the international audit standards.
9. Discuss the work conducted by the auditor, communication with the Company, observations, recommendations and inquiries raised by the auditor to the senior management regarding accounting and internal control system and the management response and follow-up.
10. Ensure that the Board of Directors respond in timely manner to the issues raised in the audit report.
11. Review the Company's financial control, internal control and risk management systems.
12. It shall discuss the internal control system with management and make sure that it fulfills its duty to develop an effective internal control system.
13. It shall consider findings of main investigations into internal control issues to be assigned thereto by the board of directors or at the initiative of the Committee upon the approval of the board of directors.
14. Review auditor's evaluation of internal control procedures and ensure coordination between internal and external auditor.

15. Ensure that necessary resources are available to internal control department and review and monitor the effectiveness of the department.
16. Review internal control reports and follow-up on the implementation of recommendations in the report.
17. It shall develop rules that enable the employees of the Company to secretly report any potential violations in financial reports, internal control or other issues and adequate steps to conduct independent, fair investigations into these violations.
18. It shall oversee the scope of the Company's compliance with its code of conduct.
19. Review dealings with the related party and ensure there is no conflict of interest and recommend those to the Board of Directors before concluding the transaction.
20. It shall ensure application of rules of operation in connection with their duties and powers assigned thereto by the board of directors.
21. it shall make a report to the board of directors on the issues set in this clause, and
22. It shall consider any other issues as the board of directors may determine.

**C. Number of meetings held by the Audit Committee during 2021 and their dates to discuss the matters related to financial statements and any other matters and demonstrating the members' personal attendance times in the held meetings:**

| Name | First Meeting (MS Teams) 29/03/2021 | Second Meeting (By circulation) 13/05/2021 | Third Meeting (MS Teams) 22/06/2021 | Fourth Meeting (MS Teams) 08/08/2021 | Fifth Meeting (MS Teams) 08/11/2021 |
|---|---|---|---|---|---|
| Mr. Omar Saeed Abdulla Brouk Al Hameiri | ✓ | ✓ | ✓ | ✓ | ✓ |
| HE Mohamed Haji Al Khoori | ✓ | - | - | - | - |
| Mr. Ajit Vijay Joshi | ✓ | - | - | - | - |

| | | | | | |
|---|---|---|---|---|---|
| Mr. Yousef Ahmed Mohamed Naser Baselaib | - | ✓ | ✓ | ✓ | ✓ |
| Ms. Mariam Mohamed Omar Abdulla Balfaqeh | - | ✓ | ✓ | ✓ | - |

**6. Nomination and Remuneration Committee**

**A. The Nomination and Remuneration Committee Chairman's acknowledgment of his responsibility for the Committee system at the Company, his review of its work mechanism and ensuring its effectiveness:**

Mr. Abdulhamid Abdulkarim Mohammed Bukhashem, Nomination and Remuneration Committee Chairman, acknowledges his responsibility for the committee system in the Company, his review of its work mechanism and ensuring its effectiveness.

**B. Names of the Nomination and Remuneration Committee members and clarifying their competences and tasks assigned to them:**

Nomination and Remuneration Committee members till 29/04/2021:

Mr. Ajit Vijay Joshi
Mr. Omar Saeed Abdulla Brouk Al Hameiri

Nomination and Remuneration Committee Members from 06/05/2021:

Mr. Abdulhamid Abdulkarim Mohammed Bukhashem - Chairman
Mr. Ajit Vijay Joshi
Mr. Ahmad Mohammad Khaleel Alseksek

Tasks assigned to the Nomination and Remuneration Committee:

1. Setting policy for candidate for membership for Board of Directors and executive management taking into account diversification in the gender, encouraging women participation by providing incentives, training and programs and provide to Authority the copy of the policy and any amendments.
2. Organization and follow-up of procedures of nomination to the membership of the board of directors in line with applicable laws and regulations as well as this Resolution.
3. Verification of ongoing independence of independent board members.
4. Formulation and annual review of the policy on granting remunerations, benefits, incentives and salaries to board members and employees of the Company and the committee shall verify that remunerations and benefits granted to the senior executive management of the Company are reasonable and in line with the Company's performance.
5. Annual review of required skills for the membership of the Board of Directors and preparing competencies and qualification required for the membership of the Board including specifying the time a member needs to allocate to work for the Board.
6. Review structure of Board of Directors and make recommendations, if any changes are required.
7. Determination of the Company's needs for qualified staff at the level of the senior executive management and employees and the basis of their selection.
8. Formulation, supervision of application and annual review of the Company's human resources and training policy; and
9. Handle any other matters specified by the Board of Directors.

C. **Statement of number of meetings held by the Committee during 2021 and their dates, and statement of all Committee members' personal attendance of times:**

| Name | First Meeting<br>19/04/202 (MS Teams)1 |
|---|---|
| Mr. Omar Saeed Abdulla Brouk Al Hameiri | ✓ |
| Mr. Ajit Vijay Joshi | ✓ |

**7. The Supervision and Follow-up Committee of insiders' transactions**

**A. Acknowledgment by the Committee Chairman or the authorized person of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness:**

The role for the follow-up and supervision system on transactions of the insiders in the Company, review of its work mechanism and ensuring its effectiveness was performed by the Company's Compliance Department.

B. **A summary of the department's work report during 2021:**

- Reviewed compliance with the new Corporate Governance Guide as per SCA Decision 3RM of 2020.
- Reviewed the trading reports and periodic reports submitted to DFM on the insiders list.
- Reviewed the procedures and contractual agreements with other parties who could have access to non-public information on temporary basis.

**8. Any other committee (s) approved by the Board**

**A. The Committee Chairperson acknowledgment of his responsibility for the Committee system at the Company, review of its work mechanism and ensuring its effectiveness:**

Ms. Mariam Mohamed Omar Abdulla, the Investment Committee Chairperson, acknowledges responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness.

**B. Name of Committee**

The Investment Committee

**C. Names of each committee members, clarifying its competences and tasks assigned thereto:**

The Investment Committee members until 29/04/2021:

Dr. Nooraldeen Subhi Ahmed Atatreh – Chairman
HE Mohamed Haji Al Khoori
Mr. Ajit Vijay Joshi

The Investment Committee members from 06/05/2021:

Ms. Mariam Mohamed Omar Abdulla - Chairperson
Mr. Yousef Ahmed Mohamed Naser Baselaib
Mr. Ajit Vijay Joshi

The role of the Investment Committee:

i) Develop investment strategy for the approval of the Board of Directors

ii) Setting the investment guidelines

iii) Reviewing / monitoring the investments

iv) In conjunction with the Audit Committee, determining the scope of the rigorous audit procedures that include full coverage of the investment activities to ensure timely identification of internal control weaknesses and operating system deficiencies.

v) Assisting the Board of Directors in its evaluation of the adequacy and efficiency of the investment policies, procedures, practices and controls applied in the day-today management of its business through an audit report (either independent internal or external) that is to be submitted to the Audit Committee.

**D. Statement of number of meetings held by the Committee during 2021 and their dates, and all Committee members' personal attendance times:**

| Name | First Meeting 07/07/2021(by circulation) |
|---|---|
| Yousef Ahmed Mr. Mohamed Naser Baselaib | ✓ |
| Ms. Mariam Mohamed Omar Abdulla | ✓ |
| Mr. Ajit Vijay Joshi | ✓ |

**Risk Management Committee**

A. **Names of each committee members, clarifying its competences and tasks assigned thereto**:

The Risk Management Committee members:

Mr. Wael Al Sharif – CEO
Mr. Lalitha Prasad – COO
Mr. Adnan Sabaalaish – Senior Manager Finance
Mr. Salman Khawaja – Actuarial Analyst
Mr. Ali Imran Memon – Senior Manager Internal Audit & Control
Mr. Salman Qureshi – Senior Compliance Manager

**Role of the Risk Committee:**

- Help to set the tone and develop risk management program
- Create awareness such that people at all levels own and manage risks related to
- their areas
- Monitor the organization's risk profile - its on-going and potential exposure to risks
- of various types
- Approve the risk management policy and plan. The risk management plan should
- include the company's risk management approach refers to tolerances, intervals,
- frequency etc.
- Discuss with the CEO and management the company's major risk exposures and
- review the steps management has taken to monitor and control such exposuresProvide input to the board and audit committee regarding risks
- Perform any other activities that the board or risk committee determines are necessary

9. **Internal Control System:**

A. **Acknowledgment by the Board of its responsibility for the Company's internal control system, review of its work mechanism and ensuring its effectiveness:**

The Board of Directors of the Company acknowledges its responsibility for the Internal Control System in the Company and its review of the functioning mechanism of internal control and ensuring its effectiveness. The Board also reviews the system to ensure that the Company and its employees are fully compliant with the provisions of the laws, regulations and decisions in force. The Board of Directors responsibilities further include the monitoring of internal policies, procedures and reviewing the financial data presented by the Company's Senior Management which is used in the preparation of Financial Statements.

B. **Name of the department director, his qualifications and date of appointment:**

Name: Mr. Ali Imran Memon – Senior Manager Internal Audit & Control
Date of appointment: 11/06/2017

Qualifications and educational background: MA Economics, B.Com, ,Certified Internal Auditor (CIA) & Certificate in Accounting & Finance (CAF) from ICAP.
Experience: 16+ years

C. **Name of compliance officer, his qualifications and date of appointment:**

Name: Mr. Salman Qureshi – Senior Compliance Manager
Date of Appointment: 16/12/2013
Qualifications and educational background: Associate Cost and Management Accountant
Experience: 22+ years

D. **How the Internal Control Department dealt with any major problems at the Company or those that were disclosed in the annual reports and accounts:**

The Company did not face any major problem during the year that require intervention of Internal Audit Department. Internal Audit & Control Department performs audit assignments as per annual internal audit plan. Observations noted during the audit are discussed with the Management, action plan and timeframe for rectification of agreed audit observations are obtained and documented in the final audit reports. Critical matter, if any, is immediately escalated to the Audit Committee. Regular follow up is performed with the Management on reported audit issues arising from internal / external audit. Internal Audit is also involved in investigations of any matter related to customer complaints or employee fraud /misconduct, the annual audit plan is accordingly adjusted.
Audit Committee is periodically updated on the issues identified in the internal audit reports and on the follow up status of audit observations. External Auditors also update the Audit Committee on matters arising out of external audit.
Reports finalized in 2021 are attached containing detailed audit observations. Key audit matters, if any, arising out of external audit are disclosed in External Auditor's report.

E. **Number of reports issued by the Internal Control Department to the Company's Board of Directors:**

Six reports have been finalized and issued in 2021 by Internal Audit Department.

**10. Details of the violations committed during 2021:**

Late submission of report to health authority. The Company took the corrective measures by clarifying the roles between team members responsible for reporting.

**11. Statement of the cash and in-kind contributions made by the Company during 2021 in developing the local community and preserving the environment:**

- FREE Mass PCR Testing done across all staff to make sure to work from office.
- A Work from Home (WFM) was initiated for those, who haven't vaccinated.
- Special bootcamp had been setup, for vaccination at TE office.
- Energy saving methods are used in the lighting of offices and workplaces.
- The Company's social media objective was on several topics related to health, lifestyle, and fitness.

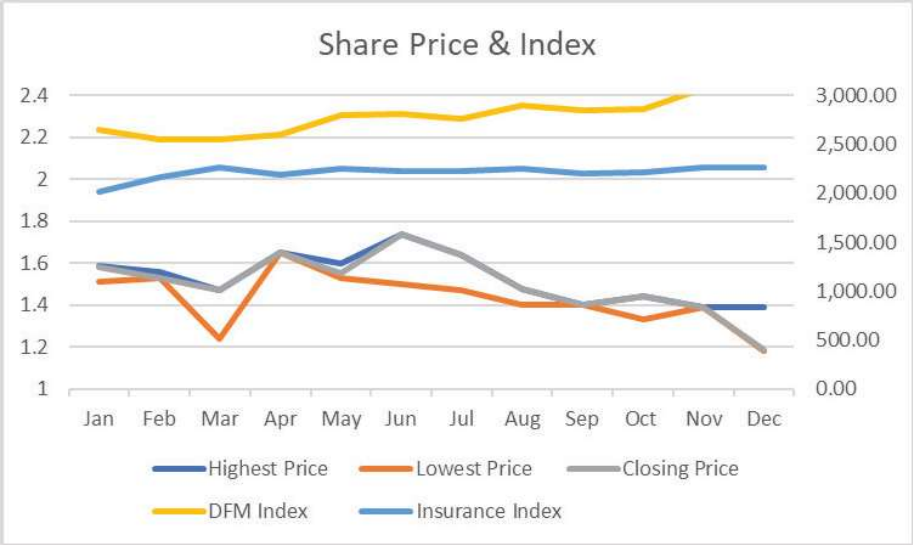
**12. General Information:**

A. **Statement of the Company share price in the market (closing price, highest price, and lowest price) at the end of each month during the fiscal year 2021:**

| Month | Highest Price | Lowest Price | Closing Price | DFM Index | Insurance Index |
|---|---|---|---|---|---|
| Jan | 1.59 | 1.51 | 1.58 | 2,654.06 | 2,020.27 |
| Feb | 1.56 | 1.53 | 1.53 | 2,551.54 | 2,169.52 |
| Mar | 1.47 | 1.24 | 1.47 | 2,550.23 | 2,263.06 |
| Apr | 1.65 | 1.65 | 1.65 | 2,605.38 | 2,183.79 |
| May | 1.60 | 1.53 | 1.55 | 2,797.52 | 2,254.30 |
| Jun | 1.74 | 1.50 | 1.74 | 2,810.56 | 2,230.90 |
| Jul | 1.64 | 1.47 | 1.64 | 2,765.71 | 2,221.58 |
| Aug | 1.48 | 1.40 | 1.48 | 2,902.97 | 2,247.08 |
| Sep | 1.40 | 1.40 | 1.40 | 2,845.49 | 2,201.47 |

| | | | | | |
|---|---|---|---|---|---|
| Oct | 1.44 | 1.33 | 1.44 | 2,864.21 | 2,213.48 |
| Nov | 1.39 | 1.39 | 1.39 | 3,072.91 | 2,265.03 |
| Dec | 1.39 | 1.18 | 1.19 | 3,195.91 | 2,262.42 |

**B. Statement of the Company comparative performance with the general market index and sector index to which the Company belongs during 2021:**




**C. Statement of the shareholders ownership distribution as on 31/12/2021 (individuals, companies, governments) classified as follows: local, Gulf, Arab and foreign:**

| Ser. | Shareholders classification | Percentage of owned shares | | | |
|---|---|---|---|---|---|
| | | Individuals | Companies | Government | Total |
| 1 | Local | 8.72 % | 88.60% | - | 97.32 % |
| 2 | Arab | 2.03% | 0.04% | - | 2.07 % |

| | | | | | |
|---|---|---|---|---|---|
| 3 | Foreign | 0.61% | - | - | 0.61 % |
| | Total | 11.36% | 88.64% | - | 100% |

**D. Statement of shareholders owning 5% or more of the Company's capital as on 31/12/2021 according to the following schedule:**

| Ser. | Name | Number of owned shares | Percentage of owned shares of the company's capital |
|---|---|---|---|
| 1 | GOLDILOCKS INVESTMENT COMPANY LIMITED | 44,229,165 | 29.49% |
| 2 | AJMAN BANK | 34,000,000 | 22.67% |
| 3 | ROCK ALOWLA GEN TRDG OWNER BY TABARAK INVESTMENT | 28,000,234 | 18.67% |
| 4 | Bonyan International Investment Group Holding LLC | 8,878,984 | 5.91% |

**E. Statement of how shareholders are distributed according to the volume of property as on 31/12/2021 according to the following schedule:**

| Ser. | Share (s) ownership | Number of shareholders | Number of owned shares | Percentage of owned shares of the capital |
|---|---|---|---|---|
| 1 | Less than 50,000 | 4,790 | 3,534,075 | 2.36% |
| 2 | From 50,000 to less than 500,000 | 41 | 5,053,952 | 3.37% |
| 3 | From 500,000 to less than 5,000,000 | 9 | 9,257,687 | 6.17% |
| 4 | More than 5,000,000 | 7 | 132,154,286 | 88.10% |

**F. Statement of measures taken regarding the controls of investor relationships and an indication of the following:**

Mr. Mohamad Khaldoun AlRifai has been responsible for managing investment relations. A special page has been created on the Company's website. The Company website has been updated with the information and data disclosed by the Company such as shareholder

rights, governance reports, financial statements, ownership structure and percentage and contact information of investor relationship officer.

Email: investor.relations@takafulemarat.com
Phone: +97142309415
Fax: +97142309333
https://takafulemarat.com/investors-information/

**G. Statement of the special decisions presented in the General assembly held during 2021 and the procedures taken in their regard:**

The General Assembly Meeting of Takaful Emarat Insurance (PSC) (TAKAFUL-EM) took place on 29 April 2021 remotely and no Special Resolutions were passed.

**H. Rapporteur of the Board meetings:**

Mr. Salman Qureshi took over the role of Board Secretary in March 2020 after the resignation of previous Board Secretary.

Mr. Salman Qureshi was appointed on 16 December 2013. He is the member of the Institute of Cost and Management Accountants of Pakistan with experience in Compliance and Internal Audit.

The Board secretary handled all the Board Meetings' arrangements including notices and disclosures, documentation of presentations and minutes of meetings.

**I. Detailed statement of major events and important disclosures that the Company encountered during 2021:**

- Gross written contributions of AED 584 million in 2021, despite challenging market conditions.
- Net Earned Contribution increased by AED 63 million from AED 411 million in 2020 to AED 474 million in 2021.
- Net Takaful Income AED 78 million in 2021

**J. Statement of Emiratisation percentage in the Company at the end of 2019, 2020 and 2021 (workers are excluded for Companies working in the field of contracting):**

The emiratisation percentage in the Company at the end of 2019 is 2.2%
The emiratisation percentage in the Company at the end of 2020 is 4.6%

The emiratisation percentage in the Company at the end of 2021 is 6.8%

**K. Statement of innovative projects and initiatives carried out by the Company or being developed during 2021:**

In 2021 during POST Covid effect, Takaful Emarat was one of the very first Agile companies to work remotely during lockdown phase (within a week), this exhibited a resilient Business Continuity planning. A complete business automation had been implemented by IT for swift customer journey from his first to end conversion. Total 122 employees of Takaful Emarat had successfully conducted & certified in "Financial Crime Compliance for the Insurance Sector in the UAE" from ICA "International Compliance Association". Also conducted a EIBFS Cyber Security Essentials for TE employees.

| **Signature of the Board Chairman** | **Signature of Audit Committee Chairman** | **Signature of Internal Control Department Director** | **Signature of Nomination and Remuneration Committee** |
|---|---|---|---|
| H.E Mohamed Haji Al Khoori | Yousef Ahmed Mohamed Naser Baselaib | Ali Imran Memon | Abdulhamid Abdulkarim Mohammed Bukhashem |
| | | | |

**Company Official Seal**