

Methaq Takaful Insurance P.S.C.

Condensed interim financial information (Unaudited)

For the three-month period ended 31 March 2023

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)
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Table of contents	Pages
Board of Directors' report	1
Review report on condensed interim financial information	2
Condensed interim statement of financial position	6
Condensed interim statement of profit or loss	8
Condensed interim statement of other comprehensive income	9
Condensed interim statement of changes in shareholders' equity	10
Condensed interim statement of cash flows	11
Notes to the condensed interim financial information	12

Board of Directors' report

The Board of Directors have the pleasure in submitting their report and the condensed interim financial information for the three-month period ended 31 March 2023.

Incorporation and registered offices

Methaq Takaful Insurance P.S.C. (the “company”) is a public shareholding company registered with the Department of Economic Development - Abu Dhabi - United Arab Emirates. The Company are incorporated in the Emirate of Abu Dhabi on 24 March 2008 with a trade license number 1142419.

Principal activities

The Company's principal activity are accidents and civil responsibility insurance, fire insurance, land, marine and air transportation dangers insurance, reinsurance, health insurance and onshore and offshore oil and gas fields and facilities services.

Financial position and results

The financial position and results of the Company for the three-month period ended 31 March 2023 are set out in page 6 to the accompanying condensed interim financial information.

Directors

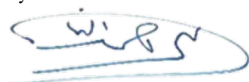
The following were the Directors of the Company for the three-month period ended 31 March 2023:

- | | | |
|---|-------------------------|---------------|
| – | Ali Ahmed Al Najjar | Chairman |
| – | Zakareya Ahmed Taraif | Vice chairman |
| – | Amr Abdel Monem Hindawi | Member |

Auditors

The condensed interim financial information for the three-month period ended 31 March 2023 has been audited by Grant Thornton Audit and Accounting Limited – Abu Dhabi.

By order of the Board of Directors



Ali Al Najjar



Zakareya Taraif



Amr Hindawy

**REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL
INFORMATION TO THE SHAREHOLDERS OF METHAQ TAKAFUL INSURANCE
P.S.C.****Introduction**

We were engaged to review the accompanying condensed interim financial information of Methaq Takaful Insurance P.S.C. (the “Company”), which comprise the condensed interim statement of financial position as at 31 March 2023 and the related condensed interim statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three-month period then ended including material accounting policies.

Management’s Responsibility for the Condensed Interim Financial Information

Management is responsible for the preparation and fair presentation of this condensed interim financial information in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of condensed interim financial information that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility for the Condensed Interim Financial Information

Our responsibility is to express a conclusion on the accompanying condensed interim financial information in accordance with the International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. However, because of the matters described in the *Basis for Disclaimer of Conclusion* paragraph, we were not able to obtain sufficient appropriate evidence as a basis for expressing a conclusion on the condensed interim financial information.

Basis for Disclaimer Conclusion

- I. We draw attention to Note 1.1 to the condensed interim financial information, which indicates that the Company incurred a loss of AED 4,772,051 for the three-month period ended 31 March 2023 and, as of that date, the Company has accumulated losses of AED 94,166,843 which represents 63% of the Company’s share capital. Additionally, as disclosed in note 23 (b) to this condensed interim financial information, as at 31 March 2023, the Company has a deficit in solvency capital requirements as stipulated by the Central Bank of U.A.E. by an amount of AED 585,723 thousand. These events indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Notwithstanding these facts, the condensed interim financial information of the Company has been prepared on a going concern basis as the management believes that the future operations of the Company will be able to support its business and to meet its obligations as they fall due. However, it is worth mentioning that there is insufficient evidence that the primary Shareholders will be able to provide continuous financial support. Additionally, the Company has not renewed the reinsurance agreements related to motor vehicle treaty quota share, therefore, the Company is working under a significant risk of losses and cash flows in the future. The Company might not be able to meet its financial obligations for the subsequent 12 months if it does not generate sufficient cash flows through the operating activities and the disposal of additional assets. Consequently, the going concern basis of preparation of the condensed interim financial information might not be appropriate. Any adjustments that could be required to the condensed interim financial information relating to this matter have not been considered and determined.

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF METHAQ TAKAFUL INSURANCE P.S.C. (continued)

Basis for Disclaimer Conclusion (continued)

- II. The Company has not adopted International Financial Reporting Standard (IFRS) 17, “*Insurance Contracts*”, which became effective for annual periods beginning on or after 1 January 2023, in the preparation of this condensed interim financial information. As stated in Note 3.1 to the condensed interim financial information, the Company has not implemented the provisions of IFRS 17 and has continued to apply the provisions of IFRS 4, “*Insurance Contracts*” which is not in accordance with the requirements of the IFRS. Had the entity adopted IFRS 17, several account balances covering equity, assets, and liabilities, loss for the period, the related accounting policies and presentation and disclosures of this condensed interim financial information including comparative figures would have been materially different.
- III. The Company holds investment properties amounting to AED 183,679,000 as at 31 March 2023. However, the fair values of these investment properties have not been assessed as of the reporting date. Management relied on valuation reports provided by experts as of 31 December 2022, where inappropriate and invalid assumptions were applied to determine the fair value of these properties. Consequently, we were unable to evaluate the assumptions used by the expert in evaluating investment properties as of 31 December 2022. As a result, , we are unable to satisfy ourselves regarding the fair values of the investment properties as at 31 March 2023 . The audit opinion for the year ended 31 December 2022 issued on 30 March 2023 was also qualified in respect to this matter.
- IV. As of 31 March 2023, the Company holds investments amounting to AED 17,000,000 classified as fair value through other comprehensive income (FVTOCI). However, the Company has not valued these investments at fair value; rather, they are carried at cost. If the Company would not have departed from this requirement of IFRS 9 “Financial Instruments” which mandates investments to be measured at fair value, the valuation of this investment could have been significantly different than the recorded value as at 31 March 2023. In the absence of fair valuation exercise, we could not determine the impact of this departure from IFRS. The audit opinion for the year ended 31 December 2022 issued on 30 March 2023 was also qualified in respect to this matter.
- V. As of 31 March 2023, the Company held contributions and retakaful balances receivables amounting to AED 338,005,689, with a specific provision of AED 66,889,774 as at that date. However, we were unable to conduct any review procedures to assess the adequacy of the specific provision as at 31 March 2023.

Management did not perform an expected credit loss assessment as required by IFRS 9 “*Financial Instruments*”, resulting in non-compliance with the requirements of IFRS. Consequently, we were unable to determine whether any adjustments were necessary in this regard as at 31 March 2023 and 31 December 2022.

Further, contributions and retakaful balances receivables and takaful and retakaful payables as at 31 March 2023 included amounts of AED 162,783,649 and AED 28,014,917 respectively, for which we were unable to perform any review procedures to confirm their existence and completeness. We were unable to execute the necessary review procedures concerning these balances as of 31 March 2023 and 31 December 2022.

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF METHAQ TAKAFUL INSURANCE P.S.C. (continued)**Basis for Disclaimer Conclusion (continued)**

- VI. During the three-month period ended as at 31 March 2023, management has recognized an amount of AED 12,448,355 as other income in the condensed interim statement of profit or loss against receivables from a major broker. We were unable to conduct any review procedures to form a conclusion regarding this amount.
- VII. During the year 2022, the Company had written off receivables and investment payables amounting to AED 20,184,142 and AED 4,412,108 related to a major broker and other brokers respectively. These have been written off directly from the respective receivable accounts. Management has written off these balances without an approval from the Board of Directors. Similarly, no board of directors' approval was provided during the three-month period ended 31 March 2023, and accordingly, we were unable to determine whether any adjustments might have been necessary in respect of these amounts and their impact on the receivables, payables, accumulated losses, and any other elements making up the condensed interim financial information.
- VIII. During the year 2022, the Company was dealing with a major broker. The total sales from this individual broker amounted to AED 60,499,853 during 2022. The Company paid commissions and cashback to this broker of AED 25,842,673 during 2022. Further, there were eight other individuals who generated sales of AED 107,031,416 during the year 2022 for the Company and have taken commission amounted to AED 39,878,328. No contracts or agreements were received for this major broker or these other individuals. We were unable to determine whether any adjustments might have been necessary in respect of these amounts and their impact on the receivables, payables, accumulated losses, and any other elements making up the condensed interim financial information.
- IX. During the three-month period ended as at 31 March 2023, the Company had recognized Retakaful contribution and Retakaful share of claims paid amounting to AED 1,679,081 and 13,065,842 respectively, related to Excess of Loss share. The Company has not renewed the motor treaty reinsurance quota share agreement. Moreover, as per the prior agreement, the Company cannot include outstanding claims recoveries unless reinsurers agree to do so. Due to the absence of required documentation, we were unable to determine whether any adjustments might have been necessary in respect of these amounts and their impact on the accumulated losses, and any other elements making up the condensed interim financial information.

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF METHAQ TAKAFUL INSURANCE P.S.C. (continued)**Basis for Disclaimer Conclusion (continued)**

- X. The commercial license of “Tazure Property - L.L.C - O.P.C.” indicates that the Company has 100% ownership and consequently the control. Despite this fact, management did not prepare a condensed interim consolidated financial information, as required IFRS 10 “*Consolidated Financial Statements*”. During the three-month period ended as at 31 March 2023, the subsidiary company has recorded investment property, rental income and maintenance expenses amounted to AED 22,967,000, AED 102,319 and AED 21,260 respectively. Additionally, the existence of undisclosed subsidiaries could impact the consolidated numbers and our review was based on the information made available to us. In the absence of a consolidation exercise, we were unable to determine if the entire presentation of the condensed interim financial information was distorted.
- XI. The Company’s management was not able to provide complete and accurate information of the takaful contract liabilities and retakaful contract assets as at 31 March 2023, amounted to AED 449,101,873 and AED 152,016,996 respectively. We were unable to determine whether any adjustments might have been necessary in respect of these amounts.

Emphasis of Matter


We draw attention to note 6 of the condensed interim financial information which states that a land located on Plot No. 36 Sector W18-02 Abu Dhabi, UAE amounted to AED 22,967,000 is held by a subsidiary Company “Tazure Property - L.L.C - O.P.C.” for the beneficial interest of the Company. Our opinion is not modified in this regard.

Disclaimer Conclusion

Due to the significance of the matters described in the *Basis for Disclaimer of Conclusion* paragraph and their possible cumulative impact on the condensed interim financial information, we were unable to perform review and other related procedures necessary to obtain sufficient appropriate evidence to form a conclusion on the accompanying condensed interim financial information. Accordingly, we do not express a conclusion on this condensed interim financial information as at 31 March 2023.

Other Matters

The condensed interim financial information as at and for the three-month period ended 31 March 2022 was reviewed by another auditor, who expressed a qualified review conclusion on 21 May 2022. Further, the financial statements of the Company as at and for the year ended 31 December 2022 were audited by another auditor, who expressed a qualified opinion on those financial statements on 30 March 2023.

GRANT THORNTON UAE**Dr. Osama El-Bakry****Registration No: 935****Abu Dhabi, United Arab Emirates****Date: 6 March 2024**

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Condensed interim statement of financial position
As at 31 March 2023

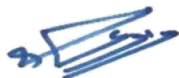
		31 March 2023 AED (Unaudited)	<i>(Restated)*</i> 31 December 2022 AED (Audited)
	Notes		
ASSETS			
<u>Takaful operating assets</u>			
<u>Retakaful contract assets:</u>			
Retakaful share of unearned contributions reserve	11	4,093,924	6,546,166
Retakaful share of claims reported unsettled reserve	11	61,438,584	57,898,056
Retakaful share of claims incurred but not reported reserve	11	86,484,488	110,357,103
Prepaid expenses and other assets	10	7,014,858	6,773,247
Contributions and retakaful balances receivables	12	271,115,915	223,996,350
Term deposits	13	27,401	27,401
Cash and cash equivalents	14	6,240,334	6,979,655
Total takaful operating assets		436,415,504	412,577,978
<u>Shareholders' assets</u>			
Property and equipment	5	1,274,744	1,421,390
Investments properties	6	183,679,000	183,679,000
Statutory deposit	7	6,000,000	6,000,000
Investments carried at fair value through profit or loss (FVTPL)	8	637,828	666,645
Investments carried at fair value through other comprehensive income (FVTOCI)	9	17,000,000	17,000,000
Deferred policy acquisition costs		59,878,314	52,280,960
Prepaid expenses and other assets	10	6,138,982	5,232,500
Term deposits	13	375,568	375,568
Cash and cash equivalents	14	878,004	768,679
Total shareholder's assets		275,862,440	267,424,742
TOTAL ASSETS		712,277,944	680,002,720
SHAREHOLDERS' EQUITY, LIABILITIES AND PARTICIPANTS' FUND			
SHAREHOLDERS' EQUITY			
Share capital	16	150,000,000	150,000,000
Legal reserve		5,975,691	5,975,691
General reserve		3,095,944	3,095,944
Accumulated losses		(94,166,843)	(89,394,792)
TOTAL EQUITY		64,904,792	69,676,843

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

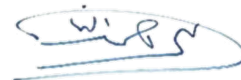
Condensed interim statement of financial position
As at 31 March 2023

		31 March 2023 AED (Unaudited)	<i>(Restated)*</i> 31 December 2022 AED (Audited)
	Notes		
LIABILITIES			
<u>Takaful operating liabilities</u>			
Takaful payables		145,138,421	167,411,203
Retakaful payables		31,484,932	27,233,599
<u>Takaful contract liabilities:</u>			
Unearned contributions reserve	11	230,588,344	174,075,436
Claims reported unsettled reserve	11	71,648,475	61,663,762
Claims incurred but not reported reserve	11	129,928,706	151,734,456
Unallocated loss adjustment expense reserve	11	5,756,171	6,222,028
Unexpired risk reserve	11	11,180,177	11,547,352
Unearned retakaful commission income		429,040	89,814
VAT payable		2,915,849	-
Total takaful operations liabilities		629,070,115	599,977,650
<u>Shareholders' liabilities</u>			
Trade and other payables		11,435,648	4,258,915
Provision for employees' end of service benefits	17	3,932,286	3,591,209
Accrued expenses and other liabilities		2,935,103	2,498,103
Total shareholders' liabilities		18,303,037	10,348,227
<u>Participants' fund</u>			
Deficit of general participants takaful fund	18	(178,423,692)	(171,248,016)
Loan from shareholders	18	178,423,692	171,248,016
Total shareholders' liabilities		-	-
TOTAL LIABILITIES, PARTICIPANTS FUND AND EQUITY		712,277,944	680,002,720

This condensed interim financial information was authorised for issue on **6 March** 2024 by the Board of Directors and signed on its behalf by:



Chief Executive Officer



Chairman of the Board of Directors

The accompanying notes from 1 to 26 form an integral part of this condensed interim financial information.

(*) Comparative information has been restated (refer note 25).

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Condensed interim statement of profit or loss
For the three-month period ended 31 March 2023

		Three-month period ended	
		31 March	
		2023	2022
		(Unaudited)	(Unaudited)
		AED	AED
	Notes		
Gross contribution written	21	136,605,593	101,462,886
Retakaful contributions		(1,679,081)	(19,636,111)
Net takaful contributions		134,926,512	81,826,775
Change in net unearned contribution reserve		(58,965,150)	(29,581,309)
Net takaful contributions earned		75,961,362	52,245,466
Net commission paid/(earned)		(279,872)	8,421,238
Gross takaful contributions		75,681,490	60,666,704
Gross claims paid		(62,103,765)	(61,316,523)
Retakaful share of claims paid		13,065,842	40,062,335
Net claims paid		(49,037,923)	(21,254,188)
Change in claims reported unsettled reserve		(9,984,713)	(5,545,263)
Change in retakaful share claims reported unsettled reserve		3,540,528	(11,155,959)
Change in claims incurred but not reported reserve		21,805,750	51,151,731
Change in retakaful share of incurred but not reported reserve		(23,872,615)	(48,274,407)
Change in unexpired risk reserves		367,175	236,029
Change in allocated loss adjustment expense		465,857	1,942,972
Net claims incurred		(56,715,941)	(32,899,085)
Takaful income		18,965,549	27,767,619
Other income		12,448,355	-
Technical expenses		(2,845,311)	(2,813,815)
Takaful operating profit		28,568,593	24,953,804
Wakala fees		(35,744,269)	(23,575,352)
(Deficit) / surplus of takaful results for the period		(7,175,676)	1,378,452
Shareholders' investment and other income, net		24,029	12,295
Wakala fees from policyholders		35,744,269	23,575,352
Income from real estate, net		81,059	96,586
Investments designated at fair value through profit and loss (FVTPL)		(28,816)	-
Takaful expenses		(22,803,126)	(23,818,397)
Change in provision of loan to policyholders' fund	18	(7,175,676)	1,378,452
General and administrative expenses		(10,613,790)	(8,773,642)
Net loss for the period		(4,772,051)	(7,529,354)
Basic and diluted loss per share	20	(0.032)	(0.050)

The accompanying notes from 1 to 27 form an integral part of this condensed interim financial information.

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Condensed interim statement of other comprehensive income
For the three-month period ended 31 March 2023

	Three-months period ended	
	31 March	
	2023	2022
	(Unaudited)	(Unaudited)
	AED'000	AED'000
Loss for the period	(4,772,051)	(7,529,354)
Other comprehensive income	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(4,772,051)	(7,529,354)

The accompanying notes from 1 to 27 form an integral part of this condensed interim financial information.

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Condensed interim statement of changes in equity
For the three-month period ended 31 March 2023

	Share capital AED	Legal reserve AED	General reserve AED	Investment fair value reserve AED	Accumulated losses AED	Total AED
Balance at 1 January 2022 (as reported)	150,000,000	4,580,554	1,700,807	-	(71,532,116)	84,749,245
Prior period adjustments (note 25)	-	-	-	-	(29,023,772)	(29,023,772)
Balance at 1 January 2022 (as restated)	150,000,000	4,580,554	1,700,807	-	(100,555,888)	55,725,473
Total comprehensive loss for the period	-	-	-	-	(7,529,354)	(7,529,354)
Transfer of realised gain from fair value reserve to accumulated losses on disposal of investments carried at FVTOCI	-	-	-	(17,720,000)	17,720,000	-
Balance at 31 March 2022 (restated)	150,000,000	4,580,554	1,700,807	(17,720,000)	(90,365,242)	48,196,119
Balance at 1 January 2023 (Audited)	150,000,000	5,975,691	3,095,944	-	(89,394,792)	69,676,843
Total comprehensive loss for the period	-	-	-	-	(4,772,051)	(4,772,051)
Balance at 31 March 2023 (unaudited)	150,000,000	5,975,691	3,095,944	-	(94,166,843)	64,904,792

The accompanying notes from 1 to 27 form an integral part of this condensed interim financial information.

(*) Comparative information has been restated (refer note 25).

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Condensed interim statement of cash flows
For the three-month period ended 31 March 2023

	Notes	Three-month period ended	
		31 March 2023 (Unaudited) AED	31 March 2022 (Unaudited) AED (Restated)*
OPERATING ACTIVITIES			
Loss for the period		(4,772,051)	(7,529,354)
Adjustments for:			
Depreciation of property and equipment	5	161,676	201,620
Provision for employee's end of service benefits	17	418,567	-
Change in fair value of investments at fair value through profit and loss		28,817	-
Investment and other income		(24,029)	(12,295)
Operating cashflows before working capital changes:		(4,187,020)	(7,340,029)
Working capital changes:			
Change in prepaid and other assets (net)		(1,148,093)	(78,367)
Change in contribution and re-takaful balances receivables		(47,119,565)	(46,307,898)
Change in insurance contract liabilities		60,198,983	29,581,309
Change in reinsurance contract assets		6,444,185	11,644,896
Change in deferred policy acquisition cost		(7,597,354)	(1,282,199)
Change in takaful payables		(22,272,782)	36,622,784
Change in retakaful payables		4,251,333	(10,467,842)
Change in trade payables		6,400,706	(945,898)
Change in accrued expenses and other liabilities		4,128,876	1,665,194
Change in unearned re-takaful commission income		339,226	(9,664,255)
Cash (used in)/ generated from operations		(561,505)	3,427,695
Employees' end of service benefits paid	17	(77,490)	(359,722)
Net cash (used in)/generated from operating Activities		(638,995)	3,067,973
INVESTING ACTIVITIES			
Investment and other income		24,029	12,295
Purchase of property and equipment		(15,030)	-
Net cash generated from investing activities		8,999	12,295
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period		7,748,334	4,339,729
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	14	7,118,338	7,419,997

The accompanying notes from 1 to 27 form an integral part of this condensed interim financial information.

(*) Comparative information has been restated (refer note 25).

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information
For the three-month period ended 31 March 2023

1 General information

Methaq Takaful Insurance P.S.C. (the “Company”) is a public shareholding company registered with the Department of Economic Development - Abu Dhabi - United Arab Emirates. The Company was incorporated in the Emirate of Abu Dhabi on 24 March 2008 with a trade license number 1142419.

The Company’s principal activities are accidents and civil responsibility insurance, fire insurance, land, marine and air transportation dangers insurance, reinsurance, health insurance and onshore and offshore oil and gas fields and facilities services.

The Company is governed by the provisions of the Federal Law No. (6) of 2007 (as amended) concerning the Establishment of the Central Bank of UAE and Organisation of the Insurance Operations.

During the year, Federal Law No. 48 of 2023 has been issued with effective date of 30 November 2023, repealing Federal Law No. 6 of 2007. In accordance with Article 112 of the Federal Law No. 48 of 2023, the Company has 6 months from this date of effect to apply the provisions of new Law,

The Company operates through its head office in Abu Dhabi and branch offices in Dubai. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 32774, Abu Dhabi, United Arab Emirates.

The Company’s ordinary shares are listed on Abu Dhabi Securities Exchange, during the year the Company’s shares are suspended from trading.

The Company was initially registered in compliance with relevant UAE Federal Law No. (2) of 2015, as amended. As of 2 January 2022, the Company is subject to compliance with UAE Federal Law No. (32) of 2021, which replaces UAE Federal Law No. (2) of 2015, as amended. The condensed interim financial information has been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Law No. (32) of 2021. Management of the Company is currently in the process of amending the statutory documents, to reflect the changes required due to application of the UAE Federal law No. (32) of 2021.

1.1 Assessment of going concern assumption

The Company incurred a loss of AED 4,772,051 for the three-month period ended 31 March 2023 and, as of that date, the Company has accumulated losses of AED 94,166,843 (31 December 2022: AED 89,394,792 - restated), which represents 63% of the Company’s share capital (31 December 2022: 60%). Further, as disclosed in note 23(b) to this condensed interim financial information, the Company has a deficit in solvency capital requirements as stipulated by the Central Bank of the U.A.E. by an amount of AED 585,723 thousand as at 31 March 2023 (31 December 2021: AED 345,856 thousand). As stated in Note 1.1, these events indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern, Notwithstanding this fact, the condensed interim financial information of the Company has been prepared on a going concern basis as the management believes that the future operations of the Company will be able to support its business and to meet its obligations as they fall due. it is worth mentioning that there is insufficient evidence that the primary Shareholders will be able to provide continuous financial support in addition, the Company has not renewed the reinsurance agreements related to motor vehicle treaty quota share therefore, the Company is working under a huge risk of losses and cash out flows in foreseeable future, Further, the Company might not be able to meet its financial obligations for the coming 12 months if it does not generate sufficient cash flows through the operating activities and the disposal of additional assets, consequently, the going concern basis of preparation of the condensed interim financial information is not appropriate. Any adjustments that might be required to be recorded in the condensed interim financial information relating to this matter have not been considered.

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

1 General information (continued)

1.1 Assessment of going concern assumption (continued)

Furthermore, the accumulated losses of the Company as at 31 March 2023 and 31 December 2022 exceeded 50% of the share capital of the Company, and as per UAE Federal Law No. (32) of 2021 article 309 the Board of Directors should invite the general assembly to convene within (30) thirty days from the date of the invitation, in order to consider making a decision as regards the Company's continuation of its activity or dissolution prior to the expiry of its term. The management did not submit its corrective plan to the Central Bank of UAE ("CBUAE") and did not make any corrective plan to reduce its underwriting activities in different lines of business until it concludes on corrective measures, which will be based on technical recommendations suggested by management.

These conditions indicate the existence of multiple material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern and therefore that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

In the absence of the Company's ability to achieve management's planned measures, the going concern basis would be invalid and adjustments would have to be made to reduce the values of the assets as presented in the statement of financial position to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

2 Application of new and revised International Financial Reporting Standards (IFRS)

Standards, interpretations and amendments to existing standards that are effective in 2023

In the current period, the Company has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2023. The application of some of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Company's future transactions or arrangements:

- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)
- IFRS 17 Insurance Contracts- the Company is currently in the process of implementing the provisions of IFRS 17

These amendments do not have a significant impact on the condensed interim financial information and therefore the disclosures have not been made for. The Company has not applied the requirements of IFRS 17 "*Insurance contracts*".

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

2 Application of new and revised International Financial Reporting Standards (IFRS) (Continued)

Amendment to standards and interpretations issued but not yet effective

The new standards and revised IFRSs not yet effective and have not been adopted early by the Company include:

Standard number	Title	Effective date
IAS 1	-Non-current Liabilities with Covenants -Classification of Liabilities as Current or Non-current	1 January 2024
IFRS 16	Lease Liability in Sale and Leaseback	1 January 2024
IFRS 10 and IAS 28	Sale or Contribution of Assets between Investor and its Associate or Joint Venture	Available for optional adoption/effective date deferred indefinitely

Management anticipates that these amendments will be adopted in the financial information in the initial period when they become mandatorily effective. Management is currently assessing the impact of the above standards.

3 Summary of significant accounting policies

3.1 Statement of compliance

This condensed interim financial information is prepared in accordance with International Accounting Standard 34: “*Interim Financial Reporting*” issued by the International Accounting Standard Board (IASB) and comply with the applicable requirements of the UAE federal law No. (32) of 2021 and the UAE Federal Law no. 48 of 2023 (previously UAE Federal Law no. 6 of 2007) on Establishment of Insurance Authority and Organization of its Operations.

The Company’s condensed interim statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, prepaid expenses and other assets, contributions and retakaful balances receivables, deferred policy acquisition costs, takaful and retakaful payables, accrued expenses and other liabilities, The following balances would generally be classified as non-current: property and equipment, investment properties, statutory deposit and provision for employees’ end of service. The following balances are of mixed nature (including both current and non-current portions): investments at fair value through other comprehensive income, investments carried at fair value through profit or loss.

This condensed interim financial information does not include all the information and disclosures required in full financial statements and should be read in conjunction with the Company’s financial statements for the year ended 31 December 2022. In addition, results for the period from 1 January 2023 to 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

This condensed interim financial information has been prepared on a consistent basis with the accounting policies and estimates adopted in the Company’s most recent annual financial statements for the year ended 31 December 2022, except for the adoption of new standards and interpretations effective 1 January 2023.

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

3 Summary of significant accounting policies (continued)

3.2 Basis of measurement

This condensed interim financial information of the Company is prepared on an accrual basis and under the historical cost basis except for financial assets carried at fair value through profit or loss, financial assets carried at fair value through other comprehensive income and investment property, for which the management was not able to provide the fair value.

3.3 Functional and reporting currency

This condensed interim financial information is presented in United Arab Emirates Dirhams (“AED”), which is the Company’s functional currency. Except as indicated, financial information presented in AED has been rounded to the nearest dirham.

4 Significant management judgement in applying accounting policies and estimation uncertainty

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

Estimates and underlying assumption are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements for the year ended 31 December 2022.

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

5 Property and equipment

	Furniture, fixtures, and office supplies	Computer equipment and accessories	Total
	AED	AED	AED
Cost:			
At 1 January 2022	8,016,585	4,734,565	12,751,150
Additions during the year	-	17,088	17,088
At 31 December 2022	8,016,585	4,751,653	12,768,238
Additions during the period	5,700	9,330	15,030
At 31 March 2023	8,022,285	4,760,983	12,783,268
Accumulated depreciation:			
At 1 January 2022	6,154,649	4,461,474	10,616,123
Charges for the year	542,161	188,564	730,725
At 31 December 2022	6,696,810	4,650,038	11,346,848
Charges for the period	132,922	28,754	161,676
At 31 March 2023	6,829,732	4,678,792	11,508,524
Carrying amount:			
At 31 March 2023 (Unaudited)	1,192,553	82,191	1,274,744
At 31 December 2022 (Audited)	1,319,775	101,615	1,421,390

6 Investment properties

	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED
At beginning of period / year	183,679,000	172,905,500
Change in fair value	-	10,773,500
At end of the period / year	183,679,000	183,679,000

Management has not obtained updated valuations for the investment properties as of 31 March 2023, and has relied on a valuation report related to the year ended 31 December 2022 where inappropriate assumptions and techniques were applied to identify the fair value of these properties.

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

6 Investment properties (continued)

The investment properties of the Company are shown below:

- A building, located in plot No. C29 sector E12, Abu Dhabi UAE and held for long term rental yields, during 2022, the property was registered and held in trust with the name of another related party, but the title deed has been transferred to the Company's name.
- A land located in Plot No. 36 Sector W18-02, Abu Dhabi, UAE, that was held in the name of a subsidiary party, for and on behalf of the Company. During 2023, the ownership of the related party becomes 100% under the Company.

The rental income for the year amounted to AED 397,436 (2022: AED 585,551) and expenses 31 March 2023 amounted to AED 112,436 (2022: AED 108,823).

7 Statutory deposit

In accordance with the requirement of the UAE Federal Law no. 48 of 2023 (previously UAE Federal Law no. 6 of 2007) concerning insurance companies and agencies, the Company maintains a bank deposit amounting to AED 6,000,000 (31 December 2022: AED 6,000,000) which cannot be utilized without the consent of the Central Bank of the United Arab Emirates.

8 Investments designated at fair value through profit and loss (FVTPL)

	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED
Unquoted UAE equity securities	353,475	393,465
Quoted UAE equity securities	284,354	273,180
	637,829	666,645

The movement in the investments carried at fair value through other comprehensive income is as follows:

	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED
Fair value at beginning of period / year	666,645	741,653
Change in fair value	(28,816)	(75,008)
Fair value at end of the period / year	637,829	666,645

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

9 Investments designated at fair value through other comprehensive income (FVTOCI)

	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED
Unquoted UAE equity securities	17,000,000	17,000,000
	<u>17,000,000</u>	<u>17,000,000</u>

FVTOCI represents an investment in shares of a local company and is carried at cost as management were not able to identify the fair value of the shares as at 31 March 2023 and 31 December 2022.

10 Prepaid expenses and other assets

	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED
Advances for investments	3,506,950	3,506,950
Prepaid expenses	3,354,785	3,883,132
Refundable deposits	1,028,287	3,846,399
Advances towards formation of companies	822,178	822,178
Accrued profits from investment deposits	149,868	138,772
Other receivables and advances to suppliers	10,514,990	6,031,534
	<u>19,377,058</u>	<u>18,228,965</u>
Less: allowances for impairment	<u>(6,223,218)</u>	<u>(6,223,218)</u>
	<u>13,153,840</u>	<u>12,005,747</u>

Prepaid expenses and other assets are presented as follows:

	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED
Takaful operations assets	7,014,858	6,773,247
Shareholders' assets	6,138,982	5,232,500
Total	<u>13,153,840</u>	<u>12,005,747</u>

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

11 Takaful contracts liabilities and re-takaful contracts assets

	31 March 2023 (Unaudited) AED	(Restated)* 31 December 2022 (Audited) AED
Takaful contract liabilities:		
Unearned contributions reserve	230,588,344	174,075,436
Claims reported unsettled reserve	71,648,475	61,663,762
Claims incurred but not reported reserve	129,928,706	151,734,456
Unallocated loss adjustment expense reserve	5,756,171	6,222,028
Unexpired risk reserve	11,180,177	11,547,352
Total	449,101,873	405,243,034
Retakaful contract assets:		
Retakaful share of unearned contributions reserve	4,093,924	6,546,166
Retakaful share of claims reported unsettled reserve	61,438,584	57,898,056
Retakaful share of claims incurred but not reported reserve	86,484,488	110,357,103
Total	152,016,996	174,801,325
Net technical reserves		
Unearned contributions reserve	226,494,420	167,529,270
Claims reported unsettled reserve	10,209,891	3,765,706
Claims incurred but not reported reserve	43,444,218	41,377,353
Unallocated loss adjustment expense reserve	5,756,171	6,222,028
Unexpired risk reserve	11,180,177	11,547,352
Total	297,084,877	230,441,709

(*) For restatement, refer to note 25.

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

12 Contribution and retakaful balances receivables

	31 March	<i>(Restated)*</i>
	2023	31 December
	(Unaudited)	2022
	AED	(Audited)
		AED
Due from insurance and reinsurance companies	196,017,060	207,608,132
Due from policyholder	110,422,803	78,546,278
Due from related parties	31,565,826	5,196,919
	338,005,689	291,351,329
Less: Provision for Impairment	(66,889,774)	(67,354,979)
	271,115,915	223,996,350

Details of allowances for provision for impairment are as follows:

	31 March	<i>(Restated)*</i>
	2023	31 December
	AED	2022
	(Unaudited)	(Audited)
		AED
Balance at beginning of the period/year	67,354,979	67,354,979
Write off during the period/year	(465,205)	-
Balance at end of the period/years	66,889,774	67,354,979

e) Ageing of takaful and retakaful receivables are as follows:

1-90 days	59,150,565	29,291,361
91-180 days	24,302,459	28,901,980
181-365 days	50,840,393	43,319,496
Above 365 days	203,712,272	189,838,492
Balance at end of period / year	338,005,689	291,351,329

(*) For restatement, refer to note 25.

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

13 Bank term deposits

Term deposits represent deposits held with Islamic financial institutions in the UAE and are denominated in UAE dirhams and carry profit at the prevailing market rates ranging from 0.75% to 1% per annum (2022: 2.5% to 2.8%).

	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED
Takaful and operations assets	27,401	27,401
Shareholders' assets	375,568	375,568
Total	<u>402,969</u>	<u>402,969</u>

14 Cash and cash equivalents

	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED
Cash on hand	86,611	120,155
Bank balances	7,031,727	7,628,179
	<u>7,118,338</u>	<u>7,748,334</u>
Takaful and operations assets	6,240,334	6,979,655
Shareholders' assets	878,004	768,679
	<u>7,118,338</u>	<u>7,748,334</u>

15 Related parties

Identity of related parties

Related parties comprise major shareholders, associated companies, directors and key management personnel of the Company and entities controlled, jointly controlled or significantly influenced by such parties.

	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED
Du from related parties		
Emirates Aqua Technologies Caviar Factory L.L.C.	2,340,533	2,340,533
Bin Salem Group L.L.C.	2,856,273	2,856,273
	<u>5,196,806</u>	<u>5,196,806</u>
Less: Provision for impairment of related parties balances	<u>(5,196,806)</u>	<u>(5,196,806)</u>
	-	-

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

16 Share capital

	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED
<i>Issued and fully paid:</i>		
Ordinary shares of AED 1 each (2022: ordinary shares of AED 1 each)	150,000,000	150,000,000

17 Provision for employees' end of service benefits

	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED
Balance at beginning of the period/year	3,591,209	3,401,539
Charges during the period/year	418,567	189,670
Payments made during the period/year	(77,490)	-
Balance at end of the period / year	3,932,286	3,591,209

18 Loan from shareholders

	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED
Policyholders' fund		
At 1 January	171,248,016	195,888,577
Deficit/(surplus) for the period/year	7,175,676	(24,640,561)
As at 31 March	178,423,692	171,248,016
Loan from shareholders to policyholders		
At 1 January	171,248,016	195,888,577
Net movement during the period/year	7,175,676	(24,640,561)
Total	178,423,692	171,248,016
Allowance for loan to policyholders	(178,423,692)	(171,248,016)
As at 31 March	-	-

The deficit in the policyholders' fund is financed by the shareholders through a Qard Hassan Loan. The shareholders have funded the deficit in the policyholders' fund in accordance with the Company's policy through a Qard Hassan (free of finance charge) of AED 178,423,692 as of 31 March 2023 (31 December 2022: AED 171,248,016) with no repayment terms. During the period, Qard Hassan with a nominal value of AED 7,175,676 (31 December 2022: AED 24,640,561) was provided (recovered) and the same amount was recognised to the statement of profit or loss attributable to shareholders.

Although recoverability of the remaining loan balance is uncertain, management expects to recover it from future profits from takaful operations.

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

19 Wakala fees and Mudarib's share

- a) The shareholders manage the takaful operations for the policy holders and charge the following range of percentages of gross takaful contributions as Wakala fees

	31 March 2023 (Unaudited) AED	31 March 2022 (Unaudited) AED
Motor	30%	30%
Medical	15%	15%
All other takaful classes	30%	30%

- b) The shareholders manage the policyholders' investment fund and charge 10% (2022: 10%) of investment income earned by policyholders' investment fund as Mudareb share, Investment income earned by policyholders' investment fund as well as Mudareb share amounted to nil (2022: nil).

20 Basic and diluted losses per share

Basic losses per share is calculated by dividing the net loss for the period /year by the weighted average number of shares outstanding during the period / year as follows:

	31 March 2023 (Unaudited) AED	31 March 2022 (Unaudited) AED
Loss for the period	(4,772,051)	(7,529,354)
Ordinary shares in issue throughout the period	150,000,000	150,000,000
Basic and diluted earnings per share (AED)	(0.032)	(0.050)

The Company has not issued any instruments which would have a dilutive impact on impact on losses per share when converted or exercised.

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

21 Segmental information

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. All operating segments used by management meet the definition of a reportable segment under IFRS 8.

For operating purposes, the Company is organized into two business segments:

Underwriting of general takaful business - incorporating all classes of general takaful , fire, marine, motor, general accident and medical.

Investments - incorporating investments in UAE marketable equity securities, term deposits with banks, overseas managed portfolios and other securities.

Primary segment information - business segment

The following is an analysis of the Company's revenue and results by operating segment:

	31 March 2023 (Unaudited)			31 March 2022 (Unaudited)		
	Policyholders	Shareholders	Total	Policyholders	Shareholders	Total
	AED	AED	AED	AED	AED	AED
Net underwriting income	28,568,593	-	28,568,593	24,953,804	-	24,953,804
Wakala fees	(35,744,270)	35,744,269	-	(23,575,352)	23,575,352	-
	(7,175,676)	35,744,269	28,568,593	1,378,452	23,575,352	24,953,804
Shareholders' investment and other income, net	-	24,029	24,029	-	12,295	12,295
Income from real estate, net	-	81,059	81,059	-	96,586	96,586
Change in fair value of investments carried at fair value through profit or loss (FVTPL)	-	(28,816)	(28,816)	-	-	-
Takaful expenses	-	(22,803,126)	(22,803,126)	-	(23,818,397)	(23,818,397)
General and administrative expenses	-	(10,613,790)	(10,613,790)	-	(8,773,642)	(8,773,642)
(Loss)/profit for the year	(7,175,676)	2,403,625	(4,772,051)	1,378,452	(8,907,806)	(7,529,354)

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

21 Segmental information (continued)

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the period.

The accounting policies of the reportable segments are the same as the Company's accounting policies used in the previous years, except for adoption of new and amended standards.

The following is analysis of the Company's assets and liabilities by operating segment:

	31 March 2023 (Unaudited)			31 December 2022 (Audited) (Restated)		
	Policyholders	Shareholders	Total	Policyholders	Shareholders	Total
	AED	AED	AED	AED	AED	AED
Total assets	436,415,504	275,862,440	712,277,944	412,577,978	267,424,742	680,002,720
Total liabilities	629,070,115	18,303,037	647,373,152	599,977,650	10,348,227	610,325,877

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

21 Segmental information (continued)

Secondary segment information - revenue from underwriting departments

The following is an analysis of the Company's operating profit classified by major underwriting departments

	31 March 2023 (Unaudited)				31 March 2022 (Unaudited)ss			
	Motor AED	Medical AED	Others AED	Total AED	Motor AED	Medical AED	Others AED	Total AED
Gross takaful contributions revenue	100,887,609	34,918,952	799,032	136,605,593	69,370,223	30,984,656	1,108,007	101,462,886
Retakaful contributions ceded	(817,455)	(451,093)	(410,533)	(1,679,081)	(1,096,350)	(17,696,652)	(843,109)	(19,636,111)
Net earned contributions	100,070,154	34,467,859	388,499	134,926,512	68,273,873	13,288,004	264,898	81,826,775
Retakaful commission (expenses)/income	(254,666)	(52,617)	27,411	(279,872)	7,513,330	776,884	131,024	8,421,238
Change in net unearned contribution provision	(28,800,969)	(27,305,544)	(2,858,637)	(58,965,150)	(32,702,201)	2,943,811	177,081	(29,581,309)
Total takaful income	71,014,519	7,109,698	(2,442,727)	75,681,490	43,085,002	17,008,699	573,003	60,666,704
Gross claims incurred	(52,940,566)	(8,224,830)	(938,369)	(62,103,765)	(50,372,796)	(10,125,771)	(817,956)	(61,316,523)
Retakaful share of claims incurred	(9,178,455)	(3,872,514)	26,116,811	13,065,842	33,966,352	5,602,184	493,799	40,062,335
Changes in net claims incurred	9,472,620	(11,674,786)	(5,475,852)	(7,678,018)	(11,860,788)	(308,731)	524,622	(11,644,897)
Net claims incurred	(52,646,401)	(23,772,130)	19,702,590	(56,715,941)	(28,267,232)	(4,832,318)	200,465	(32,899,085)
Technical expenses	(2,845,311)	-	-	(2,845,311)	(2,813,815)	-	-	(2,813,815)
	-	-	-	-	-	-	-	-
Total takaful expenses	(55,491,712)	(23,772,130)	19,702,590	(59,561,252)	(31,081,047)	(4,832,318)	200,465	(35,712,900)
Other Income	12,448,355	-	-	12,448,355	-	-	-	-
Net takaful operating profit/(loss)	27,971,162	(16,662,432)	17,259,863	28,568,593	12,003,955	12,176,381	773,468	24,953,804

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

21 Segmental information (continued)

Secondary segment information - revenue from underwriting departments.

The following is an analysis of the company's revenue classified by major underwriting departments:

	31 March 2023 (Unaudited) AED	31 March 2022 (Unaudited) AED
Motor	100,887,609	69,370,223
Medical	34,918,952	30,984,656
Miscellaneous accidents	573,540	458,418
Fire	160,259	468,149
Engineering	17,433	54,195
Marine and aviation	47,800	127,244
	136,605,593	101,462,886

22 Contingent liability

This item consists of the following:

	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED
Letters of guarantee	8,625,090	8,625,090

23 Risk management

a) Financial risk management

The Company's risk management policies with regards to financial instruments are the same as those disclosed in the last annual financial statements of the Company for the year ended 31 December 2022.

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

23 Risk management (continued)

b) Capital risk

As per Article (8) of Section 2 of the Financial Regulations, the Company is required, at all times, to comply with the requirements of Solvency Margin. The solvency position of the Company as of 31 December 2022 and 31 December 2021 is presented below. The Company has presented the solvency position as of 31 December 2022 which is the latest available solvency position as of the date of approval of this condensed interim financial information.

	31 December 2022 AED'000	31 December 2021 AED'000
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	87,536	116,286
Minimum Guarantee Fund (MGF)	56,642	41,118
Basic Own Funds	(498,187)	-
MCR Solvency Deficit	(598,187)	(329,570)
SCR Solvency Deficit	(585,723)	(345,856)
MGF Solvency Deficit	(554,829)	(270,689)

24 Litigations

Individual customers and brokers filed claims against the Company amounting to AED 109,160,165 as of 31 March 2023 (31 December 2022: AED 50,610,585) and cases are under execution.

25 Correction of an error

During the period, management identified unrecorded liabilities and bad debts of AED 11,343,205 and AED 17,680,567 respectively, consequently which are related to the year ended 31 December 2022. As a consequence, Takaful payables were understated and Contributions and retakaful balances receivables were overstated. These errors were corrected by restating each of the affected financial statement line items for prior periods.

Further, during the period, management has reclassified the recoveries from salvage and subrogation amounted to AED 81,947,000 from contributions and retakaful receivables to the claims reported unsettled reserve.

Restatements have been applied retrospectively in accordance with IAS 8 “*Accounting Policies, Changes in Accounting Estimates and Errors*” for the year ended 31 December 2022.

Methaq Takaful Insurance P.S.C.
Condensed interim financial information (unaudited)

Notes to the condensed interim financial information (continued)
For the three-month period ended 31 March 2023

25 Correction of an error (continued)

The following table summarizes the impacts on the condensed interim financial information.

	As at 1 January 2022		
	As previously reported AED	Adjustment AED	As restated AED
<u>Condensed interim statement of financial position</u>			
Contributions and retakaful balances receivables	323,623,917	(99,627,567)	223,996,350
Total assets	779,630,287	(99,627,567)	680,002,720
Accumulated losses	(60,371,020)	(29,023,772)	(89,394,792)
Total equity	98,700,615	(29,023,772)	69,676,843
Takaful payables	156,067,998	11,343,205	167,411,203
Claims reported unsettled reserve	143,610,762	(81,947,000)	61,663,762
Total takaful operations liabilities	670,581,445	(70,603,795)	599,977,650
Total liabilities	680,929,672	(70,603,795)	610,325,877
Total liabilities, participants fund and equity	779,630,287	(99,627,567)	680,002,720

26 Corporate income tax

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 - *Income Taxes*. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Company will be subject to taxation commencing 1 January 2024. Based on the above, Management has not performed an assessment for the deferred tax implication. Certain other cabinet decisions are pending as on the date of this condensed interim financial information, the Company will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalised and published.

27 Approval of condensed interim financial information

The condensed interim financial information was approved and authorised for issue by the Board of Directors on 6 March 2024.