takaful emarat

2022 INTEGRATED REPORT

Takaful Emarat Insurance PSC

بسم الله الرحمن الرحيم

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Board Of Directors

Mohamed Haji Al Khoori
Chairman

Yousef Ahmed Mohamed
Deputy Chairman

Omar Saeed Al Hamiri
Board Member

Abdul Hamid
Board Member

Ahmed Mohammad Khalil Alseksek
Board Member

Mariam Mohamed Omar Abdulla Balfaqeh
Board Member

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 2022

To the General Assembly of the Company Shareholders

Issued on: 22nd Mar 2023

To: 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, 2022, 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 2022 to 31st Dec 2022. The per share Zakat amount is AED 0.00034. 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.

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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 Dr. Fazal Rahim Abdul Rahim

Member - ISSC

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TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

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BOARD OF DIRECTORS REPORT

Dear Shareholders,

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

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

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

In 2022, the Company continued to take measures to reduce cost and indirect expenses, and to develop a persistent portfolio. In addition, the focus was to enhance customer satisfaction, collection, and improvement of technological platforms.

Key Financial results for the year 2022:

- Gross written contributions of AED 354 million in 2022, despite challenging market conditions.
- Net Earned Contribution decreased by AED 140 million from AED 474 million in 2021 to AED 334 million in 2022.
- Net Takaful Income AED 65 million in 2022.

To the best of our knowledge, the consolidated financial statements for the year ended 2022 fairly presents in all material respects the financial condition, results of operation and cash flows of the Group as of, and for, the periods presented in the periodic report.

Chairman
H.E Mohamed Haji Al Khoori

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Ernst & Young Middle East
(Dubai Branch)
P.O. Box 9267
ICD Brookfield Place, Ground Floor
Al-Mustaqbal Street
Dubai International Financial Centre
Emirate of Dubai
United Arab Emirates

Tel: +971 4 701 0100
+971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
ey.com

PL No. 108937

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

Report on the audit of the consolidated financial statements

Qualified Opinion

We have audited the consolidated financial statements of Takaful Emarat – Insurance (PSC) ("the Company") and its subsidiary (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group, as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

Basis for Qualified Opinion

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

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

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

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

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

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

Basis for Qualified Opinion (continued)

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

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

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

Emphasis of Matter

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

Other Matter

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

Key audit matters

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

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

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

Key audit matters (continued)

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

Key Audit Matter	How our audit Addressed the Key Audit Matter
Valuation of Takaful Contract Liabilities and ReTakaful Contract Assets *(refer to note 16 of the consolidated financial statements)*	
As at 31 December 2022, Takaful Contract Liabilities and ReTakaful Contract Assets amounted to AED 455.8 million and AED 66.9 million respectively, as detailed in Note 16 to these consolidated financial statements. The valuation of these liabilities requires significant judgements to be applied and estimates to be made. ReTakaful Contract Assets include amounts that the Group is entitled to receive in accordance with the retakaful contracts and, more specifically, the share of retakaful in the takaful contract liabilities of the Group. This is particularly the case for those liabilities that are based on the best-estimate of technical reserves that includes the ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and related technical reserves. A range of models are applied by management, the internal actuary and the independent external actuary to determine these liabilities. Underlying these models are a number of explicit or implicit estimates and judgements relating to the expected settlement amount and settlement patterns of claims. Changes in these assumptions can result in material impacts to the valuation of these liabilities. Consequently, as a result of all of the above factors, we consider valuation of Takaful Contract Liabilities and ReTakaful Contract Assets as a key audit matter. Please refer to notes 3, 4 and 16 to the consolidated financial statements for the accounting policy, disclosures of the related judgements and estimates regarding takaful contract liabilities and retakaful contract assets.	The work that we preformed to address this key audit matter included the following procedures: • Assessing the design and implementation of key controls relating to the data used in the actuarial reserving process. • Assessment of key controls around the claims handling and reserve setting processes of the Group along with the recognition and release of Retakaful assets. • We checked samples of claims reserves and the respective share of retakaful assets, through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters and where relevant inspection of the Group's correspondence with lawyers and reinsurers where the claims are under investigation. • We reviewed management's reconciliation of the underlying Group data recorded in the policy administration systems with the data used in the actuarial reserving calculations. • We traced the insurance contract liabilities and reinsurance assets as recommended by the Group's actuary to the liabilities and assets in the consolidated financial statements. • We involved our actuarial specialist team members, and compared the methodology, models and assumptions used against recognized actuarial practices. • We obtained the reinsurance treaty summary for the year and verified the details in the summary to the respective agreements. • We reviewed the ratios of reinsurance assets to related insurance contact liabilities to identify any variance from reinsurance treaty arrangements.

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

Key audit matters (continued)

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

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

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

Key audit matters (continued)

Key Audit Matter	How our audit Addressed the Key Audit Matter
Valuation of unquoted equity investments *(refer to note 14 of the consolidated financial statements)*	
The Group's financial instruments disclosed in Note 14, which are carried at AED 409.5 million as at 31 December 2022 includes unquoted equity instruments at fair value through profit or loss and available for sale of AED 93.3 million and AED 57.6 million respectively which represents 16.9% of total assets as of 31 December 2022. These instruments are classified as financial assets at fair value through profit or loss and are measured at fair value with the corresponding fair value change recognized in the consolidated statement of profit or loss. As disclosed in Note 4 "significant accounting judgement, estimates and assumptions", the valuation of investments in unquoted equities uses inputs other than observable market data and therefore are inherently subjective. It also requires significant judgement by management in determining the appropriate valuation methodology and use of various assumptions like cash flows, discount rates, market information, market risk adjustments etc. Given the inherent subjectivity and judgement required in the valuation of such unquoted investments, we determined this to be a key audit matter. Please refer to notes 3, 4 and 14 to the consolidated financial statements for the accounting policy, disclosures of the related judgements and estimates regarding investment securities.	The work that we performed to address this key audit matter included the following procedures: • We were not provided with sufficient and appropriate audit evidence supporting the fair values of these assets as at 31 December 2022 and hence we were unable to determine if any adjustments to the consolidated financial statements were necessary as a result of any potential adjustments to such assets. This has been included in a *Basis for qualified opinion* section of our report.

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

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We conclude that the other information may be materially misstated as a result of the matters described in the Basis of Qualified Opinion section of our report.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs, and in compliance with the applicable provisions of the Group's Articles of Association and of the UAE Federal Decree Law No. (32) of 2021 and UAE Federal Law No. 6 of 2007, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the consolidated Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the consolidated Financial Statements (continued)
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

i) the Group has maintained proper books of account.

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

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

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

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

vi) note 28 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2022, any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 or its Articles of Association, which would have a material impact on its activities or its financial position as at 31 December 2022; and

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

Further, as required by the U.A.E. Federal Law No. 6 of 2007 and the related Financial Regulations for Takaful Insurance Companies, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit except for the matters described in the Basis of Qualified Opinion section of our report.

For Ernst & Young

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

7 April 2023

Dubai, United Arab Emirates

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2022

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

Mohamed Haji Al Khoori
Chairman

Adnan Sabaalaish
Senior Finance Manager

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 **AED**	2021 AED
Proft/(Loss) for the period attributable to Shareholders	**2,447,826**	(6,682,525)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Net changes in fair value of available for sale investments attributable to policyholder	**-**	16,563,877
Total other comprehensive income for the year	**-**	16,563,877
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,447,826**	9,881,352

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to shareholders				*Attributable to policyholders*	
	Share capital AED	*Statutory reserve AED*	*Accumulated losses AED*	*Regulatory reserve AED*	*Cumulative change in fair value AED*	*Total AED*
Balance at 1 January 2021	150,000,000	6,567,600	(67,254,090)	128,567	24,134,296	113,576,373
Total comprehensive income for the year	-	-	(6,682,525)	-	16,563,877	9,881,352
Transfer to regulatory reserve	-	-	(701,740)	701,740	-	-
Zakat paid	-	-	(348,432)	-	-	(348,432)
Balance at 31 December 2021	150,000,000	6,567,600	(74,986,787)	830,307	40,698,173	123,109,293
Total comprehensive income for the year	-	-	2,447,826	-	-	2,447,826
Zakat Paid	-	-	(50,647)	-	-	(50,647)
Transfer to regulatory/statutory reserve	-	244,783	(682,674)	437,891	-	-
Balance at 31 December 2022	**150,000,000**	**6,812,383**	**(73,272,282)**	**1,268,198**	**40,698,173**	**125,506,472**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2022

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

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

1 GENERAL INFORMATION

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

The Company carries out Takaful activities in Health Insurance, Life Insurance and Credit and Saving Insurance in accordance with the Islamic Sharia'a and within the provisions of the Articles of Association of the Company. The registered address of the Group is P.O. Box 57589, Dubai, United Arab Emirates.

Federal Law No. 32 of 2022 on Commercial Companies (the "New Companies Law") was issued on 20 September 2022 and came into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the "2015 Law"). The Group has reviewed and applied the new provisions. Federal Decree Law No. (24) of 2021 which amends certain provisions of the U.A.E Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organisation of its Operations, as amended, was issued on 27 September 2021 and the amendments came into effect on 2 January 2022. Effective 2 January 2022, the Insurance Sector became under the supervision and authority of the Central Bank of the United Arab Emirates ("CBUAE").

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

Subsidiary	***Principal activity***	***Country of incorporation***	***Ownership***	
Directly owned			***2022***	*2021*
Modern Tech Investment	Investment	United Arab Emirates	**100%**	100%

2 BASIS OF PREPARATION

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards and interpretations effective after 1 January 2022
The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in these consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 17, 'Insurance Contracts' (continued)

Measurement models

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 17, 'Insurance Contracts' (continued)

Measurement models (continued)

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 17, 'Insurance Contracts' (continued)

Measurement models (continued)

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 17, 'Insurance Contracts' (continued)

Accounting policy choices (continued)

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 17, 'Insurance Contracts' (continued)

Areas of significant judgements

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 17, 'Insurance Contracts' (continued)

Transition

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

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

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

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

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

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

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

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

Accordingly, the Group will:

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 17, 'Insurance Contracts' (continued)

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

Insurance contracts

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

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

Insurance contracts may also transfer some financial risk. Financial risk is the risk of a possible future change in one or more of a specified profit rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contracts (continued)

Classification (continued)

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

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

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

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

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

These contracts are general insurance contracts and life assurance contracts.

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

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

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

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

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

A liability for contractual benefits that are expected to be incurred in future is recorded when the premiums are recognised. The liability is based on the assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviation is included in the assumptions.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Life assurance fund
The fund is determined by the independent actuarial valuation of future policy benefits. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience. Adjustments to the balance of fund are affected by charges or credits to income. Certain generated returns are accrued and provided for in the life fund.

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

Insurance contract liabilities and reinsurance assets
Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Group and still unpaid at the consolidated statement of financial position date, in addition for claims incurred but not reported and Life assurance fund. Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of money.

No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when it is expired, discharged or cancelled.

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue (other than insurance revenue) (continued)

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

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

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

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

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

Property and equipment

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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

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

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

Office building	30 years
Other property and equipment	5 years

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-derivative financial assets and liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-derivative financial assets and liabilities (continued)

Classification (continued)

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

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

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-derivative financial assets and liabilities (continued)

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

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

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

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

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

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

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

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

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

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

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

Details of these statistical parameters/inputs are as follows:

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-derivative financial assets and liabilities (continued)

Impairment (continued)

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

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

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

4 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4.1 Critical accounting judgements

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

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

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

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

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

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

4.1 Critical accounting judgements (continued)

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

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

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

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

4.2 Key sources of estimation uncertainty

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

The significant judgements made by Management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

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

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

Provision for outstanding claims whether reported or not (continued)
The Group has performed an assessment of the impact of COVID-19 on its contractual arrangements and provisions for outstanding claims and claims incurred but not reported which included regular sensitivity analyses. The Group determined that there is no material impact on its risk position and provision balances for outstanding claims and claims incurred but not reported, as at 31 December 2022. The Group will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

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

4.2 Key sources of estimation uncertainty (continued)

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

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

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

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

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

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

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

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

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

5 PROPERTY AND EQUIPMENT

	Building AED	*Office equipment AED*	*Furniture and fixtures AED*	*Motor vehicles AED*	*Total AED*
Cost:					
At 31 December 2020	48,628,321	2,675,604	11,170,216	171,969	62,646,110
Additions during the year	-	698,890	-	-	698,890
At 31 December 2021	48,628,321	3,374,494	11,170,216	171,969	63,345,000
Additions during the year	-	289,141	-	-	289,141
Disposals during the year	(48,628,321)	(796,078)	(7,266,471)	-	(56,690,870)
At 31 December 2022	**-**	**2,867,557**	**3,903,745**	**171,969**	**6,943,271**
Accumulated depreciation:					
At 31 December 2020	5,447,946	2,106,181	6,693,670	167,834	14,415,631
Depreciation for the year	2,223,300	353,101	981,858	1,654	3,559,913
At 31 December 2021	7,671,246	2,459,282	7,675,528	169,488	17,975,544
Depreciation for the year	2,038,025	361,176	900,925	1,651	3,301,777
Disposals during the year	(9,709,271)	(716,470)	(4,704,225)	-	(15,129,966)
At 31 December 2022	**-**	**2,103,988**	**3,872,228**	**171,139**	**6,147,355**
Carrying amount:					
At 31 December 2022	**-**	**763,569**	**31,517**	**830**	**795,916**
At 31 December 2021	40,957,075	915,212	3,494,688	2,481	45,369,456

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

6 INTANGIBLE ASSETS

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

7 TAKAFUL AND OTHER PAYABLES

2022

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

2021

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

7 TAKAFUL AND OTHER PAYABLES (continued)

2022

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

2021

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

8 IJARAH FINANCE

The ijarah finance as at reporting date is against AED 35 million finance obtained in 2017 for the purchase of new building being used as office space, of which outstanding principal amount was AED 17.5 million (2021: AED 21.7 million).

The decrease in ijarah finance of AED 4.2 million (2021: AED 4.2 million) during the year consists of repayment of AED 4.2 million against ijarah finance of AED 35 million.

Bank finance facilities were secured by mortgage over property, assignment of Islamic insurance policy over property, Wakala time deposit and promissory notes. The Group's finance agreement is subject to certain financial covenants. As at 31 December 2022, these covenants have been complied with.

9 PROVISION FOR EMPLOYEES END OF SERVICE BENEFITS

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

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

10 SHARE CAPITAL

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

11 RESERVES

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

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

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

12 ZAKAT

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

13 CASH AND BANK BALANCES

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

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

14 FINANCIAL INSTRUMENTS

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

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

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

14 FINANCIAL INSTRUMENTS (continued)

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

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

Movements during the year were as follows:

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

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

14 FINANCIAL INSTRUMENTS (continued)

(b) Available-for-sale (AFS)

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

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

15 TAKAFUL RECEIVABLES AND OTHER ASSETS

2022

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

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

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

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

15 TAKAFUL RECEIVABLES AND OTHER ASSETS (continued)

2021

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

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

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

	Takaful operations AED	*Shareholders's operations AED*	*Total AED*
Takaful receivables and other assets – Inside UAE			
Takaful receivables	102,295,070	-	102,295,070
Receivables from reTakaful companies	1,309,777	-	1,309,777
Allowance for doubtful debt	(10,888,302)	-	(10,888,302)
	92,716,545	-	92,716,545
Prepaid expenses	577,935	2,128,647	2,706,582
Other receivables	75,550,641	9,656,926	85,207,567
	168,845,121	11,785,573	180,630,694
Takaful receivables and other assets – Outside UAE			
Receivable from reTakaful companies	14,467,729	-	14,467,729

15 TAKAFUL RECEIVABLES AND OTHER ASSETS (continued)

2022

	Less than 30 days AED	***30-90 days AED***	***91 to 180 days AED***	***181 to 270 days AED***	***271 to 365 days AED***	***>365 days AED***	***Total AED***
Inside UAE:							
Takaful receivables	**14,338,193**	**2,018,401**	**489,620**	**848,960**	**2,812,837**	**11,559,183**	**32,067,194**
Receivable from reTakaful companies	-	-	-	-	-	-	-
Allowance for doubtful debt						**(15,807,004)**	**(15,807,004)**
Other receivables	**39,694,737**	-	-	-	-	-	**39,694,737**
Total	**54,032,930**	**2,018,401**	**489,620**	**848,960**	**2,812,837**	**(4,247,821)**	**55,954,927**
Outside UAE:							
Receivable from reTakaful companies	-	-	-	-	-	-	-

2021

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

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

16 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS

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

16 TAKAFUL CONTRACT LIABILITIES AND RETAKAFUL CONTRACT ASSETS (continued)

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

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

17 INVESTMENT PROPERTIES

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

17 INVESTMENT PROPERTIES (continued)

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

The carrying value of residential apartments represents its fair value as at 31 December 2022 as determined by an independent valuation expert, in accordance with relevant appraisal and valuation standards. The basis of determination of fair value is the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The date of revaluation was 31 December 2022. Land, on which construction is under progress, and the work in progress as at 31 December, 2022 amounting to AED 44,438,938 (31 December 2021: AED 38,892,472) are not stated at its fair value, and this investment property under construction will be fair valued when its fair value becomes reliably measurable or construction is completed (whichever is earlier).

Investment properties are classified as Level 3 in the fair value hierarchy as at 31 December 2022 (31 December 2021: Level 3).

18 DEFERRED POLICY ACQUISITION COST

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

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

19 STATUTORY DEPOSIT

Statutory deposit is maintained in accordance with the requirements of UAE Federal Law No. 6 of 2007 for the purpose of carrying on Takaful operations in the United Arab Emirates and is not available to finance the day to day operations of the Group. This deposit carries a profit rate of 1% (2021: 1%) per annum.

20 NET EARNED CONTRIBUTIONS

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

20 NET EARNED CONTRIBUTIONS (continued)

2022

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

2021

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

21 CHANGE IN RESERVE

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

22 WAKALAH FEES

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

For group life, individual medical and group medical policies, Wakalah fees were charged up to 18% to 25 % of net Takaful contribution. For life Takaful policies, Wakalah fees were charged at a maximum of 35% of Takaful risk contribution. Wakalah fees are approved by the Internal Sharia'a supervision committtee and is charged to the consolidated statement of profit or loss when incurred.

23 INVESTMENT INCOME/(LOSS) - NET

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

24 OTHER INCOME

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

25 GENERAL AND ADMINISTRATIVE EXPENSES

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

26 BASIC AND DILUTED PROFIT/ (LOSS) PER SHARE

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

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

27 FATWA AND SHARIA'A SUPERVISORY BOARD

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

28 RELATED PARTY TRANSACTIONS AND BALANCES

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

Compensation of the key management personnel is as follows:

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

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

29 SEGMENT INFORMATION

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

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

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

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

29 SEGMENT INFORMATION (continued)

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

2022	***Medical AED***	***Life and savings AED***	***Underwriting Total AED***	***Shareholders' investments AED***	***Unallocated Others AED***	***Total AED***	***Total AED***
Segment assets	**380,799,492**	**314,174,575**	**694,974,067**	**25,675,462**	**22,295,977**	**47,971,439**	**742,945,506**
Segment liabilities	**250,017,558**	**293,421,616**	**543,439,174**	**-**	**73,999,861**	**73,999,861**	**617,439,035**

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

30 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2021.

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

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

2022

	Level 1	*Level 2*	*Level 3*	*Total*
	AED	*AED*	*AED*	*AED*
Assets:				
Investments at fair value through profit or loss				
Equity investments – quoted	**-**	**-**	**80,760,358**	**80,760,358**
Equity investments - unquoted	**-**	**-**	**12,579,000**	**12,579,000**
Mutual funds	**-**	**192,342,420**	**-**	**192,342,420**
Sukuk investments	**66,234,400**	**-**	**-**	**66,234,400**
Available-for-sale	**-**	**-**	**57,619,641**	**57,619,641**
	66,234,400	**192,342,420**	**150,958,999**	**409,535,819**
Liabilities				
Investment linked contracts	**-**	**265,995,121**	**-**	**265,995,121**

30 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

2021

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

31 MOVEMENT IN FINANCIAL ASSETS AT LEVEL 3

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

32 POLICY HOLDERS' FUND

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

33 RISK MANAGEMENT

(i) Governance framework

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

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

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

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

(ii) Capital management framework

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021.

(iii) Regulatory framework

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

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

(iv) Asset liability management (ALM) framework

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

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

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

33 RISK MANAGEMENT (continued)

33.1 Takaful risk

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

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

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

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

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

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

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

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

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

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

The three largest reinsurers account for 86% of amounts due from reinsurance companies at 31 December 2022 (2021: 87%).

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

33 RISK MANAGEMENT (continued)

33.2 Financial risk

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

The Group does not enter into derivative transactions.

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

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

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

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

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

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

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

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

33 RISK MANAGEMENT (continued)

33.2 Financial risk (continued)

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

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

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

2021	*Less than three months AED*	*From three months to one year AED*	*Over one year AED*	*Total AED*
Financial assets				
Cash and bank balances	49,628,039	17,250,000	-	66,878,039
Statutory deposit	-	-	4,000,000	4,000,000
Takaful receivables and other assets	159,565,667	27,024,962	5,801,212	192,391,841
ReTakaful share of claims reported	35,617,245	-	-	35,617,245
Investments at fair value through profit or loss	-	-	382,676,640	382,676,640
Available-for-sale	-	-	57,619,641	57,619,641
Total	244,810,951	44,274,962	450,097,493	739,183,406
Financial liabilities				
Takaful and other payables	86,935,447	98,392,050	7,155,373	192,482,870
Claims reported	133,106,143	-	-	133,106,143
Ijarah finance	-	-	21,700,000	21,700,000
Policyholders' investment linked contracts at fair value	-	-	271,006,737	271,006,737
Total	220,041,590	98,392,050	299,862,110	618,295,750

33 RISK MANAGEMENT (continued)

33.2 Financial risk (continued)

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

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

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

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

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

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

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

	Favorable change AED	*Unfavorable change AED*
2022		
Profit bearing assets	**17,595,809**	**(17,595,809)**
2021		
Profit bearing assets	19,133,832	(19,133,832)

33 RISK MANAGEMENT (continued)

33.2 Financial risk (continued)

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

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

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

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

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

33.3 Operational risk

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

34 CONTINGENCIES

Contingent liabilities
At 31 December 2022 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 757,309 (2021: AED 757,309).

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

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

34 CONTINGENCIES (continued)

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

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

35 REGULATORY FRAMEWORK AND GOING CONCERN

As per Article (8) of Section 2 of the financial regulations issued for insurance companies in UAE, the Group shall at all times comply with the requirements of Solvency Margin. As at 31 December 2022, the Group had a solvency deficit as compared to the Minimum Capital Requirements of AED 100 million. The Group has made a business plan to meet the solvency requirements. However as certain actions included in the business plan are not wholly within management's control, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

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

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

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

36 TECHNICAL PROVISION

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

Medical business

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

Life business

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

37 CLAIMS DEVELOPMENT SCHEDULE

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

38 SUBSEQUENT EVENTS

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

39 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

Corporate Governance Report

Corporate Governance Report 2022

1. **Statement of procedures taken to complete the Corporate Governance system, during 2022, 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. In addition, the Central Bank of United Arab Emirates (CBUAE) also issued Circular 24 of 2022 dated 29 September 2022 on Corporate Governance for Insurance Companies which shall come into effect after publication in official gazette.

   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 & Commodities Authority, the Dubai Financial Market and CBUAE, 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 2022, according to the following schedule:**

Ser.	Name	Position / Kinship	Owned shares as on 31/12/2022	Total sale	Total purchase
1	H.E Mohamed Haji Al Khoori	Chairman of the Board	Nil	Nil	Nil

2	Mr. Yousef Ahmed Mohamed Naser Baselaib	Deputy Chairman	Nil	Nil	Nil
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	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	From 09/01/2020	None	International Emirates Driving Company

			includes 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	None
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	From 14/12/2017	None	National Library & Archives

			organizations.			
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 Head of Public and Private Markets – Shuaa Capital PSC	None
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

Mr. Ajit Vijay Joshi resigned on 09 August 2022.

B. Statement of the percentage of female representation in the Board for 2022:

The female representation in the Board is 16.67%.

C. Statement of the following:

1- The total remunerations paid to the Board members for 2021:

There was no remuneration paid to the Board members for 2021.

2- The total remunerations of the Board members, which are proposed for 2022, and will be presented in the annual general assembly meeting for approval:

The Board did not propose any remuneration to the General Assembly to be paid to the Board Members for the year 2022.

3- Details of the allowances for attending sessions of the committees emanating from the Board, which were received by the Board members for 2022 fiscal year:

There were no allowances paid to Board members for attending session of committees for 2022.

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 2022.

D. Number of the Board meetings held during 2022 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	06/04/2022	Six Members	None	Mr. Omar Saeed Abdulla Brouk Al Hameiri
2	12/08/2022	Five Members	None	Mr. Yousef Ahmed Mohamed Naser Baselaib
3	09/09/2022	Five Members	None	Mr. Yousef Ahmed

				Mohamed Naser Baselaib
4	14/11/2022	Six Members	None	None

E. Number of the Board resolutions passed during the 2022 fiscal year by circulation, along with its meeting convention dates:

2	14/05/2022

F. Statement of Board duties and powers exercised by Board members or the executive management members during 2022 based on an authorization from the Board, specifying the duration and validity of the authorization according to the following schedule:

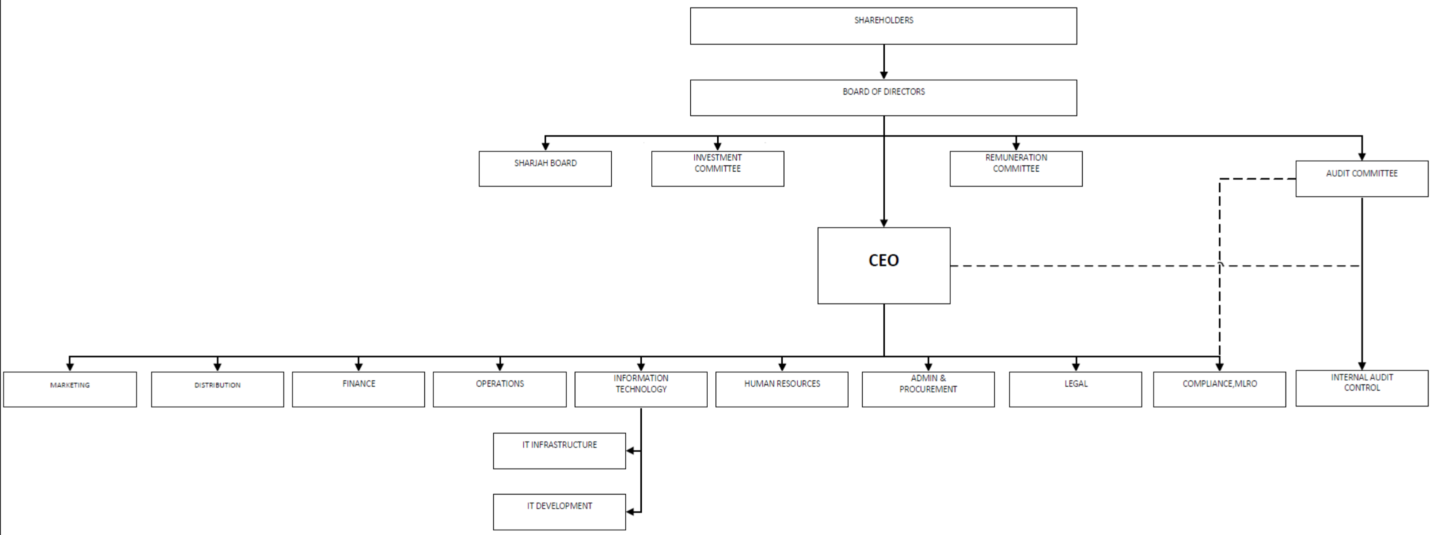
#	Name of the authorized person	Delegation authority	Duration of Delegation
1	Mr. Wael Al Sharif - Chief Executive Officer	The Board delegated following authority: • Conducting day to day commercial and internal affairs of the company • Representing the company before the government departments, ministries.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

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

G. Statement of the details of transactions made with the related parties (Stakeholders) during 2022:

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 2022.

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 2022 (AED)	Total Bonuses paid for 2022 (AED)	Any other Cash/in-kind benefits for 2022 or payable in the future (AED)
Chief Executive Officer	29/09/2019	1,592,000	Nil	Nil
Chief Operating Officer (Operations)	16/12/2010	790,659	Nil	Nil
Senior Manager Finance (Finance)	28/08/2016	400,350	Nil	Nil
Head of Administration	25/08/2013	245,100	Nil	Nil

& Procurement				
Senior Compliance Manager	16/12/2013	359,500	Nil	Nil
Human Resource Manager	13/12/2020	243,060	Nil	Nil
In-house Legal Officer	10/01/2021	247,650	Nil	Nil

Note: No bonuses announced or paid for 2022.

4. External Auditor:

A. Submit an overview of the Company auditor to shareholders.

Ernst & Young Global Limited (EY) is a multinational professional services firm headquartered in London, England. It is one of the Big Four accounting firms. It provides assurance, tax, consulting and advisory services to companies.
EY in the UAE has professionals based within two practice offices in Dubai and Abu Dhabi.

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	EY - Mr. Ashraf Abu Sharkh
Number of years he served as the Company external auditor	One year
Total audit fees for 2022 in (AED)	AED 445,000
Fees and costs of other private services other than auditing the financial statements for 2022 (AED), if any, and in case of absence of any other fees, this shall be expressly stated.	AED 146,900
Details and nature of the other services (if any). If there are no other services, this matter shall be stated expressly.	• Attended meetings and reviewed reports for submission to Central Bank of UAE on intended merger with other company.
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.	• None

C. Statement clarifying the reservations that the Company auditor included in the interim and annual financial statements for 2022:

The auditors issued qualified opinion in the financial statements for the year ended 31st December 2022.

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 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 2022 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) 05/04/2022	Second Meeting (By circulation) 14/05/2022	Third Meeting (MS Teams) 11/08/2022	Fourth Meeting (MS Teams) 14/11/2022
Mr. Yousef Ahmed Mohamed Naser Baselaib	✓	-	-	✓
Ms. Mariam Mohamed Omar Abdulla Balfaqeh	✓	✓	✓	✓
Mr. Omar Saeed Abdulla Brouk Al Hameiri	-	✓	✓	✓

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 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 2022 and their dates, and statement of all Committee members' personal attendance of times:**

Name	**First Meeting** **13/01/2022 (MS Teams)**	**Second Meeting** **05/04/2022 (MS Teams)**
Mr. Abdulhamid Abdulkarim Mohammed Bukhashem	✓	✓

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 Investor Relations Department. The Committee meeting was held on 31 March 2022 attended by both the Committee members – Mr. Mohamad Khaldoun Alrifai (In-house Legal & Investor Relations Officer – Mr. Salman Qureshi (Senior Compliance Manager).

B. **A summary of the Committee's work during 2022:**

- 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 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 2022 and their dates, and all Committee members' personal attendance times:

There were no formal meetings held by Investment Committee in 2022. However, Investment Committee provided three approvals by circulation (email) on 02 April 2022, 15 February 2022 and 21`June 2022 on matters related to investments.

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. Ali Imran Memon – Senior Manager Internal Audit & Control
Mr. Salman Qureshi – Senior Compliance Manager
Mr. Mohamad Khaldoun AlRifai – In-house Legal Officer

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 exposures
- Perform any other activities that the board or risk committee determines are necessary

Name	First Meeting 04/01/2022	Second Meeting 21/04/2022
Mr. Wael Al Sharif	-	✓
Mr. Lalitha Prasad	✓	✓
Mr. Adnan Sabaalaish	-	✓
Mr. Ali Imran Memon	✓	✓
Mr. Salman Qureshi	✓	✓
Mr. Mohamad Khaldoun AlRifai	-	✓

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

Mr. Ali Imran resigned from the Company on 12 August 2022 and the Company's Internal Audit function outsourced effective 15 October 2022.

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 2022 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:**

Two reports have been issued in 2022 by Internal Audit Department.

10. Details of the violations committed during 2022:

Delay in submission of financial report to Department of Health. The Company took the corrective measures by developing checklist of statutory reports required to be submitted.

11. Statement of the cash and in-kind contributions made by the Company during 2022 in developing the local community and preserving the environment:

- Energy saving methods are used in the lighting of offices and workplaces.
- The Company's social media focus was on several issues pertaining to fitness, lifestyle, and health.
- Helping customers to improvise the insurance knowledge & understanding the difference between & Individual Medical (IM) through social awareness & learning campaign.

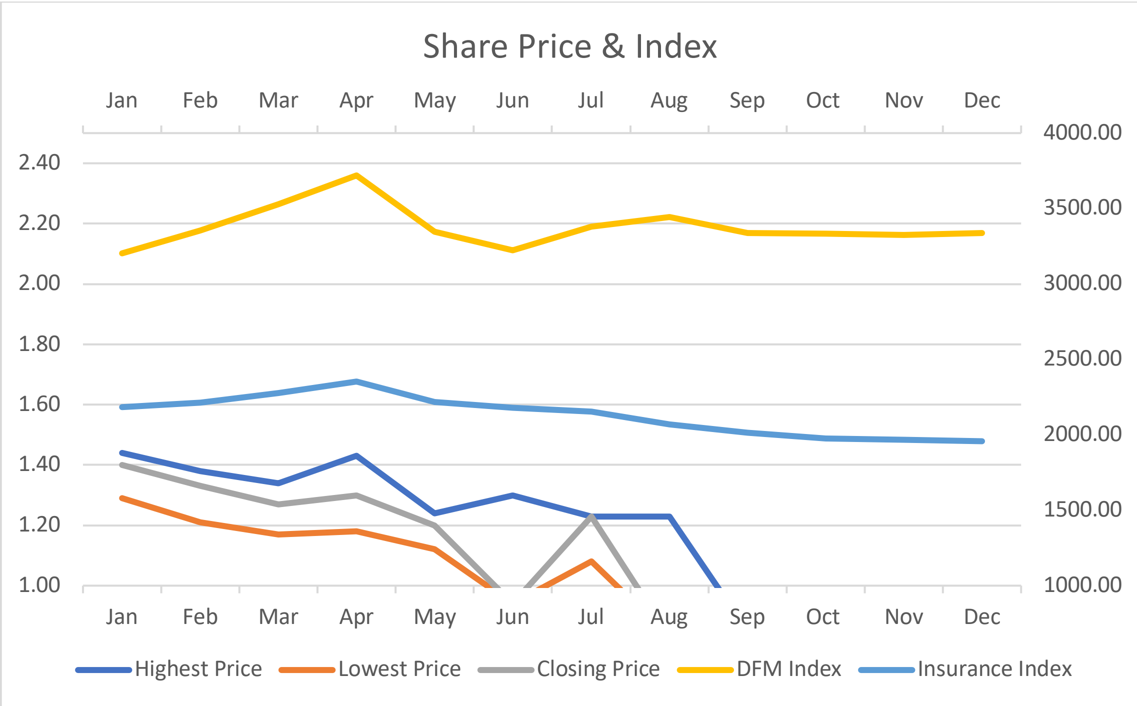
12. General Information:

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 2022:**

Month	Highest Price	Lowest Price	Closing Price	DFM Index	Insurance Index
Jan	1.44	1.29	1.40	3,203.08	2,182.57
Feb	1.38	1.21	1.33	3,354.64	2,211.77
Mar	1.34	1.17	1.27	3,526.60	2,276.32

Apr	1.43	1.18	1.30	3,719.63	2,353.16
May	1.24	1.12	1.20	3,347.24	2,219.45
Jun	1.30	0.94	0.94	3,223.29	2,181.06
Jul	1.23	1.08	1.23	3,379.96	2,151.83
Aug	1.23	0.83	0.83	3,443.11	2,070.37
Sep	0.85	0.78	0.83	3,339.15	2,015.05
Oct	0.91	0.62	0.63	3,331.76	1,975.89
Nov	0.63	0.54	0.55	3,323.96	1,968.65
Dec	0.60	0.52	0.59	3,336.07	1,957.47

B. Statement of the Company comparative performance with the general market index and sector index to which the Company belongs during 2022:



C. Statement of the shareholders ownership distribution as on 31/12/2022 (individuals, companies, governments) classified as follows: local, Gulf, Arab and foreign:

Ser.	Shareholders classification	Percentage of owned shares			
		Individuals	Companies	Government	Total
1	Local	8.91 %	88.44%	-	97.35 %
2	Arab	1.93%	0.04%	-	1.97 %
3	Foreign	0.68%	-	-	0.68 %
	Total	11.52%	88.48%	-	100%

D. Statement of shareholders owning 5% or more of the Company's capital as on 31/12/2022 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	27,636,234	18.42%
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 31/12/2022 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	4,761	3,562,133	2.37%
2	From 50,000 to less than 500,000	43	4,806,437	3.20%
3	From 500,000 to less than 5,000,000	10	15,523,303	10.35%
4	More than 5,000,000	6	126,108,127	84.08%

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 2022 and the procedures taken in their regard:

The General Assembly Meeting of Takaful Emarat Insurance (PSC) (TAKAFUL-EM) took place on 09 June 2022. A Special Resolution was passed on proposed amendments of the Company's Articles of Association in line with Federal Decree-Law 32 of 2021 for Commercial Companies.

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 2022:

- Gross written contributions of AED 354 million in 2022, despite challenging market conditions.
- Net Earned Contribution AED 334 million in 2022.
- Net Takaful Income AED 56 million in 2022.

J. Statement of Emiratisation percentage in the Company at the end of 2020, 2021 and 2022 (workers are excluded for Companies working in the field of contracting):

- 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%
- The emiratisation percentage in the Company at the end of 2022 is 8.4%

K. Statement of innovative projects and initiatives carried out by the Company or being developed during 2022:

Created and implemented BASMAH initiative campaigns about Cancer Patient Support Program from Dubai Health Authority.

Signature of the Board Chairman	Signature of Audit Committee Chairman	Signature of Compliance Department Manager	Signature of Nomination and Remuneration Committee Chairman
H.E Mohamed Haji Al Khoori	Yousef Ahmed Mohamed Naser Baselaib	Salman Qureshi	Abdulhamid Abdulkarim Mohammed Bukhashem

Sustainability Report

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2022 SUSTAINABILITY REPORT

Takaful Emarat Insurance PSC

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About Takaful Emarat (TE)

Our History

Takaful Emarat Insurance PSC, established in 2008, is a prominent Shariah compliant Life and Health Takaful Provider in the UAE. Via a numbers of distribution channels, Takaful Emarat sells a wide selection of individual & corporate life and health Takaful products, including protection, savings, and investment plans.

Our Objective

To advocate for the idea of takaful as a true insurance replacement that complies with shariah. to develop and market Takaful goods based on contemporary thinking and emerging demands. to maximize profits for both participants and stockholders. to take Takaful Emarat international and regional.

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.

Our Vision

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

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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 2022. 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.

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Approach

Takaful, which translates to "solidarity," is a system of cooperative insurance. It is predicated on the idea of reciprocal cooperation and shared contributions. We don't impose interest fees! As an alternative, we offer regulated subscriptions and pooled benefits to safeguard our members in case of harm or necessity. Our Takaful insurance firms follow both UAE legislation and a Shariah Supervisory Board that has been formed.

At the same time as we add value for our clients, we are dedicated to securing a sustainable future. An important aspect of this commitment is regular transparent and best practice-aligned disclosure of our corporate sustainability efforts 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 make voluntary contributions to a shared Takaful fund, which protects each member against combined risks and distributes surpluses equally. With no prior expectations of fixed returns, the company will manage and operate the Takaful fund on their behalf..

2022 – Highlights

The total Gross Written Contributions income for Takaful Emarat in 2022 is AED 354 million. In addition, the net takaful income for 2022 is AED 64 million.

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

In 2022, the Company continued to take measures to reduce cost and indirect expenses, and to develop a persistent portfolio. In addition, the focus was to enhance customer satisfaction, collection and improvement of technological platforms.

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

We have identified some material subjects in 2022 that will allow us to make our best contribution to the mutual sustainable improvement vision. These issues have a direct or indirect impact on a company's ability to create, preserve, or erode economic, environmental, and social value for itself and its stakeholders. These are the main reasons that reflect the organization's economic, environmental, and social impact or influence stakeholders' decisions.

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

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Corporate Governance & Risk Management

Following the Covid impact, Takaful Emarat was among the first Agile businesses to allow employees to work remotely during the lockdown phase (within a week), displaying a robust approach to business continuity. IT had created a full business automation to speed customers' conversions from the beginning to the conclusion. The International Compliance Association's "Financial Crime Compliance for the Insurance Sector in the UAE" certification process was successfully completed by Takaful Emarat employees. Moreover, EIBFS Cyber Security Fundamentals for TE workers were conducted.

- Compliance & Ethical Business Practices

TE is committed to corporate governance standards that promote integrity, accountability, and decision-making mechanisms, all of which are critical to our company's survival. The governance framework complies with the regulatory requirements that apply to listed companies in the UAE. Sound corporate governance and business ethics contribute to the company's ability to achieve its goals and provide value to shareholders within an effective control framework. ESG strategy and goals.

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:

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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.

- 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
- ✓ In 2022, Pay For Performance campaigns were launched.

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.

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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.

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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.

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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 151 employees of more than 18 different nationalities, diversity is ingrained in Takaful Emarat company culture.

Category	Female	Male
Manager	4	30
Staff	57	60
Total	61	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. 8.6%. Percentage of UAE National Employees in 2022.

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2022 Initiatives

- ✓ MOHRE sent us an appreciation email, for achieving increase in Emiratization rates by 2%. According to the cabinet resolution.

- ✓ Summary as per the MoHRE system target year 2022 :
  - 131 total employees in occupational levels 1 to 5
  - Total number of Emirati employees at the time of the resolution's issuance: 11
  - TAWTEEN percentage at the time of the resolution's issuance: 8.40 percent
  - The required TAWTEEN percentage before the end of 2022 is 10.40 percent.
  - The current TAWTEEN percentage achieved is 9.92 percent.
  - Goal attained : The total fine for failure to hire is 0 AED

- ✓ TE achieved, the operational & recruitment target set by CBUAE - TAWTEEN for the year 2022 (2 - Life Underwriters)

Dubai Office	
WFH	50
In-Office	53

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Social Responsibility

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.

2022 initiatives:
- ✓ VOCO hotel iftar party - Ramadan 2022
- ✓ We moved to the Spectrum office to reduce our carbon footprint, made the office closer to employee homes, and increase WFH employees by having the HOD and sales team in less than half the space vs 2021. Brought an open office culture for better collaboration.

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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.

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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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