Orient Takaful P.J.S.C.

Financial statements

for the year ended 31 December 2022

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for the year ended 31 December 2022

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Independent auditors' report

To the Shareholders of Orient Takaful P.J.S.C.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Orient Takaful P.J.S.C. (the "Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes , comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

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 Company in accordance with 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of insurance contract liabilities

Refer to notes 4, 5, 6 and 10 of the financial statements.

The key audit matter	How the matter was addressed in our audit
Valuation of the gross liabilities involves significant judgement, and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred, but have not yet been reported ("IBNR") to the Company. IBNR is calculated by an independent qualified external actuary for the Company. Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to a material impact on the valuation of these liabilities and a corresponding effect on profit or loss. The key assumptions that drive the reserve calculations include loss ratios, estimates of the frequency and severity of claims. The valuation of these liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating takaful reserve, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of these liabilities may arise.	Our audit procedures supported by our actuarial specialists included: • evaluating and testing of key controls around the claims handling and case reserve setting processes of the Company. Examining evidence of the operation of controls over the valuation of individual reserve for outstanding claims and considering if the amounts recorded in the financial statements are valued adequately; • obtaining an understanding of and assessing the methodology and key assumptions applied by the management. • assessing the experience and competence of the Company's actuary and degree of challenge applied through the reserving process; • checking sample of reserves for outstanding claims through comparing the estimated amount of the reserves for outstanding claims to appropriate documentation, such as reports from loss adjusters; • assessing the Company's disclosure in relation to these liabilities including the claims development table is appropriate; and • Considering the completeness and accuracy of the data used by actuaries and corroborating the data with other information used by the team during audit work.

Key Audit Matters (Continued)

Recoverability of takaful receivable

Refer to notes 4, 5, 6 and 11 of the financial statements.

The key audit matter	How the matter was addressed in our audit
The Company has significant takaful receivables against written contribution policies. There is a risk over the recoverability of these receivables. The determination of the related impairment allowance is subjective and is influenced by judgements relating to the probability of default and probable losses in the event of default.	Our audit procedures on the recoverability and impairment of takaful receivable included: • testing the ageing of takaful receivables to assess if these have been accurately determined. Testing samples of long outstanding takaful receivables where no impairment allowance is made with the management's evidences to support the recoverability of these balances; • verifying payments received from receivable counterparties post year end; • considering the adequacy of provisions for bad debts for significant customers, taking into account specific credit risk assessments for each customer based on period overdue, existence of any disputes over the balance outstanding, history of settlement of receivables liabilities with the same counterparties; and • discussing with management and reviewing correspondence, where relevant, to identify any disputes and assessing whether these were appropriately considered in determining the impairment allowance.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of the auditors' report and the remaining sections of the Company's 2022 Annual Report is expected to be made available to us after that date.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, that we obtained prior to the date of the auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Company's 2022 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

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

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

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 financial statements.

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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures 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 Company to cease to continue as a going concern.

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes 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.

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree Law No. (32) of 2021, we report that for the year ended 31 December 2022:

i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;

iii) the Company has maintained proper books of account;

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

v) as disclosed in note 1 to the financial statements, the Company has not purchased any shares during the year ended 31 December 2022;

vi) note 22 to the financial statements discloses material related party transactions 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 Company has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2022; and

Report on Other Legal and Regulatory Requirements (continued)

viii) note 27.1 to the Company's financial statements discloses that there were no social contributions made during the year ended 31 December 2022.

Further, as required by the UAE Federal Law No. (6) of 2007 (as amended), we report that we have obtained all the information and explanations we considered necessary for the purposes of our audit.

KPMG Lower Gulf Limited

Richard Ackland
Registration No.: 1015
Dubai, United Arab Emirates

Date: 24 FEB 2023

Orient Takaful P.J.S.C.

Statement of financial position

as at 31 December

	Note	31 December 2022 AED	31 December 2021 AED
TAKAFUL OPERATIONS' ASSETS			
Cash and cash equivalents	*9*	**68,713,858**	44,628,910
Retakaful contract assets	*10*	**452,245,049**	317,954,501
Takaful, retakaful and other receivables	*11*	**98,762,475**	53,874,940
Due from related parties	*22*	**25,158,414**	18,719,903
Other receivables	*12*	**14,456,719**	9,034,428
Wakala deposit	*14*	**100,000,000**	-
Receivable from shareholders	*18*	**27,901,751**	80,291,882
Total takaful operations' assets		**787,238,266**	524,504,564
SHAREHOLDERS' ASSETS			
Cash and cash equivalents	*9*	**4,393,241**	6,959,723
Other receivables and prepayments	*13*	**3,282,988**	1,688,497
Wakala deposit	*14*	**265,000,000**	283,339,695
Statutory deposit	*15*	**6,000,000**	6,000,000
Due from related parties	*22*	**1,065,771**	1,630,739
Property and equipment	*16*	**2,517,465**	3,456,598
Intangible assets	*17*	**202,074**	332,691
Total shareholders' assets		**282,461,539**	303,407,943
Total assets		**1,069,699,805**	827,912,507
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
TAKAFUL OPERATIONS' LIABILITIES			
Takaful contract liabilities	*10*	**571,793,652**	389,926,943
Payable to takaful, insurance, reinsurance and retakaful companies	*19*	**120,628,651**	88,220,151
Other takaful payables	*20*	**33,593,660**	28,679,660
Due to related parties	*22*	**61,222,303**	17,677,810
Total takaful operations' liabilities		**787,238,266**	524,504,564
TAKAFUL OPERATIONS' DEFICIT			
Deficit in policyholders' fund	*21*	**(242,535,303)**	(174,760,427)
Provision against Qard Hassan	*21*	**242,535,303**	174,760,427
Total takaful operations' deficit		**-**	-
Total takaful operations' liabilities and deficit		**787,238,266**	524,504,564

Orient Takaful P.J.S.C.

Statement of financial position (continued)

as at 31 December

	Note	31 December 2022 AED	31 December 2021 AED
SHAREHOLDERS' LIABILITIES AND EQUITY			
SHAREHOLDERS' LIABILITIES			
Due to related parties	22	**4,490,665**	2,831,743
Accruals, provisions and other payables		**8,108,153**	7,715,645
Employees' end of service benefits	23	**1,890,872**	1,467,758
Payable to policyholders - takaful operations	18	**27,901,751**	80,291,882
Lease liabilities	24	**1,318,744**	2,437,416
Total shareholders' liabilities		**43,710,185**	94,744,444
SHAREHOLDERS' EQUITY			
Share capital	25	**200,000,000**	200,000,000
Share premium	25	**1,198,390**	1,198,390
Statutory reserve	25	**5,278,156**	2,269,370
Retakaful risk reserve	25	**5,003,707**	3,119,436
Retained earnings		**27,271,101**	2,076,303
Total shareholders' equity		**238,751,354**	208,663,499
		282,461,539	303,407,943
Total takaful operations' liabilities, deficit, shareholders' liabilities and equity		**1,069,699,805**	827,912,507

To the best of our knowledge, the financial statements fairly present, in all material respects, the financial position, results of operation and cash flows of the Company as of, and for, the year ended 31 December 2022.

These financial statements were approved and authorised for issue by the Board of Directors on 24 FEB 2023 and signed on their behalf by:

Chairman

Chief Executive Officer

Head-Finance

The notes on pages 14 to 53 form an integral part of these financial statements.

The independent auditors' report is set out on pages 2 to 8.

Orient Takaful P.J.S.C.

Statement of profit or loss and other comprehensive income

for the year ended 31 December

	Note	2022 AED	2021 AED
Attributable to policyholders			
Gross written contributions	*26*	**531,223,407**	401,387,108
Changes in unearned contribution reserve		**(60,292,241)**	(45,853,930)
Takaful contributions earned		**470,931,166**	355,533,178
Retakaful contributions		**376,854,248**	306,246,256
Changes in retakaful share of unearned contribution		**(26,334,535)**	(35,802,526)
Retakaful share of earned contributions		**350,519,713**	270,443,730
Net earned contributions		**120,411,453**	85,089,448
Commission earned		**55,311,671**	44,266,226
Gross takaful income		**175,723,124**	129,355,674
Gross claims paid		**(172,449,196)**	(150,641,560)
Retakaful share of claims paid		**128,446,459**	111,119,287
Net claims paid		**(44,002,737)**	(39,522,273)
Increase in reserve for outstanding claims and unallocated loss adjustment expense		**(79,608,181)**	(50,084,162)
Increase in reserve for retakaful share of outstanding claims		**74,766,948**	45,386,305
Increase in reserve for incurred but not reported claims		**(41,966,287)**	(1,861,122)
Increase in reserve for retakaful share of incurred but not reported claims		**33,189,065**	1,948,873
Net claims incurred		**(57,621,192)**	(44,132,379)
Takaful results before wakala fees		**118,101,932**	85,223,295
Wakala fees	*18.1*	**(185,930,974)**	(140,485,488)
Policyholder's investment income		**83,333**	-
Mudareb fee expense		**(29,167)**	-
Net deficit from takaful operations		**(67,774,876)**	(55,262,193)
Attributable to shareholders			
Wakala fees income from policyholders	*18.1*	**185,930,974**	140,485,488
Income from deposits		**9,077,443**	7,529,037
Mudareb income from policyholders		**29,167**	-
Other income		**79,497**	-
General and administrative expenses	*27*	**(23,682,663)**	(21,094,826)
Commission expenses		**(63,810,566)**	(50,704,414)
Other takaful expenses		**(9,761,121)**	(5,532,623)
Profit for the year before Qard Hassan		**97,862,731**	70,682,662
Provision against Qard Hassan to policyholders	*21*	**(67,774,876)**	(55,262,193)
Profit for the year attributable to shareholders		**30,087,855**	15,420,469
Other comprehensive income		**-**	-
Total comprehensive income for the year		**30,087,855**	15,420,469
Earnings per share	*28*	**15.04**	7.71

The notes on pages 14 to 58 form an integral part of these financial statements.

The independent auditors' report is set out on pages 2 to 8.

Orient Takaful P.J.S.C.

Statement of changes in equity

for the year ended 31 December

	Share capital AED	Share premium AED	Statutory reserve AED	Retakaful risk reserve AED	Retained earnings AED	Total AED
As at 1 January 2021	200,000,000	1,198,390	727,323	-	(8,682,683)	193,243,030
Total comprehensive income for the year	-	-	-	-	15,420,469	15,420,469
Transfer to reserve	-	-	1,542,047	3,119,436	(4,661,483)	-
As at 31 December 2021	**200,000,000**	**1,198,390**	**2,269,370**	**3,119,436**	**2,076,303**	**208,663,499**
As at 1 January 2022	200,000,000	1,198,390	2,269,370	3,119,436	2,076,303	208,663,499
Total comprehensive income for the year	-	-	-	-	30,087,855	30,087,855
Transfer to reserve	-	-	3,008,786	1,884,271	(4,893,057)	-
As at 31 December 2022	**200,000,000**	**1,198,390**	**5,278,156**	**5,003,707**	**27,271,101**	**238,751,354**

The notes on pages 14 to 58 form an integral part of these financial statements.

Orient Takaful P.J.S.C.

Statement of cash flows

for the year ended 31 December

	Note	2022 AED	2021 AED
Cash flows from operating activities			
Profit for the year		**30,087,855**	15,420,469
Adjustment for:			
Depreciation of property and equipment	*16*	**1,363,442**	1,342,920
Amortisation of intangible assets	*17*	**130,617**	130,617
Provision for Takaful, retakaful and other receivable		**1,000,000**	-
Provision for employees' end of service benefits	*23*	**569,414**	422,852
Finance cost on lease liabilities	*24*	**95,881**	147,195
Gain on sale of property and equipment		**(79,497)**	-
Operating cash flows before movements in working capital		**33,167,712**	17,464,053
Change in:			
Retakaful contract assets	*10*	**(134,290,548)**	(83,137,704)
Takaful, retakaful and other receivable	*11*	**(45,887,535)**	2,103,110
Due from related parties (relating to takaful operations)	*22*	**(6,438,511)**	25,027,351
Other receivables (relating to takaful operations)	*12*	**(5,422,291)**	(1,280,506)
Other receivables and prepayments (relating to shareholders)	*13*	**(1,594,491)**	356,505
Due from related parties (relating to shareholders)	*22*	**564,968**	1,989,594
Takaful contract liabilities	*10*	**181,866,709**	97,799,214
Payable to takaful, insurance, reinsurance and retakaful companies	*19*	**32,408,500**	(13,114,042)
Other takaful payables	*20*	**4,914,000**	(7,265,553)
Due to related parties (relating to takaful operations)	*22*	**43,544,493**	16,799,017
Due to related parties (relating to shareholders)	*22*	**1,658,922**	844,767
Accruals, provisions and other payables		**392,508**	1,056,338
Net cash generated from operating activities		**104,884,436**	58,642,144
Employees' end of service benefits paid	*23*	**(146,300)**	(93,132)
Net cash generated from operations		**104,738,136**	58,549,012
Cash flows from investing activities			
Purchase of property and equipment	*16*	**(424,309)**	(222,357)
Proceeds from sale of property and equipment		**79,497**	-
Deposits with commercial and Islamic bank	*14*	**(365,000,000)**	(283,339,695)
Maturity of deposits wtih Islamic financial institution	*14*	**283,339,695**	116,000,000
Net cash used in investing activities		**(82,005,117)**	(167,562,052)
Cash flows from financing activity			
Payment of lease liabilities	*24*	**(1,214,553)**	(1,332,245)
Net cash used in financing activity		**(1,214,553)**	(1,332,245)
Net increase / (decrease) in cash and cash equivalents		**21,518,466**	(110,345,285)
Cash and cash equivalents at 1 January		**51,588,633**	161,933,918
Cash and cash equivalents at 31 December	9	**73,107,099**	51,588,633

The notes on pages 14 to 58 form an integral part of these financial statements.

The independent auditors' report is set out on pages 2 to 8.

1 Legal status and activities

Orient Takaful P.J.S.C. (the "Company") is a public joint stock company registered under UAE Federal Law No. (32) of 2021 relating to the incorporation of commercial companies in the UAE, and UAE Federal Law No. (6) of 2007 (as amended) relating to the establishment of insurance companies. The registered address of the Company is P.O. Box 183368, Dubai, United Arab Emirates.

The Company was incorporated on 8 November 2016, while the formalities of issuance and allotment of shares to the public were finalised on 28 December 2016. The shares of the Company are listed on the Dubai Financial Market. The Company obtained a commercial license on 23 January 2017 and a license from the Insurance Authority of the UAE (currently Central Bank of UAE) on 16 July 2017.

The principal activity of the Company is issuance of short term takaful contracts in connection with accidents and liabilities insurance, fire insurance, transportation risk insurance, other type of insurance and health insurance. The Company also invests its funds in wakala deposits.

The Company has not purchased any shares during the year ended 31 December 2022.

During 2021, Orient Insurance P.J.S.C., a public joint stock company incorporated in Dubai, United Arab Emirates acquired shares of the Company from Abu Dhabi Commercial Bank PJSC and Al Wifaq Finance Company to become the parent company. As a result the Parent Company had increased their shareholding from 34.85% to 83.91% and had taken control over the Company. The Parent Company's ultimate parent company is Al Futtaim Private Co. which is based in Dubai, United Arab Emirates.

During the year 2022, the Parent Company Orient Insurance P.J.S.C. has further acquired shareholdings of Orient Takaful P.J.S.C. and has increased their equity interest from 83.91% to 95.78%.

As at reporting date the shareholding patterns are as follows:

	31 December 2022 AED	31 December 2021 AED
Orient Insurance PJSC	**95.78%**	83.91%
Others	**4.22%**	16.09%
	100.00%	100.00%

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

A rate of 9% will apply to taxable income exceeding a particular threshold to be prescribed by way of a Cabinet Decision (expected to be AED 375,000 based on information released by the Ministry of Finance), a rate of 0% will apply to taxable income not exceeding this threshold. In addition, there are several other decisions that are yet to be finalized by way of a Cabinet Decision that are significant in order for entities to determine their tax status and taxable income. Therefore, pending such important decisions, the Company has considered that the Law, as it currently stands, is not substantively enacted as at 31 December 2022 from the perspective of IAS 12 - Income Taxes. The Company shall continue to monitor the tirning of the issuance of these critical Cabinet Decisions to determine their tax status and the application of IAS 12 -Income Taxes.

The Company is currently in the process of assessing the possible impact on the financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.

2 Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with applicable requirements of Federal Law No. (6) of 2007 (as amended) concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, Federal Law No. (32) of 2021 concerning the Commercial Companies, Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies and Insurance Authority's Board of Directors Decision No. (23) of 2019 concerning Instructions Organizing Reinsurance Operations.

The name of the Company has been changed from Orient UNB Takaful P.J.S.C. to Orient Takaful P.J.S.C. with effect from 31 May 2022, which was approved by the Central Bank of UAE.

b) Basis of measurement

These financial statements have been prepared on the historical cost basis.

c) Functional and presentation currency

These financial statements are presented in UAE Dirhams (AED), which is the Company's functional currency. Except as otherwise indicated, financial information is presented in AED.

d) Use of estimates and judgements

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in the future periods affected.
In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 6.

Impact of COVID-19

On 11 March 2020, the World Health Organization ("WHO") officially declared COVID-19 a global pandemic. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty and governments and authorities have instigated a host of measures to contain or delay the spread of the virus.

Information about impacts of COVID-19 on the assumptions that the Company has made about the future and other sources of uncertainity are included in the respective notes to the financial statements.

3 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted. However, the Company has not early adopted the new standards in preparing these financial statements.

The Company will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts and financial instruments and are expected to have a material / significant impact on the Company's financial statements in the period of initial application.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The Company expects to first apply IFRS 17 on that date. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts and reinsurance contracts.

3 Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

A. Structure and status of the Implementation project

The International Accounting Standards Board (IASB) issued the final draft of IFRS 17 in May 2017. Thereafter, IASB issued the amendment to IFRS 17 in June 2020. Under the directives of the Central Bank of UAE ("CBUAE"), all insurance companies in UAE are required to implement IFRS 17 as per the stipulated revised deadline of 1 January 2023.

The Company's IFRS implementation plan was prepared in accordance with the IFRS 17 Standard as issued by IASB on 18 May 2017 and amended in June 2020. The IFRS 17 Project Governance and Control Structure of the Company has been developed to ensure robust project management and governance practices. The Project Management Team comprises of the functional leads of the relevant departments to ensure a smooth implementation process. The Company has implemented an IFRS 17 core system to cater to the requirements of IFRS 17 standards and as at the reporting date, we are in the last stage of project Implementation to complete the Final transition to IFRS 17.

B. Significant Judgements and Accounting Policy Choices

The Company is expected to apply the following significant accounting policies in the preparation of financial statement on the effective date of this Standard i.e., Jan 01, 2023:

1. Initial Recognition

Insurance Contracts Issued

The Company will recognize a group of insurance contracts that it issues at the earliest of:
- the beginning of the coverage period (inception date);
- the date the first premium is due (or date first premium received in absence of contractual due date); and
- when a group of contracts becomes onerous.

Reinsurance Contracts Held

The Company will recognize a group of non-proportionate reinsurance contracts held at the start of the period of coverage, and in the case of proportionate reinsurance, at the later of:
- the beginning of the coverage period; or
- the date the first underlying gross insurance contract is recognized.

2. Level of Aggregation

IFRS 17 requires contracts to be grouped into portfolios based on:
a. the similarity of risks, and
b. contracts being managed together.

Judgement and interpretation are required in the application of these two concepts as IFRS 17 does not clearly define them.

a. Similarity of risks

The risks to be considered when defining portfolios should be insurance risks that the Company accepts from the policyholder (or risks ceded to the reinsurer) and not financial risks.

Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if managed together.

b. Managed together

i) Information is managed together when it is analyzed and used in aggregate for decision-making, reporting and assessment of business performance.

Based on the Company's analysis the portfolios shall be aggregated by on the basis of the Central Bank of UAE statutory reporting forms.

3 Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

B. Significant Judgements and Accounting Policy Choices (continued)

3. Contract boundaries

Under IFRS 17 the measurement of a group of contracts includes all the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the company expects that for certain contracts, the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts.

Insurance contracts

For insurance contracts, cash flow is within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the company can compel the policy holder to pay premiums or has a substantive obligation to provide services. A substantive obligation to provide services ends when:

- The company has the practical ability to reassess the risks of the policyholder and can set a price or level of benefits that fully reflects those reassessed risks or
- The company has the practical ability to reassess the risks of the portfolio that contains the contracts and can set a prices or level of benefits that fully reflects the risks of that portfolio and the pricing of the premiums up to the reassessment date does not consider risks that relate to periods after the reassessment date.

Reinsurance contracts

For reinsurance contracts cash flow are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the groups are to pay amounts to the reinsurer or has a substantive right to receive services form the reinsurer.

Some of the company's quota share reinsurance contracts cover underlying contracts issued within the annual term on a risk attaching basis and provide unilateral rights to both the company and the reinsurer to terminate the attachment of new underlying contracts at any time by giving three months' notice to the other party. Currently, the measurement of these reinsurance contracts generally aligns with that of the underlying contracts and considers only underlying contracts already ceded at the measurement date. However, under IFRS 17 cash flows arising from the underlying contracts expected to be issued and ceded after the measurement date, in addition to those arising from underlying contracts already ceded, may be within the boundaries of the reinsurance contracts and may have to be considered and estimated in their measurement.

4. PAA eligibility assessment approach

An entity may simplify the measurement of a group of insurance contracts using the premium allocation approach if, and only if, at the inception of the group:

a) the entity reasonably expects that such simplification would produce a measurement of the liability for remaining coverage for the group that would not differ materially from the one that would be produced applying the requirements in GMM approach; or

b) the coverage period of each contract in the group (including coverage arising from all premiums within the contract boundary determined at that date) is one year or less.

The criterion is not met if at the inception of the group an entity expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for remaining coverage during the period before a claim is incurred.

The Company will apply the PAA approach where the eligibility criteria has been fulfilled for all its portfolios; however, in case of any changes in the term and conditions of the contracts or introduction of new contract with coverage period of more than one year, the Company will re-perform the PAA eligibility test.

3 Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

B. Significant Judgements and Accounting Policy Choices (continued)

4. PAA eligibility assessment approach (continues)

For contracts which are more than 1 years and that does not meet the PAA eligibility test, the company shall apply General Measurement Method ("GMM").

As per IFRS 17, the entity is not required to adjust future cash flows for the time value of money and the effect of financial risk if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred.

This choice is only available, if Premium Allocation Approach is applied for a group of insurance contracts and claims are expected to be paid within one year from the date they are incurred. Furthermore, the choice is available on portfolio level. Based on the analysis of Company's portfolios, the Company will apply discounting on Liability for Incurred Claims ("LFIC").

5. CSM release pattern

As per IFRS 17, if an entity prepares interim financial statements applying IAS 34 Interim Financial Reporting, the entity shall make an accounting policy choice as to whether to change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements and in the annual reporting period. The entity shall apply its choice of accounting policy to all groups of insurance contracts it issues and groups of reinsurance contracts it holds.

As per the current assessment, the Company may apply PAA (for majority of its portfolios), under which the CSM calculation is not required. However, where the Company chooses to apply GMM, the Company will elect to change the treatment of accounting estimates made in previous interim financial statements.

6. Onerosity determination

Basis of determining Onerousness

IFRS 17 does not provide any specific guidance about which facts and circumstances should be considered, to indicate that a group of contracts is onerous on initial recognition or subsequently. The Company assesses the Onerosity considering the factors such as:

a) the expected ratio of claims to premiums (or any other measurement of expected profitability) compared with the actual ratio over the coverage period.
b) economic or regulatory changes that can cause significant revisions in the expected cash flows; or
c) significant changes to the costs involved in fulfilling contracts: e.g., as a result of internal reorganizations or changes to the prices of services or products used to fulfil its insurance obligations

7. Reinsurer Default provision

IFRS 17 requires changes in the risk of non-performance by reinsurers to be included by reducing future cash inflows. This adjustment should be included in the Asset for Incurred Claim (AFIC) and Asset for Remaining Coverage (AFRC) under the GMM as it relates to future cash flows. Under the standard, any adjustment to future cash flows due to non-performance by the reinsurer will take account of known credit worthiness issues (Watchlist) anticipated levels of non-performance on existing reinsurers which have currently no issues (future default) and other known specific recoverability issues.

3 Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

B. Significant Judgements and Accounting Policy Choices (continued)

Accounting Policy Choices

8. Length of Cohorts

The Company shall identify portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. Contracts in different product lines would not be expected to have similar risks and hence would be expected to be in different portfolios.

An entity shall divide a portfolio of insurance contracts issued into a minimum of:

a) a group of contracts that are onerous at initial recognition, if any;

b) a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if

c) a group of the remaining contracts in the portfolio, if any.

IFRS 17 prohibits contracts issued more than one year apart to be included in the same cohort. Considering the operational structure and its portfolios, the Company, has decided to select the cohort duration of one year which the Company will use on an underwriting year as an approximation for issue year to determine these cohorts on the basis that these two dates would not be materially different.

Discounting

For cash flows that do not vary based on the returns on underlying items, an entity may determine the discount rate based on a liquid risk-free yield curve. It is based on liquid risk-free yield curve adjusted to eliminate differences between the liquidity characteristics of the financial instruments that underlie the chosen curve and those of the insurance contract (illiquidity premium).

The company has elected to use the Bottom-up approach in determining the discount rates based on liquid risk-free yield curve.

9. Risk Adjustment

The risk adjustment will be required when calculating:

- the Liability for Incurred Claims (“LFIC”) under both the PAA and the GMM;
- the Liability for Remaining Coverage (“LFRC”) under GMM; and
- the loss component for onerous groups under PAA.

The risk adjustment will allow for the best estimate cash flows due to non-financial risk associated with all insurance contracts recognized under IFRS 17 (both inwards business and outwards reinsurance).

The company would be using Mack Method to arrive at the confidence level for the risk adjustment.

10. Disaggregation of Risk Adjustment

In compliance with the company's decision to apply discounting on LFIC, the Company has chosen to disaggregate Risk Adjustment into insurance service result and Insurance Finance Income or Expense(IFIE).

3 Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

B. Significant Judgements and Accounting Policy Choices (continued)

11. Expense Attribution

The following are the key definitions of the relevant concepts as per the IFRS 17 standard related to the Expense Allocation:

I. Attributable Expenses

Expenses are considered "directly attributable" if they can be attributed to a "portfolio" level, even though they may not be directly attributable to individual contracts or groups of insurance contracts. Nevertheless, the expenses still have to be allocated to groups of contracts within a portfolio for measurement purposes mandated by IFRS 17.

II. Direct Expenses

Direct expenses (e.g., insurance benefits, commissions, direct administrative expenses) are incurred because of the existence of the insurance contracts, and they can often be directly attributed to individual insurance contracts.

III. Indirect Expenses

Indirect expenses (e.g., general overhead) are included in the measurement of insurance contracts if and only if they can be directly attributed to the portfolio of insurance contracts. The variable or fixed indirect expenses should be allocated using a systematic and rational method to be consistently applied to all costs with similar characteristics.

IV. Insurance Acquisition Cash Flows

IFRS 17 defines insurance acquisition cash flows as "the cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio"

The Company has decided to classify the expenses based on the following categories:

- Directly classified attributable non-acquisition expenses
- Allocated attributable non-acquisition expenses with systematic and rationale allocation (S&RA)
- Directly classified insurance acquisition cost
- Allocated Acquisition costs with S&RA

The Company has performed an assessment to identify expenses to be included in the LFRC and LFIC by applying a certain degree of judgement to determine the appropriate expense allocation.

12. Deferral of Acquisition Cost

According to IFRS 17, in applying the premium allocation approach, an entity may choose to recognise any insurance acquisition cash flows as expenses when it incurs those costs, provided that the coverage period of each contract in the group at initial recognition is no more than one year.

This policy choice is only applicable to acquisition cash flows associated with insurance contracts with coverage period of one year. The Company has decided to defer acquisition cost.

13. Liability for Incurred Claims

The Company will calculate the LFIC as follows:

- Best Estimate (BEL) of the fulfilment cash flows relating to incurred claims including outstanding claims, IBNR and IBNER.
- Expenses already incurred but not yet paid in relation to claims and the cost of handling incurred claims at that date.
- Adjustment for the time value of money.
- Risk adjustment for non-financial risks.

3 Standards issued but not yet effective (continued)

IFRS 17 Insurance Contracts (continued)

B. Significant Judgements and Accounting Policy Choices (continued)

14. Presentation and Disclosure

As per IFRS 17, the Company may present the income or expense from a group of reinsurance contracts held, other than finance income and expense, as either:

- A single amount (net presentation); or
- Separately (gross presentation):
  - The amounts recovered from The reinsurer
  - An allocation of The premium paid

Based on the current assessment, the Company will choose to present reinsurance as a single line item.

For all the insurance contracts, the Company will present insurance finance income or expenses in profit or loss, considering that the supporting assets will generally be measured at FVTPL.

Transition

IFRS 17 requires an entity to restate the balance sheet at the transition date. This will result in significant changes to the measurement and presentation of insurance contract liabilities for historical periods. IFRS 17 standard has outlined 3 approaches under which the insurance reinsurance assets and liabilities at the transition date can be determined.

a) Full Retrospective approach (FRA)
b) Modified Retrospective approach (MRA)
c) Fair value approach (FRA)

An entity is required to adopt the FRA when applying IFRS 17 for the first time unless impracticable. Under the FRA at the transition date the entity will account for insurance contracts as if IFRS 17 had always been applied. Only when the FRA is impracticable the entity is permitted to choose between MRA or FVA. When the FRA is impracticable the entity is required to choose MRA.

The choice between the methods is not required to be made in aggregate. The choice of the transition approach should be made more granularly and may for example vary by Portfolio.
Considering all aspects, the company has assessed that it would be impractical to apply FRA across all its group of contracts and accordingly the company would be opting for the Modified Retrospective Approach (MRA) for transition purposes.

IFRS 9 Financial Instruments

The amendments introduce two approaches for entities that apply IFRS 4 to reduce the impact of differing effective dates with IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments: an overlay approach and a temporary exemption from applying IFRS 9.

The amended IFRS 4:

- gives all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued (the "Overlay Approach"); and
- gives companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 till the earlier of annual reporting periods beginning before 1 January 2023 or when IFRS 17 becomes effective. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39 until that time

An insurer that applies the Overlay Approach shall disclose information to enable users of the financial statements to understand:

a) how the total amount reclassified between profit or loss and other comprehensive income in the reporting period is calculated; and

b) the effect of that reclassification on the financial statements.

3 Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

The amendments allowing the overlay approach are applicable when the insurer first applies IFRS 9.

An insurer that elects to apply the temporary exemption from IFRS 9 shall disclose information to enable users of the financial statements:

a) to understand how the insurer qualified for the temporary exemption; and
b) to compare insurers applying the temporary exemption with entities applying IFRS 9

The effective date of the amendments permitting the temporary exemption is for annual periods beginning on or after 1 January 2018. The temporary exemption is available for annual reporting periods beginning before 1 January 2023 and will expire once IFRS 17 becomes effective.

The Company qualifies for temporary exemption from applying IFRS 9 on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance with the carrying amount of its liabilities within the scope of IFRS 4 being greater than 90 per cent of the total carrying amount of all its liabilities at 31 December 2017 and with no subsequent change in its activities.

The Company estimates that, on adoption of IFRS 17 and IFRS 9, there would be an impact on the Company's equity.

Potential impact on the financial statements

The fair value information of the Company's directly held financial assets at 31 December 2022 and at 31 December 2021 with contractual terms that give rise on specified dates to cash flows are solely payments of principal and profit ("SPPP") condition of IFRS 9, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9 are shown in the table below, together with all other financial assets:

	Financial assets that pass the SPPP test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9		All other financial assets	
	Fair value	Movement in the fair value during the year	Fair value	Movement in the fair value during the year
	AED	AED	AED	AED
31 December 2022				
Takaful operations' assets				
Cash and bank balances	68,713,858	-	-	-
Takaful, retakaful and other receivable	98,762,475	-	-	-
Due from related parties	25,158,414	-	-	-
Wakala deposit	100,000,000	-	-	-
Other receivables	14,456,719	-	-	-
Receivable from shareholders	27,901,751	-	-	-
	334,993,217	**-**	**-**	**-**
31 December 2022				
Shareholders' assets				
Cash and bank balances	4,393,241	-	-	-
Other receivables	2,346,992	-	-	-
Wakala deposit	265,000,000	-	-	-
Statutory deposit	6,000,000	-	-	-
Due from related parties	1,065,771	-	-	-
	278,806,004	**-**	**-**	**-**

3 Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Potential impact on the financial statements (continued)

	Financial assets that pass the SPPP test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9		All other financial assets	
	Fair value	Movement in the fair value during the year	Fair value	Movement in the fair value during the year
	AED	AED	AED	AED
31 December 2021				
Takaful operations' assets				
Cash and bank balances	44,628,910	-	-	-
Takaful, retakaful and other receivable	53,874,940	-	-	-
Due from related parties	18,719,903	-	-	-
Other receivables	9,034,428	-	-	-
Receivable from shareholders	80,291,882	-	-	-
	206,550,063	**-**	**-**	**-**
31 December 2021				
Shareholders' assets				
Cash and bank balances	6,959,723	-	-	-
Other receivables	732,200	-	-	-
Wakala deposit	283,339,695	-	-	-
Statutory deposit	6,000,000	-	-	-
Due from related parties	1,630,739	-	-	-
	298,662,357	**-**	**-**	**-**

3 Standards issued but not yet effective (continued)

IFRS 9 Financial Instruments (continued)

Potential impact on the financial statements (continued)

The financial assets that pass the SPPP test, excluding any financial asset that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9 in the table above are classified as amortised cost under IAS 39. The credit ratings of the bank balances and deposits are as follows:

	Credit ratings (from Standard & Poor's or equivalents)					
	AAA	AA+ to AA-	A+ to A-	BB- to BB	BBB+ to BBB-	Total
	AED	AED	AED	AED	AED	AED
31 December 2022						
Takaful operations' assets						
Bank balances	-	3,511,082	65,202,776	-	100,000,000	168,713,858
	-	**3,511,082**	**65,202,776**	**-**	**100,000,000**	**168,713,858**
Shareholders' assets						
Bank balances	-	-	3,960,221	430,830	50	4,391,101
Wakala deposit	-	-	150,000,000	-	115,000,000	265,000,000
Statutory deposit	-	-	-	-	6,000,000	6,000,000
	-	**-**	**153,960,221**	**430,830**	**121,000,050**	**275,391,101**
31 December 2021						
Takaful operations' assets						
Bank balances	-	1,377,026	42,251,013	-	1,000,871	44,628,910
	-	**1,377,026**	**42,251,013**	**-**	**1,000,871**	**44,628,910**
Shareholders' assets						
Bank balances	-	-	6,925,290	26,585	50	6,951,925
Wakala deposit	70,000,000	-	-	153,339,695	60,000,000	283,339,695
Statutory deposit	-	-	-	-	6,000,000	6,000,000
	70,000,000	**-**	**6,925,290**	**153,366,280**	**66,000,050**	**296,291,620**

All the financial assets disclosed above have low credit risk at the end of the reporting year.

4 Summary of significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements except for the changes stated in note 3.

a) Takaful contracts

i) Classification

The Company issues contracts that transfer either takaful risk or both takaful and financial risks. The Company does not issue contracts that transfer only financial risks.

Contracts under which the Company accepts significant takaful risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as takaful contracts. Takaful risk is significant if an insured event could cause the Company to pay significant additional benefits as a result of an insured event occurring.

Contracts where takaful risk is not significant are classified as investment contracts. The Company does not issue any unit linked takaful contract. Once a contract is classified as a takaful contract it remains classified as a takaful contract until all rights and obligations are extinguished or expired.

ii) Recognition and measurement

Takaful contracts

Gross written contributions, in respect of annual policies, are recognised in the statement of profit or loss and other comprehensive income at policy inception. The contributions are spread over the tenure of the policies on a straight line basis, and the unexpired portion of such contributions are included under "unearned contribution reserve" in the statement of financial position.

iii) Unearned contribution reserve (UCR)

The unearned contribution reserve comprises of the estimated proportion of the gross written contributions which relates to the periods of takaful coverage subsequent to the statement of financial position date. UCR is computed using the 1/365 method except for marine cargo and engineering. The UCR for marine cargo is recognised as a fixed proportion of the gross written contribution as required in the financial regulation issued under UAE Federal Law No. (6) of 2007, and UCR for engineering line of business 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 written contribution is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy.

iv) Claims

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

Claims incurred comprise reserve for the Company'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. Reserve for claims outstanding are not discounted. Adjustments to reserve for outstanding claims established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

v) Gross claims paid

Gross claims paid are recognised in the statement of profit or loss and other comprehensive income when the claim amount payable to policyholders' and third parties are determined as per the terms of the takaful contracts.

4 Summary of significant accounting policies (contined)

a) Takaful contracts (contined)

vi) Retakaful share of claims paid

Claims recovered include amounts recovered from retakaful companies in respect of the gross claims paid by the Company, in accordance with the retakaful contracts held by the Company. It also includes salvage and other claims recoveries.

vii) Gross outstanding and IBNR claims

Gross outstanding claims comprise the estimated costs of claims incurred but not settled at the financial position date. Provisions for reported claims not paid as at the date of statement of financial position are made on the basis of individual case estimates. This provision is based on the estimate of the loss, which will eventually be payable on each unpaid claim, established by the management in the light of currently available information and past experience. An additional net provision is also made for any claims incurred but not reported ("IBNR") at the date of statement of financial position on the basis of management estimates. The basis of estimating outstanding claims and IBNR are detailed in note 10.

The retakaful share of the gross outstanding claims is estimated and shown separately.

viii) Contribution deficiency reserve

Provision is made for contribution deficiency arising from general takaful contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the financial position date exceeds the unearned contribution reserve and already recorded claim liabilities in relation to such policies. The provision for contribution deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned contribution and claims provisions.

ix) Retakaful

The Company cedes takaful contributions 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 retakaful contracts are presented separately from the assets, liabilities, income and expense from the related retakaful contracts because the retakaful arrangements do not relieve the Company from its direct obligations to its policyholders.

Amounts due to and from retakaful are accounted for in a manner consistent with the related contribution policies and in accordance with the relevant retakaful contracts. Retakaful contributions are deferred and expensed using the same basis as used to calculate unearned contribution reserves for related takaful contracts. The deferred portion of ceded takaful contributions is included in retakaful contract assets.

Retakaful assets are assessed for impairment at each financial position date. A retakaful asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Company will receive from the retakaful. Impairment losses on retakaful contract assets are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

Profit commission in respect of retakaful contracts is recognised on an accrual basis.

x) Insurance receivables and payables

Amounts due from and to policyholders, agents, takaful and retakaful companies are financial instruments and are included in takaful receivables and payables, and not in takaful contract liabilities or retakaful contract assets.

xi) Salvage and subrogation reimbursements

Some takaful contracts permit the Company to sell property (usually damaged) acquired in settling a claim (salvage). The Company may also have the right to pursue third parties for payment of some or all costs (subrogation). Estimates of salvage recoveries and subrogation reimbursements are recognised as an allowance in the measurement of the takaful liability for claims.

4 Summary of significant accounting policies (contined)

b) Revenue (other than takaful revenue)

Revenue (other than takaful revenue) comprises the following:

i) Wakala and Mudareb fees

The Company manages the takaful operations as well as investment on behalf of the policyholders for a wakala fee and Mudareb fee which is recognised on an accrual basis. A similar amount is shown as expense in the statement of profit or loss attributable to policyholders.

ii) Profit on deposits

Profit on deposits is recognised on a time basis, by reference to the principal outstanding and at the effective rate of return applicable.

iii) Investment income

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

c) Property and equipment

i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

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 statement of profit or loss.

ii) 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 Company 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.

iii) 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.

Depreciation is recognised in the 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 financial position date and adjusted if appropriate. No depreciation is charged on freehold land and capital-work-in-progress. Land is stated at cost.

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

	Years
Office equipment	4 years
Furniture and fixtures	7 years
Motor vehicles	5 years
Right of use assets	5 years

4 Summary of significant accounting policies (continued)

d) Intangible assets

Intangible assets acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses. Subsequent expenditure on intangible 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.

Intangible assets are amortised on a straight line basis in the statement of profit or loss and other comprehensive income over its estimated useful life, from the date that it is available for use. The estimated useful life of intangible assets for the current and comparative periods is seven years. Amortisation methods, useful lives and residual values are reviewed at each financial position date and adjusted if appropriate.

e) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

f) Financial instrument

i) Non-derivative financial assets

Recognition

The Company initially recognises receivables on the date when they are originated. All other financial assets are initially recognised on the trade date.

Classification

Receivables

These assets are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less impairment losses. Receivables comprise mainly takaful and retakaful receivables, takaful and retakaful receivables from related parties and other receivables.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, unrestricted balances held with banks and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant credit risk, and are used by the Company for the management of its short-term commitments. Bank overdraft (if any) that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

ii) Non-derivative financial liabilities

All financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

iii) Derecognition of financial assets and financial liabilities

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control over the transferred asset. Any interest in transferred financial assets that qualify for derecognition that is carried or retained by the Company is recognised as a separate asset or liability in the statement of financial position. On derecognition of the 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 the statement of profit or loss or other comprehensive income.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

4 Summary of significant accounting policies (continued)

g) 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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in the statement of profit or loss and other comprehensive income on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

h) Impairment

Impairment of financial assets carried at amortised cost

The Company assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets carried at amortised cost are impaired. A financial asset or group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows relating to the asset that can be estimated reliably. The Company considers evidence of impairment at both a specific and collective level.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indication that a borrower 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 borrowers or issuers, or economic conditions that correlate with defaults in the Company.

4 Summary of significant accounting policies (continued)

h) Impairment (continued)

Impairment of loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

At each financial position date, the Company assesses on a case-by-case basis whether there is any objective evidence that an asset is impaired. Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective profit rate.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off and/or any event resulting in a reduction in impairment loss, decreases the amount of the provision for loan impairment in the statement profit or loss or loss and other comprehensive income.

Impairment losses are recognised in the statement of profit or loss and other comprehensive income and reflected in an allowance account against loans and advances. Profit on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of profit or loss and other comprehensive income.

Impairment of non-financial assets

At each financial position date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in the statement profit or loss and other comprehensive income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

i) Foreign currency transactions

Transactions denominated in foreign currencies are translated to Arab Emirates Dirhams ("AED") and recorded at the rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into AED at the exchange rate at the financial position date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in the statement of profit or loss and other comprehensive income.

4 Summary of significant accounting policies (continued)

j) Employee terminal benefits

Defined benefit plan

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

Defined contribution plan

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

k) Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentive received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining profit rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Branch is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

4 Summary of significant accounting policies (continued)

k) Leases (continued)

i. As a lessee (continued)

The lease liability is measured at amortised cost using the effective profit method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of profit or loss and other comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'property and equipment' and lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

l) Earnings per share

The Company 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 Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

m) Segment reporting

The Company's segmental reporting is based on the lines of business of its general takaful business.

The general takaful segment comprises general takaful to individuals and businesses. General takaful products include motor, fire, medical and miscellaneous. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident. Revenue in this segment is derived primarily from takaful contributions and commission income.

n) Offsetting

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

o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however the Company has not early applied the following new or amended standards in preparing these financial statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Company in future financial periods, the Company is assessing the transition options and the potential impact on its financial statements, and to implement these standards. The Company does not plan to adopt these standards early.

4 Summary of significant accounting policies (continued)

o) New standards and interpretations not yet adopted (continued)

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)

5 Risk management

The Company issues contracts that transfer takaful risks. The Company does not issue contracts that transfer financial risk. This section summarises the risks and the way the Company manages them.

i) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company'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.

ii) Risk management framework

The board of directors, with its associated committees, carries out the Company's risk management function. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Company's Chief Executive Officer and Senior Vice Presidents.

The senior management meets regularly to approve any commercial, regulatory and organisational decisions. The Company's Chief Executive Officer under the authority delegated from the board of directors defines the Company'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.

iii) Capital management framework

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2022.

iv) Regulatory framework

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

5 Risk management (continued)

iv) Regulatory framework (contined)

The operations of the Company are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise. The chairman of the Insurance Authority vides Board of Directors' Decision No. (25) of 2014 dated 28th December 2014, issued Financial Regulation for Insurance Companies (FRIC) applicable to insurance companies incorporated in the UAE and the foreign insurance companies licensed to practice the activity in the UAE. The major highlights of the new regulation are summarised in the below table:

Regulation

a) Basis of Investing the Rights of the Policy Holders
b) Solvency Margin and Minimum Guarantee Fund
c) Basis of calculating the technical provisions
d) Determining the Company's assets that meet the accrued insurance liabilities
e) Records which the Company shall be obligated to organise and maintain as well as the data and documents that shall be made available to the Authority
f) Principles of organising accounting books and records of the Company, agents and brokers and determining data to be maintained in these books and records
g) Accounting policies to be adopted and the necessary forms needed to be prepared and present reports and financial statements

v) Asset liability management ("ALM")

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 Company manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under takaful contracts.

The Company's ALM framework is also integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with takaful liabilities.

The Company's ALM framework also forms an integral part of the takaful risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from takaful contracts

a) Takaful risks

The Company accepts takaful risk through its written takaful contracts. The Company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Company writes the following types of takaful contracts:

- Liability
- Property
- Motor
- Property
- Medical insurance
- Marine
- Engineering
- Casualty

Two key elements of the Company's takaful risk management framework are its underwriting strategy and retakaful strategy, as discussed below.

Underwriting strategy

The Company's underwriting strategy is to build balanced portfolios based on a large number of similar risks. This reduces the variability of the portfolios outcome.

The underwriting strategy is set out by the Company that establishes the classes of business to be written, the territories in which business is to be written and the industry sectors in which the Company is prepared to underwrite. This strategy is cascaded by the business units to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to ensure appropriate risk selection within the portfolio. All takaful contracts except marine, are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

5 Risk management (continued)

v) Asset liability management (“ALM”) (contined)

a) Takaful risks (contined)

Underwriting strategy (contined)

The principal risk the Company faces under takaful contracts is that the actual claims and benefits 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 Company 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 guideline, as well as the use of retakaful arrangements.

Frequency and amounts of claims

The Company has developed their underwriting strategy to diversify the type of takaful risks accepted and within each of the categories to achieve sufficiently large populations of risk to reduce the variability of the expected outcome. The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly property, motor, casualty, medical and marine 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.

Property

Property takaful covers a diverse collection of risks and therefore property takaful contracts are subdivided into two risk groups: property all risk and business interruption.

These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured. The cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruptions are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from fire, storm, flood damage or other weather related incidents.

Motor

Motor takaful contracts are designed to compensate contract holders for damage suffered to vehicles, disability to third parties arising through accidents and fire or theft of their vehicles.

Underwriting limits and guidelines are in place to enforce appropriate risk selection criteria.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Marine

Marine takaful is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

For marine takaful, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

Casualty

For casualty class of business, such as workmen's compensation, personal accident, general third party liability and loss of money, the extent of loss or damage and the potential court awards are the main factors that influence the level of claims.

5 Risk management (continued)

v) Asset liability management ("ALM") (continued)

a) Takaful risks (continued)

Frequency and amounts of claims (continued)

Casualty (continued)

The Company manages these risks through their underwriting strategy, adequate retakaful arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk. Underwriting limits are in place to enforce appropriate risk selections.

The Company proactively manages and pursues early settlement of claims to reduce their exposure to unpredictable developments.

The Company has adequate retakaful arrangements to protect their financial viability against such claims for all classes of business.

The Company has obtained adequate non-proportionate retakaful cover for certain classes of business to limit losses to an amount considered appropriate by the management.

Medical

Medical selection is part of the Company's underwriting procedures, whereby contributions are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

Products are reviewed by the business units on an annual basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual result from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

Concentration of risk

The Company's underwriting activities are carried out in the United Arab Emirates.

Retakaful risk

In line with other takaful and retakaful companies, in order to minimise net loss exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for retakaful purposes. Such retakaful arrangement provides for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

To minimise its exposure to significant losses from reinsurers' insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

5 Risk management (continued)

v) Asset liability management ("ALM") (continued)

a) Takaful risks (continued)

Frequency and amounts of claims (continued)

Retakaful risk (continued)

Assets, liabilities, income and expense arising from ceded takaful contracts are presented separately from assets, liabilities, income and expense from the related takaful contract because the retakaful ceded contracts do not relieve the Company from its obligations and as a result the Company remains liable for the portion of outstanding claims retakaful to the extent that the retakaful fails to meet the obligations under the retakaful agreements.

Retakaful strategy

The retakaful arrangements include proportional, excess and catastrophe coverage. The Company retakafuls a portion of the takaful risks to its underwriters in order to control and manage its exposure to losses and protect capital resources.

Ceded retakaful contains credit risk, as discussed in the financial risk management note. The Company has a retakaful department that is responsible for setting the minimum-security criteria for acceptable retakaful and monitoring the purchase of retakaful by the business units against those criteria. The department monitors developments in the retakaful programme and its ongoing adequacy.

The underwriters buy a combination of proportionate and non-proportionate retakaful treaties to reduce the net exposure to the Company. In addition, underwriters are allowed to buy facultative retakaful in certain specified circumstances. All purchases of facultative retakaful are subject to business unit pre-approval and the total expenditure on facultative retakaful is monitored regularly by the retakaful department.

The estimated loss ratios are analysed below by class of business for the current and previous year:

	31 December 2022		31 December 2021	
Type of risk	**Gross Loss ratio**	**Net Loss ratio**	Gross Loss ratio	Net Loss ratio
Commercial	**61%**	**35%**	52%	43%
Consumer	**31%**	**44%**	40%	54%

Sensitivity of underwriting profit and losses

The underlying risk of any agreed takaful contract is the possibility that the insured event occurs and the level of certainty the insurer can project on any resulting claim. By the nature of a takaful contract, this risk is often random and the amount of payable claim even more unpredictable. Therefore, the Company applies the principle of probability across all pricing and provisioning. Despite this principle the risk that actual claims payments exceed the estimated amount of the takaful liabilities is still ever present due to the uncertainty of the frequency or severity of claims being greater than estimated. Whilst the Company applies the portfolio approach to understand its projected claims, events leading to actual claims vary and therefore profitability is impacted, either positively or negatively on an annual basis.

5 Risk management (continued)

v) Asset liability management ("ALM") (continued)

a) Takaful risks (continued)

Retakaful strategy (continued)

The Company has an overall risk retention level of 29% *(31 December 2021: 24%)* and this is mainly due to overall low retention levels in commercial lines. Despite these low retention levels on commercial lines, due to the unpredictability in events and their extreme volatility, large events stress the performance of the Company despite transferring risks to other parties. For all lines of business, the Company is adequately covered by excess of loss retakaful programs to guard against any major financial impact.

Impact of COVID-19 on takaful risk:

In its underwriting segment, the Company is primarily exposed to medical and business interruption policies. The Health Authorities in Dubai and Abu Dhabi have instructed all insurers to accept medical claims related to COVID-19 irrespective of cover terms and conditions. The Company anticipates that the impact of medical claims would be immaterial due to low rate of hospitalisation and deferral of elective medical procedures required.

With regards to Business Interruption (BI) policies, the Company has in place pandemic and infectious disease policy exclusions as well. The Company has evaluated all business interruption policies in force for which the Company may have to incur claim payouts. As a result of initial examination of the policies, the Company has determined that these will not have a material impact in relation to the net claims paid due to lower retention levels of the Company and specific policy exclusions. Furthermore, the Company has been able to retain major customers during the year ended 31 December 2022 and has generally witnessed renewals and new business across major lines of businesses.

b) Financial risk

The Company has exposure to the following primary risks from its use of financial instruments and operations:

i) Credit risk;
ii) Liquidity risk;
iii) Market risk; and
iv) Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

5 Risk management (continued)

v) Asset liability management ("ALM") (continued)

b) Financial risk (continued)

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

For all classes of financial assets held by the Company the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date. The Company only enters into takaful and retakaful contracts with recognised, credit worthy third parties. Retakaful is placed with retakaful companies approved by the management, which are generally international reputed companies.

To minimise its exposure to significant losses from retakaful companies insolvencies, the Company evaluates the financial condition of its retakaful companies and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the retakaful companies.

At each reporting date, management performs an assessment of creditworthiness of retakaful companies and updates the retakaful strategy, ascertaining suitable allowance for impairment if required.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	31 December 2022 AED	31 December 2021 AED
Takaful operations' assets		
Bank balances	**68,713,858**	44,628,910
Takaful, retakaful and other receivable	**98,762,475**	53,874,940
Due from related parties	**25,158,414**	18,719,903
Other receivables	**14,456,719**	9,034,428
Wakala deposit	**100,000,000**	-
Receivable from shareholders	**27,901,751**	80,291,882
	334,993,217	206,550,063
Shareholders' assets		
Bank balances	**4,391,101**	6,951,925
Other receivables	**2,346,992**	732,200
Wakala deposit	**265,000,000**	283,339,695
Statutory deposit	**6,000,000**	6,000,000
Due from related parties	**1,065,771**	1,630,739
	278,803,864	298,654,559

5 Risk management (continued)

v) Asset liability management ("ALM") (continued)

b) Financial risk (continued)

i) Credit risk (continued)

The ageing analysis of takaful, retakaful and other receivables and due from related parties relating to takaful operations' is as follows:

	31 December 2022 AED	31 December 2021 AED
0 - 30 days	**25,800,549**	20,110,702
31 - 90 days	**31,732,460**	12,507,572
91 - 180 days	**51,211,316**	6,288,847
181 - 270 days	**10,056,489**	25,046,759
271 - 360 days	**2,388,634**	1,985,470
More than 360 days	**5,031,441**	7,955,493
Less: Allowance for doubtful debts	**(2,300,000)**	(1,300,000)
	123,920,889	72,594,843

The Company seeks to limit credit risk by investing in financial assets with only reputed and creditworthy financial institutions in the UAE. The Wakala deposit, statutory deposit and bank balances are deposited with financial institutions of an investment grade.

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Retakaful credit risk is managed through the placement with approved reinsurers, which are generally international reputed companies with acceptable credit ratings. Retakaful agreements are placed by the Company with an "A" or above rated company on S&P or equivalent rating agency.

To minimise its exposure to significant losses from retakaful companies insolvencies, the Company regularly evaluates the financial condition of its retakaful companies and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the retakaful companies.

Impact of COVID-19 on credit risk:

The Company's retakaful is placed with retakaful companies approved by the management, which are generally international reputed companies with high credit ratings.

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

5 Risk management (continued)

v) Asset liability management ("ALM") (continued)

b) Financial risk (continued)

ii) Liquidity risk (continued)

Maturity profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations. As the Company does not have any profit bearing liabilities, the totals in the table match the statement of financial position:

31 December 2022	Less than 1 year AED	More than 1 year AED	No stated maturity AED	Total AED
Takaful operations' assets				
Bank balances	**68,713,858**	**-**	**-**	**68,713,858**
Takaful, retakaful and other receivable	**98,762,475**	**-**	**-**	**98,762,475**
Takaful and retakaful receivable from related parties	**25,158,414**	**-**	**-**	**25,158,414**
Other receivables and prepayments	**14,456,719**	**-**	**-**	**14,456,719**
Wakala deposit	**100,000,000**	**-**	**-**	**100,000,000**
Receivable from shareholders	**27,901,751**	**-**	**-**	**27,901,751**
Total takaful operations' assets	**334,993,217**	**-**	**-**	**334,993,217**
Shareholders' assets				
Cash and bank balances	**4,393,241**	**-**	**-**	**4,393,241**
Other receivables and prepayments	**2,346,992**	**-**	**-**	**2,346,992**
Wakala deposit	**265,000,000**	**-**	**-**	**265,000,000**
Statutory deposit	**6,000,000**	**-**	**-**	**6,000,000**
Due from related parties	**1,065,771**	**-**	**-**	**1,065,771**
Total shareholders' assets	**278,806,004**	**-**	**-**	**278,806,004**
Takaful operations' liabilities				
Payable to takaful, insurance, reinsurance and retakaful companies	**120,628,651**	**-**	**-**	**120,628,651**
Other takaful payables	**33,593,660**	**-**	**-**	**33,593,660**
Due to related parties	**61,222,303**	**-**	**-**	**61,222,303**
Total takaful operations' liabilities	**215,444,614**	**-**	**-**	**215,444,614**

5 Risk management (continued)

v) Asset liability management ("ALM") (continued)

b) Financial risk (continued)

ii) Liquidity risk (continued)

Maturity profiles (continued)

31 December 2022	Less than 1 year AED	More than 1 year AED	No stated maturity AED	Total AED
Shareholders' liabilities				
Due to related parties	**4,490,665**	**-**	**-**	**4,490,665**
Accruals, provisions and other payables	**8,108,153**	**-**	**-**	**8,108,153**
Payable to policyholders - takaful operations	**27,901,751**	**-**	**-**	**27,901,751**
Lease liabilities	**974,900**	**343,844**	**-**	**1,318,744**
Total shareholders' liabilities	**41,475,469**	**343,844**	**-**	**41,819,313**

31 December 2021	Less than 1 year AED	More than 1 year AED	No stated maturity AED	Total AED
Takaful operations' assets				
Cash and bank balances	44,628,910	-	-	44,628,910
Takaful, retakaful and other receivable	53,874,940	-	-	53,874,940
Takaful and retakaful receivable from related parties	18,719,903	-	-	18,719,903
Other receivables and prepayments	9,034,428	-	-	9,034,428
Receivable from shareholders	80,291,882	-	-	80,291,882
Total takaful operations' assets	206,550,063	-	-	206,550,063
Shareholders' assets				
Cash and bank balances	6,959,723	-	-	6,959,723
Other receivables	732,200	-	-	732,200
Wakala deposit	283,339,695	-	-	283,339,695
Statutory deposit	6,000,000	-	-	6,000,000
Due from related parties	1,630,739	-	-	1,630,739
Total shareholders' assets	298,662,357	-	-	298,662,357
Takaful operations' liabilities				
Payable to takaful, insurance,	88,220,151	-	-	88,220,151
Other takaful payables	28,679,660	-	-	28,679,660
Payable to shareholders	17,677,810	-	-	17,677,810
Total takaful operations' liabilities	134,577,621	-	-	134,577,621

5 Risk management (continued)

v) Asset liability management ("ALM") (continued)

b) Financial risk (continued)

ii) Liquidity risk (continued)

Maturity profiles (continued)

31 December 2021	Less than 1 year AED	More than 1 year AED	No stated maturity AED	Total AED
Shareholders' liabilities				
Due to related parties	2,831,743	-	-	2,831,743
Accruals, provisions and other payables	7,715,645	-	-	7,715,645
Payable to policyholders - takaful operations	80,291,882			80,291,882
Lease liabilities	1,134,025	1,303,391	-	2,437,416
Total shareholders' liabilities	91,973,295	1,303,391	-	93,276,686

Impact of COVID-19 on liquidity risk:

In response to the COVID-19 outbreak, the Company continues to monitor and respond to all liquidity requirements that are presented. The Company continues to calibrate stress testing scenarios to current market conditions in order to assess the impact on the Company in the current extreme stress. As at the reporting date the liquidity position of the Company remains strong and is well placed to absorb and manage the impacts of this disruption.

iii) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: currency risk and profit rate risk.

a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Company's functional currency is the UAE Dirham.

The Company also has exposures in USD, which is pegged with AED and as a result the Company's exposure to currency risk is limited to that extent.

b) 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 profit rates. Floating rate instruments expose the Company to cash flow profit risk, whereas fixed profit rate instruments expose the Company to fair value profit rate risk.

The Company's only exposure to profit risk is on account of its investment in Wakala deposits and statutory deposits. The Company limits profit rate risk by monitoring changes in profit rates of the investment made. The Wakala deposit and statutory deposit are at fixed rate of profit.

5 Risk management (continued)

v) Asset liability management (“ALM”) (continued)

b) Financial risk (continued)

iv) Operational risk

Operational risk is the risk of loss arising from system 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 can lead to financial loss.

The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

The Company has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a focus on compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Company’s strategic planning and budgeting process.

v) Capital risk management

The Company’s objectives when managing capital is to comply with the insurance capital requirements required by the Federal Law No. (6) of 2007 (as amended) Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations.

In UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year.

On 28 December 2014, the United Arab Emirates (UAE) Insurance Authority issued Financial Regulations for Insurance Companies and were then subsequently published in the UAE Official Gazette No. 575 on 28th January 2015 and came into force on 29 January 2015. The Company is subject to local insurance solvency regulations with which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations. Central bank (namely Insurance Authority) allows an alignment period of up to three years for the insurance companies to be in compliance with the regulations.

As per the Federal Law No. (6) of 2007 (as amended) concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the minimum capital requirement remains at AED 100 million for insurance companies.

The table below summarises the Minimum Capital Requirement of the Company and the total capital held by the Company.

	31 December 2022 AED	31 December 2021 AED
Total capital held by the Company	**200,000,000**	200,000,000
Minimum regulatory capital	**100,000,000**	100,000,000

6 Use of estimates and judgments

The areas of the Company's business containing key sources of estimation uncertainty include the measurement of takaful contract liabilities, provision for outstanding claims, whether reported or not and impairment of takaful receivables.

Key estimates:

Measurement of takaful contract liabilities

The Company's accounting policy in respect of takaful contract accounting is discussed in more detail in note 4(a). The key assumptions made in respect of takaful contract liabilities are included in note 10.

Provision for outstanding claims, whether reported or not

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of IBNR claims at the date of statement of financial position. Estimates are made for the expected ultimate cost of IBNR claims using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation and are presented in note 10.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims regularly.

Impairment of takaful receivables

The Company reviews its receivables to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of profit or loss, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from receivables. A provision for impairment of contribution, retakaful and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their terms.

7 Classes and categories of financials assets and financial liabilities

The table below sets out the classification of each class of financial assets and liabilities along with their fair values. For financial assets and liabilities carried at amortised cost, management believes that the amortised cost of those instruments approximates to their fair values.

At 31 December 2022

Financial assets	**Amortised cost**	**Total**
	AED	**AED**
Cash and bank balances	**73,107,099**	**73,107,099**
Takaful, retakaful and other receivable	**98,762,475**	**98,762,475**
Due from related parties (relating to takaful operations)	**25,158,414**	**25,158,414**
Other receivables (relating to takaful operations)	**14,456,719**	**14,456,719**
Receivable from shareholders	**27,901,751**	**27,901,751**
Other receivables (relating to shareholders')	**2,346,992**	**2,346,992**
Wakala deposit	**365,000,000**	**365,000,000**
Statutory deposit	**6,000,000**	**6,000,000**
Due from related parties (relating to shareholders')	**1,065,771**	**1,065,771**
	613,799,221	**613,799,221**

Financial liabilities	**Amortised cost**	**Total**
	AED	**AED**
Payable to takaful, insurance, reinsurance and retakaful companies	**120,628,651**	**120,628,651**
Other takaful payables	**33,593,660**	**33,593,660**
Due to related parties (relating to takaful operations)	**61,222,303**	**61,222,303**
Due to related parties (relating to shareholders')	**4,490,665**	**4,490,665**
Accruals, provisions and other payables	**8,108,153**	**8,108,153**
Payable to policyholders - takaful operations	**27,901,751**	**27,901,751**
Lease liabilities	**1,318,744**	**1,318,744**
	257,263,927	**257,263,927**

At 31 December 2021

Financial assets	Amortised cost	Total
	AED	AED
Cash and bank balances	51,588,633	51,588,633
Takaful, retakaful and other receivable	53,874,940	53,874,940
Due from related parties (relating to takaful operations)	18,719,903	18,719,903
Other receivables (relating to takaful operations)	9,034,428	9,034,428
Receivable from shareholders	80,291,882	80,291,882
Other receivables (relating to shareholders')	732,200	732,200
Wakala deposit	283,339,695	283,339,695
Statutory deposit	6,000,000	6,000,000
Due from related parties (relating to shareholders')	1,630,739	1,630,739
	505,212,420	505,212,420

7 Classes and categories of financials assets and financial liabilities (continued)

At 31 December 2021

Financial liabilities	Amortised cost	Total
	AED	AED
Payable to takaful, insurance, reinsurance and retakaful companies	88,220,151	88,220,151
Other takaful payables	28,679,660	28,679,660
Due to related parties (relating to takaful operations)	17,677,810	17,677,810
Due to related parties (relating to shareholders')	2,831,743	2,831,743
Accruals, provisions and other payables	7,715,645	7,715,645
Payable to policyholders - takaful operations	80,291,882	80,291,882
Lease liabilities	2,437,416	2,437,416
	227,854,307	227,854,307

8 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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

As at 31 December 2022 and 31 December 2021, all financial assets and liabilities are stated at amortised cost and are classified as Level 3 within the fair value hierarchy. The fair values of the financial assets and liabilities at amortised cost are not materially different from their carrying value at the reporting date.

9 Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	31 December 2022		
	Takaful Operations AED	**Shareholders' Operations AED**	**Total AED**
Cash in hand	**-**	**2,140**	**2,140**
Current accounts with banks and Islamic financial institutions	**68,713,858**	**4,391,101**	**73,104,959**
	68,713,858	**4,393,241**	**73,107,099**

	31 December 2021		
	Takaful Operations AED	Shareholders' Operations AED	Total AED
Cash in hand	-	7,798	7,798
Current accounts with banks and Islamic financial institutions	44,628,910	6,951,925	51,580,835
	44,628,910	6,959,723	51,588,633

10 Takaful contract liabilities and retakaful contract assets - (relating to takaful operations)

	31 December 2022 AED	31 December 2021 AED
Gross takaful contract liabilities		
Reserve for outstanding claims	**229,469,472**	150,504,345
Reserve for unallocated loss adjustment expense	**1,595,244**	952,190
Reserve for incurred but not reported claims (IBNR)	**90,607,931**	48,641,644
Reserve for outstanding claims (including IBNR)	**321,672,647**	200,098,179
Unearned contribution reserve	**250,121,005**	189,828,764
Total takaful contract liabilities (gross)	**571,793,652**	389,926,943
Less: Retakaful contract assets		
Reserve for retakaful share of outstanding claims	**(207,759,251)**	(132,992,303)
Reserve for retakaful share of incurred but not reported claims (IBNR)	**(71,542,922)**	(38,353,857)
Reserve for retakaful share of outstanding claims (including IBNR)	**(279,302,173)**	(171,346,160)
Retakaful share of unearned contribution	**(172,942,876)**	(146,608,341)
Total retakaful contract assets	**(452,245,049)**	(317,954,501)
Net takaful contract liabilities	**119,548,603**	71,972,442

10 Takaful contract liabilities and retakaful contract assets - (relating to takaful operations) (continued)

Assumptions and sensitivities

Process used to determine the assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market practices or other published information.

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate.

The provision estimation difficulties also differ by class of business due to differences in the underlying takaful contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The method used by the Company for provision of IBNR takes into account historical data, past estimates and details of the retakaful programme, to assess the expected size of retakaful recoveries. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

The assumptions that have the greatest effect on the measurement of takaful contract provisions are the expected loss ratios for the most recent accident years.

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process. The Company believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims are finally settled.

Claim development table - Gross

The following table reflects the Gross cumulative incurred claims, including both claims notified and claims incurred but not reported (IBNR) for each successive accident year at each statement of financial position date, together with cumulative payments to date:

Accident year	2017 AED	2018 AED	2019 AED	2020 AED	2021 AED	2022 AED	Total AED
At the end of accident year	4,810,810	150,576,922	167,340,366	215,632,269	244,535,475	350,557,222	350,557,222
One year later	2,340,767	121,727,642	152,433,758	178,207,900	217,610,721	-	217,610,721
Two years later	1,916,365	117,145,046	148,608,222	158,255,589	-	-	158,255,589
Three years later	1,359,236	116,641,142	123,138,480	-	-	-	123,138,480
Four years later	1,509,080	113,033,746	-	-	-	-	113,033,746
Five years later	1,804,722	-	-	-	-	-	1,804,722
Current estiamte of cumulative claims	**1,804,722**	**113,033,746**	**123,138,480**	**158,255,589**	**217,610,721**	**350,557,222**	**964,400,480**
At the end of accident year	(812,333)	(58,757,468)	(105,902,154)	(93,935,195)	(120,715,402)	(119,987,718)	(500,110,270)
One year later	(749,468)	(18,409,011)	(23,534,135)	(28,083,399)	(34,172,645)	-	(104,948,658)
Two years later	81,799	(36,435,815)	(2,439,431)	(16,059,702)	-	-	(54,853,149)
Three years later	36,367	264,896	14,368,277	-	-	-	14,669,540
Four years later	(12,891)	2,863,823	-	-	-	-	2,850,932
Five years later	(336,228)	-	-	-	-	-	(336,228)
Cumulative payments to date	**(1,792,754)**	**(110,473,575)**	**(117,507,443)**	**(138,078,296)**	**(154,888,047)**	**(119,987,718)**	**(642,727,833)**
Total	**11,968**	**2,560,171**	**5,631,037**	**20,177,293**	**62,722,674**	**230,569,504**	**321,672,647**

10 Takaful contract liabilities and retakaful contract assets - (relating to takaful operations) (continued)

Assumptions and sensitivities (continued)

Process used to determine the assumptions (continued)

Claim development table - Net

The following table reflects the Net cumulative incurred claims, including both claims notified and claims incurred but not reported (IBNR) for each successive accident year at each statement of financial position date, together with cumulative payments to date:

Accident year	2017 AED	2018 AED	2019 AED	2020 AED	2021 AED	2022 AED	Total AED
At the end of accident year	1,262,568	27,826,697	47,731,070	43,372,245	58,142,497	71,499,986	71,499,986
One year later	814,060	24,150,944	37,528,276	34,031,544	46,767,221	-	46,767,221
Two years later	796,688	23,360,624	36,134,047	32,249,828	-	-	32,249,828
Three years later	893,335	22,323,799	32,388,483	-	-	-	32,388,483
Four years later	1,160,554	20,410,634	-	-	-	-	20,410,634
Five years later	795,039	-	-	-	-	-	795,039
Current estiamte of cumulative claims	**795,039**	**20,410,634**	**32,388,483**	**32,249,828**	**46,767,221**	**71,499,986**	**204,111,191**
At the end of accident year	(398,157)	(15,408,109)	(27,597,082)	(24,906,146)	(36,663,366)	(36,997,053)	(141,969,913)
One year later	(313,635)	(5,798,067)	(5,856,589)	(5,275,222)	(5,860,558)	-	(23,104,071)
Two years later	33,442	(777,237)	(202,699)	(236,536)	-	-	(1,183,030)
Three years later	9,013	207,137	2,859,445	-	-	-	3,075,595
Four years later	(93,705)	1,565,772	-	-	-	-	1,472,067
Five years later	(31,365)	-	-	-	-	-	(31,365)
Cumulative payments to date	(794,407)	(20,210,504)	(30,796,925)	(30,417,904)	(42,523,924)	(36,997,053)	(161,740,717)
Total	**632**	**200,130**	**1,591,558**	**1,831,924**	**4,243,297**	**34,502,933**	**42,370,474**

11 Takaful, retakaful and other receivables (relating to takaful operations)

	31 December 2022 AED	31 December 2021 AED
<u>Inside U.A.E.:</u>		
Due from policyholders	**10,140,437**	2,063,156
Due from takaful and retakaful companies	**32,585,543**	10,452,433
Due from brokers and agents	**46,625,798**	39,159,625
	89,351,778	51,675,214
<u>Outside U.A.E.:</u>		
Due from takaful and retakaful companies	**11,710,697**	3,499,726
	11,710,697	3,499,726
Total takaful and retakaful receivable	**101,062,475**	55,174,940
Less: Allowance for doubtful debts	**(2,300,000)**	(1,300,000)
	98,762,475	53,874,940

12 Other receivables - (relating to takaful operations)

	31 December 2022 AED	31 December 2021 AED
Deposits	**10,000**	10,000
Receivable from third party administrators	**1,325,000**	1,075,000
VAT input receivable - net	**13,121,719**	7,939,360
Other receivables	**-**	10,068
	14,456,719	9,034,428

13 Other receivables and prepayments - (relating to shareholders')

	31 December 2022 AED	31 December 2021 AED
Accrued profit on Wakala deposits	**308,338**	235,145
Prepayments	**935,996**	956,297
Other receivables	**2,038,654**	497,055
	3,282,988	1,688,497

14 Wakala deposit

This consists of term wakala deposits with a commerical bank in United Arab Emirates, at profit rates from 5.38% to 6.08% per annum (*31 December 2021: from 1.60% to 3.90% per annum)* amounting to AED 365.0 million *(31 December 2021: AED 283.3 million)*, which matures in December 2023.

15 Statutory deposit

This consists of a wakala deposit under lien with a commercial bank in UAE, at a profit rate of 5.8% per annum (31 December 2021: 2.0% per annum), which matures in December 2023 for the purpose of license renewal from the Central Bank of UAE.

16 Property and equipment

	Right of use assets AED	Motor vehicles AED	Furniture and fixtures AED	Office equipment AED	Total AED
Cost					
At 1 January 2021	5,835,038	212,391	1,572,561	121,970	7,741,960
Additions during the year	-	64,400	157,957	-	222,357
At 31 December 2021	5,835,038	276,791	1,730,518	121,970	7,964,317
At 1 January 2022	5,835,038	276,791	1,730,518	121,970	7,964,317
Additions / (disposal) during the year	(47,458)	164,164	236,134	71,469	424,309
At 31 December 2022	**5,787,580**	**440,955**	**1,966,652**	**193,439**	**8,388,626**
Accumulated depreciation					
At 1 January 2021	(2,210,438)	(124,437)	(736,178)	(93,746)	(3,164,799)
Charge for the year	(1,003,682)	(49,908)	(271,747)	(17,583)	(1,342,920)
At 31 December 2021	(3,214,120)	(174,345)	(1,007,925)	(111,329)	(4,507,719)
At 1 January 2022	(3,214,120)	(174,345)	(1,007,925)	(111,329)	(4,507,719)
Charge for the year	(1,003,682)	(59,228)	(286,333)	(14,199)	(1,363,442)
At 31 December 2022	**(4,217,802)**	**(233,573)**	**(1,294,258)**	**(125,528)**	**(5,871,161)**
Net carrying amount					
At 31 December 2021	2,620,918	102,446	722,593	10,641	3,456,598
At 31 December 2022	**1,569,778**	**207,382**	**672,394**	**67,911**	**2,517,465**

17 Intangible assets - Software

	31 December 2022 AED	31 December 2021 AED
Cost		
At 1 January	**904,036**	904,036
Additions during the year	**-**	-
At 31 December	**904,036**	904,036
Accumulated amortisation		
At 1 January	**(571,345)**	(440,728)
Charge for the year	**(130,617)**	(130,617)
At 31 December	**(701,962)**	(571,345)
Net carrying amount		
At 31 December	**202,074**	332,691

18 Receivables from shareholders and payables to policyholders - takaful operations

		31 December 2022 AED	31 December 2021 AED
As at 1 January		**80,291,882**	34,813,645
Wakala fees for the year	*18.1*	**(185,930,974)**	(140,485,488)
Other movement in account during the year		**133,540,843**	185,963,725
		27,901,751	80,291,882

18.1 For all takaful policies, wakala fees were charged at 35% of gross takaful contributions. Wakala fees are approved by the Sharia'a Supervisory Board and are charged to the statement of profit or loss and comprehensive income when incurred.

19 Payable to takaful, insurance, reinsurance and retakaful companies - (relating to takaful operations)

	31 December 2022 AED	31 December 2021 AED
Payables – Inside UAE	**72,516,940**	51,004,702
Payables – Outside UAE	**48,111,711**	37,215,449
	120,628,651	88,220,151
Inside UAE:		
Payable to insurance and takaful companies	**41,870,400**	17,186,581
Payable to reinsurers and retakaful companies	**30,646,540**	33,818,121
	72,516,940	51,004,702
Outside UAE:		
Payable to insurance and takaful companies	**40,269,729**	24,732,643
Payable to reinsurers and retakaful companies	**7,841,982**	12,482,806
	48,111,711	37,215,449

20 Other takaful payables (relating to takaful operations)

	31 December 2022 AED	31 December 2021 AED
Payable to policyholders	**1,147,312**	1,504,982
Payable to third party administrators	**21,047,289**	12,635,642
Payable to brokers and agents	**4,066,066**	3,042,601
Other payables	**7,332,993**	11,496,435
	33,593,660	28,679,660

21 Qard Hassan

	31 December 2022 AED	31 December 2021 AED
Deficit in policyholders' fund		
As at 1 January	**(174,760,427)**	(119,498,234)
Deficit during the year	**(67,774,876)**	(55,262,193)
	(242,535,303)	(174,760,427)
Provision against Qard Hassan		
As at 1 January	**174,760,427**	119,498,234
Provision during the year	**67,774,876**	55,262,193
	242,535,303	174,760,427

22 Related party transactions

Related parties comprise of shareholders, associate companies, and directors and key management personnel of the Company, together with entities controlled, jointly controlled or significantly influenced by those parties. Pricing policies and terms of these transactions are approved by the Company's management as per agreed terms.

Significant transactions with related parties included in the statement of profit or loss and other comprehensive income are as follows:

	For the year ended 31 December 2022		
	Shareholders AED	**Associated companies of the shareholders AED**	**Total AED**
Gross written contribution	**16,298,667**	**94,453,292**	**110,751,959**
Retakaful contribution	**73,520,776**	**690,269**	**74,211,045**
General and administrative expenses	**-**	**1,658,922**	**1,658,922**
Claims reported	**19,334,321**	**16,875,380**	**36,209,701**

	For the year ended 31 December 2021		
	Shareholders AED	Associated companies of the shareholders AED	Total AED
Gross written contribution	57,275,836	62,380,628	119,656,464
Retakaful contribution	65,579,238	-	65,579,238
General and administrative expenses	-	1,624,134	1,624,134
Claims reported	47,005,780	18,269,884	65,275,664

22 Related party transactions (continued)

	For the year ended 31 December	
	2022	2021
	AED	AED
Compensation of key management personnel		
Short term benefits	**2,573,127**	1,847,619
End of service benefits	**450,794**	277,564
	3,023,921	2,125,183

Balances with related parties included in the statement of financial position are as follows:

	31 December 2022	31 December 2021
	AED	AED
Due from related parties (relating to takaful operations)		
Al Futtaim Motors	**8,022,216**	7,457,088
Al Futtaim Willis Co. LLC	**9,744,385**	6,351,894
Other related parties	**7,391,813**	4,910,921
	25,158,414	18,719,903
Due to related parties (relating to takaful operations)		
Orient Insurance P.J.S.C.	**60,721,556**	17,677,810
Al Futtaim Motors	**278,323**	-
Trading Enterprises	**220,376**	-
Others	**2,048**	-
	61,222,303	17,677,810
Due from related parties (relating to shareholders')		
Al Futtaim Motors	**870,694**	1,145,135
Other related parties	**195,077**	485,604
	1,065,771	1,630,739

Due to related parties (relating to shareholders')

	31 December 2022	31 December 2021
	AED	AED
Orient Insurance P.J.S.C.	-	6,675
Al Futtaim Motor Auto Centre	**2,460,489**	2,305,920
Al Futtaim Trading Enterprises	**38,338**	392,604
Other related parties	**1,991,838**	126,544
	4,490,665	2,831,743

23 Employees' end of service benefits

	31 December 2022	31 December 2021
	AED	AED
At 1 January	**1,467,758**	1,138,038
Charge for the year	**569,414**	422,852
Paid during the year	**(146,300)**	(93,132)
At 31 December	**1,890,872**	1,467,758

24 Leases

(a) Leases as lessee (IFRS 16)

The Company leases office premises. The leases typically run for a period of 5 years, with an option to renew the lease after that date. Lease payments will be renegotiated periodically with the first renegotiation due in the fifth year from the date of commencement of lease to reflect market rentals. For these leases, the Company is restricted from entering into any sub-lease arrangements.

Information about leases for which the Company is a lessee is presented below.

i. Right-of-use assets

Right-of-use assets related to leased properties are presented as property and equipment

	31 December 2022 AED	31 December 2021 AED
Office premises		
At 1 January 2021	**2,620,918**	3,624,600
Reversal during the year	**(47,458)**	-
Depreciation charge for the year	**(1,003,682)**	(1,003,682)
	1,569,778	2,620,918

ii. Lease liabiities	**31 December 2022 AED**	31 December 2021 AED
Less than one year	**974,900**	1,134,025
Between one and five years	**343,844**	1,303,391
	1,318,744	2,437,416

iii. Amounts recognised in statement of profit or loss and other comprehensive income

	For the year ended 31 December	
	2022	2021
	AED	AED
Leases under IFRS 16		
Depreciation expense	**1,003,682**	1,003,682
Finance cost on lease liabilities	**95,881**	147,195

24 Leases (continued)

(a) Leases as lessee (IFRS 16)

iv. Amounts recognised in statement of cash flows

	For the year ended 31 December	
	2022	2021
	AED	AED
Total cash outflow for leases	**1,214,553**	1,332,245

v. Extension options

Some property leases contain extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

25 Share capital, share premium and statutory reserve

	31 December 2022	31 December 2021
	AED	AED
Issued and paid up capital		
Issued and fully paid 2,000,000 shares of AED 100 each	**200,000,000**	200,000,000
Share premium reserve	**1,198,390**	1,198,390
	201,198,390	201,198,390

Statutory reserve

In accordance with the UAE Commercial Companies Law no. (32) of 2021 ("the Law") and the Company's Articles of Association, 10% of the profit for the year should be transferred to legal reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the Law.

Retakaful risk reserve

In accordance with Article 34 of the Insurance Authority's Board of Directors Decision No. (23) of 2019, the Company has created a Retakaful Risk Reserve amounting to AED 5.0 million, being 0.5% of the total retakaful contribution ceded by the Company in all classes of business. The Company shall accumulate such provision year on year and not dispose of the provision without the written approval of the Director General of the UAE Insurance Authority (currently Central Bank).

26 Gross written contribution

	31 December 2022	31 December 2021
	AED	AED
Motor	**40,328,633**	34,123,737
Medical	**153,029,626**	138,700,312
Property	**159,016,490**	103,495,853
Engineering	**20,535,505**	13,129,646
Marine	**35,770,041**	28,928,382
Miscellenous	**122,543,112**	83,009,178
	531,223,407	401,387,108

27 General and administrative expenses

	31 December 2022 AED	31 December 2021 AED
Staff costs	**16,373,945**	15,822,060
Depreciation and amortisation	**1,496,254**	1,473,537
Others	**5,812,464**	3,799,229
	23,682,663	21,094,826

27.1 During the year, the Company has made social contributions amounting to nil (2021: nil).

28 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	31 December 2022 AED	31 December 2021 AED
Profit for the year attributable to shareholders' (AED)	**30,087,855**	15,420,469
Weighted average number of shares outstanding during the year	**2,000,000**	2,000,000
Earnings per share (AED)	**15.04**	7.71

There is no dilution impact on basic earnings per share.

29 Segment information

Operating segment information

For management purposes, the Company is organised into four business segments; motor, property, medical and miscellaneous lines of business. These segments are the basis on which the Company reports its primary segment information.

	For the year ended 31 December 2022				
	Motor AED	**Property AED**	**Medical AED**	**Miscellaneous AED**	**Total AED**
Gross written contribution	**40,328,633**	**159,016,490**	**153,029,626**	**178,848,658**	**531,223,407**
Gross takaful income	**25,252,701**	**36,249,732**	**57,106,079**	**57,114,612**	**175,723,124**
Net claim incurred	**(12,359,082)**	**(491,224)**	**(41,115,476)**	**(3,655,410)**	**(57,621,192)**
Takaful results before wakala fees	**12,893,619**	**35,758,508**	**15,990,603**	**53,459,202**	**118,101,932**
Wakala fees	**(14,115,021)**	**(55,655,771)**	**(53,560,369)**	**(62,599,813)**	**(185,930,974)**
Net deficit from takaful operations	**(1,221,402)**	**(19,897,263)**	**(37,569,766)**	**(9,140,611)**	**(67,829,042)**

	For the year ended 31 December 2021				
	Motor AED	Property AED	Medical AED	Miscellaneous AED	Total AED
Gross written contribution	34,123,737	103,495,853	138,700,312	125,067,206	401,387,108
Gross takaful income	24,474,334	25,702,463	36,610,159	42,568,718	129,355,674
Net claim incurred	(14,907,357)	(698,255)	(26,078,418)	(2,448,349)	(44,132,379)
Takaful results before wakala fees	9,566,977	25,004,208	10,531,741	40,120,369	85,223,295
Wakala fees	(11,943,308)	(36,223,549)	(48,545,109)	(43,773,522)	(140,485,488)
Net deficit from takaful operations	(2,376,331)	(11,219,341)	(38,013,368)	(3,653,153)	(55,262,193)

The segmental information of assets and liabilities as per above lines of business is not available. The geographical segmental information is not presented as all the operations of the Company are based locally.

30 Contingencies and Commitments

Contingent liabilities

At 31 December 2022, the guarantees, other than those relating to claims for which provisions are held, amounting to AED 1.3 million (31 December 2021: 0.079 million) had been issued on behalf of the Company by its banker in the ordinary course of business.

Legal claims

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

Zakat

The Company does not pay zakat on behalf of the shareholders. The Zakat obligation is assessed at 10% from the return on investment of the capital, which is calculated as AED 910,661 (2021: AED 752,904) and the Zakat per share is AED 0.46 (2021: AED 0.38).

31 Capital Risk Management

The Company's objectives when managing capital is to ensure ongoing and future compliance with the insurance capital requirements set by the Federal Law No. (6) of 2007 (as amended) Concerning the Organization oflnsurance Operations (as amended).

In UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its ties. The minimum required capital (presented in the table below) must be maintained at all times throughout the year.

In UAE, all insurance companies are required to comply with Financial Regulations for Insurance Companies that came into force on 29 January 2015. The Company is subject to local insurance solvency regulations with which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

As per the Federal Law No. (6) of 2007 (as amended) Concerning the Organization of Insurance Operations, the minimum capital requirement remains at AED 100 million for insurance companies.

The table below summarises the Minimum Capital Requirement of the Company and the total capital held by the Company.

Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)

	Unaudited **30 September 2022 AED**	***Unaudited*** 31 December 2021 AED
Total capital held by the Company	**200,000,000**	200,000,000
Minimum Capital Requirement (MCR)	**100,000,000**	100,000,000
Solvency Capital Requirement (SCR)	**84,749,212**	61,397,118
Minimum Guarantee Fund (MGF)	**28,249,737**	22,919,373
Own funds		
Basic own funds	**160,660,807**	125,972,180
Own funds eligible to meet MCR, SCR AND MFG	**160,660,807**	125,972,180
MCR solvency Margin - (surplus)	**60,660,808**	25,972,180
SCR solvency Margin - (surplus)	**75,911,596**	64,575,062
MGF solvency Margin - (surplus)	**132,411,070**	103,052,807