

Integrated Report

Orient Takaful PJSC

Orient Takaful PJSC is delighted to announce its Integrated Report of 2022 which contain the following:

- 1- Board of Directors' Report**
- 2- Auditor's Report**
- 3- Financial Statement of 2022**
- 4- Corporate Governance Report**
- 5- ESG Report**
- 6- Shariah Supervisory Committee Report**

Paid Up Capital: Dhs. 200,000,000

رأس المال المدفوع: ٢٠٠,٠٠٠,٠٠٠ درهم

Registered under Federal Law No. (6) of 2007
Certificate No. 92, Dated 16th July 2017
Commercial Registration No. : 1266734مسجلة طبقاً للقانون الإتحادي رقم (٦) لسنة ٢٠٠٧ م
رقم شهادة: ٩٢، تاريخ ١٦ يوليو ٢٠١٧
رقم السجل التجاري: ١٢٦٦٧٣٤**REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DEC 2022****MARKET OVERVIEW**

The outlook for the UAE Economy is positive and the GDP growth for 2022 is expected to be more than 6%. This is the highest growth for the country in over decade. The significance of this growth lies in the fact that this growth is driven by both oil as well as non-oil sectors such as tourism and hospitality, real estate, transportation, and manufacturing. Consequently, the insurance industry too benefited from this growth, as evidenced by the growth of around 13% in Gross premium Volumes (based on published preliminary results for 2022). The recent introduction of Involuntary Loss of Employment (ILOE) Insurance as a mandatory scheme is likely to augur well for further growth in Gross Premium Volumes during 2023.

The World Bank has hiked UAE's Growth forecast for 2023, thus the outlook for 2023 is optimistic. The Insurance sector is likely to only benefit from this development. Thus, we look forward to an interesting year 2023 and beyond.

OPERATING ENVIRONMENT

Continuing the success of the previous years, the company has improved its client base further as demonstrated in the business volume of AED 531 million achieved in 2022 with a 32% Growth in topline. The company continues to make significant progress by expanding its client base through strategic partnerships with all leading players in the market. Considering the tough market conditions, the company values this progress as well as the partnerships and is determined to continue to follow the careful path it has so far adopted to improve its market share further.

COMPANY'S OPERATIONAL PERFORMANCE

Our company is pleased to report that we have closed the year 2022 with a profit of AED 30.09 million—a significant (95%) increase from the previous year's profit of AED 15.4 million. This result has been achieved by prudent underwriting, careful management of claims and control of expenses. The company will continue to exercise these due diligence measures. As a takaful company in its early life cycle, the results for the Policyholders' operations are on expected lines with a net deficit of AED 67.8 million (Deficit of AED 55.2 million in 2021). Considering the expected significant growth in operations, the company is confident of gradually wiping off the deficit over the years with conscious and responsible underwriting as well as appropriate claims management.

This performance has resulted in the Shareholder's Equity moving up to AED 238.8 million (AED 208.7 million in 2021) demonstrating the Company's focused and consistent positive performance.

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COMPANY RATING

We are also pleased to report that, the Company is continuing to sustain the following prestigious ratings, which are the same as that of our parent company Orient Insurance Co PJSC: --

- "a+" by AM Best
- 'A' by S & P

The Company will continue to capitalize on these recognitions to increase its market share and to improve on performance.

REINSURANCE ARRANGEMENTS

Our company has strengthened and restructured our reinsurance Treaty arrangements with the internationally reputed QBE leading our Treaties, followed by other strong reinsurers in the panel. For our medical segment, we have tied up with leading reinsurers like Munich Re, Allianz Worldwide Partners, and Swiss Life. Such reinsurance arrangements provide strong support to our underwriting activities and efficient service through our TPA network of NextCare, Mednet and NAS.

FINANCIAL HIGHLIGHTS

Particulars	2022 (AED '000s)	2021 (AED '000s)	% Increase/ (Decrease) over 2021
Gross Written Contributions	531,223	401,387	32%
Net Written Contributions	154,369	95,141	62%
Net Earned Contributions	120,411	85,089	42%
Net Claims Incurred	57,621	44,132	31%
Surplus / (Deficit) from Takaful Operations Before Wakala Fee	118,102	85,223	39%
Policyholder Surplus /(Deficit)	(67,775)	(55,262)	23%
Income from Wakala Deposits	9,240	7,529	23%
Net profit / (Loss) after Qard Hassan to Policyholders	30,088	15,420	95%
Share Capital	200,000	200,000	-
Shareholders' Equity	238,751	208,663	14%

Company's Outlook

Drawing on our performance during 2022, we are confident that we will be able to reach a larger segment of the clientele and expand our footprints by strategic initiatives and beneficial partnerships.

Acknowledgments

On behalf of the Board, we extend our sincere thanks to our customers, business partners, shareholders and authorities for their support.


Chairman

Orient Takaful P.J.S.C.
Financial statements
for the year ended 31 December 2022

Orient Takaful P.J.S.C.

Financial statements
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
<p>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.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures supported by our actuarial specialists included:</p> <ul style="list-style-type: none"> • 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
<p>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.</p>	<p>Our audit procedures on the recoverability and impairment of takaful receivable included:</p> <ul style="list-style-type: none"> • 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

		31 December	31 December
		2022	2021
	<i>Note</i>	AED	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		<u>787,238,266</u>	<u>524,504,564</u>
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		<u>282,461,539</u>	<u>303,407,943</u>
Total assets		<u>1,069,699,805</u>	<u>827,912,507</u>
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		<u>787,238,266</u>	<u>524,504,564</u>
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		<u>-</u>	<u>-</u>
Total takaful operations' liabilities and deficit		<u>787,238,266</u>	<u>524,504,564</u>

Orient Takaful P.J.S.C.
Statement of financial position (continued)
as at 31 December

		31 December	31 December
		2022	2021
	<i>Note</i>	AED	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 _____ and signed on their behalf by:

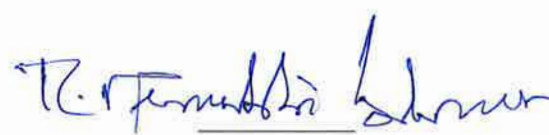
24 FEB 2023



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
<i>Adjustment for:</i>			
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
<i>Change in:</i>			
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 with 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.

Orient Takaful P.J.S.C.

Notes

(forming part of the financial statements)

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 timing 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.

Orient Takaful P.J.S.C.

Notes

(forming part of the financial statements)

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 uncertainty 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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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).

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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 (FVA)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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:

- to understand how the insurer qualified for the temporary exemption; and
- 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 AED	Movement in the fair value during the year AED	Fair value AED	Movement in the fair value during the year 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	-	-	-

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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				
<u>Takaful operations' assets</u>				
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				
<u>Shareholders' assets</u>				
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	-	-	-

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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)

	<u>AAA</u>	<u>AA+ to AA-</u>	<u>A+ to A-</u>	<u>BB- to BB</u>	<u>BBB+ to</u> <u>BBB-</u>	<u>Total</u>
	AED	AED	AED	AED	AED	AED
31 December 2022						
<u>Takaful operations' assets</u>						
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
<u>Shareholders' assets</u>						
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						
<u>Takaful operations' assets</u>						
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
<u>Shareholders' assets</u>						
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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

4 Summary of significant accounting policies (continued)

a) Takaful contracts (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

4 Summary of significant accounting policies (continued)

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

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

5 Risk management (continued)

iv) Regulatory framework (continued)

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 | - Medical insurance |
| - Property | - Marine |
| - Motor | - Engineering |
| - Property | - 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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

5 Risk management (continued)

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

a) Takaful risks (continued)

Underwriting strategy (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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:

Type of risk	31 December 2022		31 December 2021	
	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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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
<u>Takaful operations' assets</u>		
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
	<u>334,993,217</u>	<u>206,550,063</u>
<u>Shareholders' assets</u>		
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
	<u>278,803,864</u>	<u>298,654,559</u>

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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)
	<u>123,920,889</u>	<u>72,594,843</u>

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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:

<u>31 December 2022</u>	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	<u>334,993,217</u>	<u>-</u>	<u>-</u>	<u>334,993,217</u>
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	<u>278,806,004</u>	<u>-</u>	<u>-</u>	<u>278,806,004</u>
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	<u>215,444,614</u>	<u>-</u>	<u>-</u>	<u>215,444,614</u>

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

5 Risk management (continued)

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

b) Financial risk (continued)

ii) Liquidity risk (continued)

Maturity profiles (continued)

<u>31 December 2022</u>	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
<u>31 December 2021</u>	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

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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	<u>200,000,000</u>	<u>200,000,000</u>
Minimum regulatory capital	<u>100,000,000</u>	<u>100,000,000</u>

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

7 Classes and categories of financial 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

	<u>Amortised cost</u> AED	<u>Total</u> 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
	<u>613,799,221</u>	<u>613,799,221</u>

Financial liabilities

	<u>Amortised cost</u> AED	<u>Total</u> 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
	<u>257,263,927</u>	<u>257,263,927</u>

At 31 December 2021

Financial assets

	<u>Amortised cost</u> AED	<u>Total</u> 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
	<u>505,212,420</u>	<u>505,212,420</u>

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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

At 31 December 2021

<u>Financial liabilities</u>	<u>Amortised cost</u>	<u>Total</u>
	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	<u>2,437,416</u>	<u>2,437,416</u>
	<u>227,854,307</u>	<u>227,854,307</u>

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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
	<u>68,713,858</u>	<u>4,393,241</u>	<u>73,107,099</u>
	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
	<u>44,628,910</u>	<u>6,959,723</u>	<u>51,588,633</u>

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)	<u>571,793,652</u>	<u>389,926,943</u>
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	<u>(452,245,049)</u>	<u>(317,954,501)</u>
Net takaful contract liabilities	<u>119,548,603</u>	<u>71,972,442</u>

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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 estimate 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

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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 estimate 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
Inside U.A.E.:		
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
Outside U.A.E.:		
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

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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
	<u>3,282,988</u>	<u>1,688,497</u>

14 Wakala deposit

This consists of term wakala deposits with a commercial 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
<i>Cost</i>					
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	<u>5,787,580</u>	<u>440,955</u>	<u>1,966,652</u>	<u>193,439</u>	<u>8,388,626</u>
<i>Accumulated depreciation</i>					
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	<u>(4,217,802)</u>	<u>(233,573)</u>	<u>(1,294,258)</u>	<u>(125,528)</u>	<u>(5,871,161)</u>
<i>Net carrying amount</i>					
At 31 December 2021	2,620,918	102,446	722,593	10,641	3,456,598
At 31 December 2022	<u>1,569,778</u>	<u>207,382</u>	<u>672,394</u>	<u>67,911</u>	<u>2,517,465</u>

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

17 Intangible assets - Software

	31 December 2022 AED	31 December 2021 AED
<i>Cost</i>		
At 1 January	904,036	904,036
Additions during the year	-	-
At 31 December	904,036	904,036
<i>Accumulated amortisation</i>		
At 1 January	(571,345)	(440,728)
Charge for the year	(130,617)	(130,617)
At 31 December	(701,962)	(571,345)
<i>Net carrying amount</i>		
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

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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
	<u>33,593,660</u>	<u>28,679,660</u>

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)
	<u>(242,535,303)</u>	<u>(174,760,427)</u>
Provision against Qard Hassan		
As at 1 January	174,760,427	119,498,234
Provision during the year	67,774,876	55,262,193
	<u>242,535,303</u>	<u>174,760,427</u>

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:

	<u>For the year ended 31 December 2022</u>		
	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
	<u>109,153,764</u>	<u>102,077,863</u>	<u>211,231,627</u>
	<u>For the year ended 31 December 2021</u>		
	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
	<u>112,860,854</u>	<u>82,274,646</u>	<u>195,135,500</u>

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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
	<u>3,023,921</u>	<u>2,125,183</u>

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

	31 December	31 December
	2022	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
	<u>25,158,414</u>	<u>18,719,903</u>

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	-
	<u>61,222,303</u>	<u>17,677,810</u>

Due from related parties (relating to shareholders')

Al Futtaim Motors	870,694	1,145,135
Other related parties	195,077	485,604
	<u>1,065,771</u>	<u>1,630,739</u>

Due to related parties (relating to shareholders')

	31 December	31 December
	2022	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
	<u>4,490,665</u>	<u>2,831,743</u>

23 Employees' end of service benefits

	31 December	31 December
	2022	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	<u>1,890,872</u>	<u>1,467,758</u>

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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	31 December 2021
	AED	AED
<i>Office premises</i>		
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)
	<u>1,569,778</u>	<u>2,620,918</u>

ii. Lease liabilities

	31 December 2022	31 December 2021
	AED	AED
Less than one year	974,900	1,134,025
Between one and five years	343,844	1,303,391
	<u>1,318,744</u>	<u>2,437,416</u>

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
	<u>1,099,563</u>	<u>1,150,877</u>

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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	31 December
	2022	2021
	AED	AED
<i>Issued and paid up capital</i>		
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	31 December
	2022	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
Miscellaneous	122,543,112	83,009,178
	531,223,407	401,387,108

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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
	<u>23,682,663</u>	<u>21,094,826</u>

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)	<u>30,087,855</u>	<u>15,420,469</u>
Weighted average number of shares outstanding during the year	<u>2,000,000</u>	<u>2,000,000</u>
Earnings per share (AED)	<u>15.04</u>	<u>7.71</u>

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	<u>40,328,633</u>	<u>159,016,490</u>	<u>153,029,626</u>	<u>178,848,658</u>	<u>531,223,407</u>
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	<u>12,893,619</u>	<u>35,758,508</u>	<u>15,990,603</u>	<u>53,459,202</u>	<u>118,101,932</u>
Wakala fees	(14,115,021)	(55,655,771)	(53,560,369)	(62,599,813)	(185,930,974)
Net deficit from takaful operations	<u>(1,221,402)</u>	<u>(19,897,263)</u>	<u>(37,569,766)</u>	<u>(9,140,611)</u>	<u>(67,829,042)</u>
	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	<u>(2,376,331)</u>	<u>(11,219,341)</u>	<u>(38,013,368)</u>	<u>(3,653,153)</u>	<u>(55,262,193)</u>

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.

Orient Takaful P.J.S.C.

Notes (continued)

(forming part of the financial statements) (continued)

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 of Insurance 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)

	<i>Unaudited</i> 30 September 2022 AED	<i>Unaudited</i> 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
<i>Own funds</i>		
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

التاريخ 20/02/2023 م

السادة / شركة اورينت تكافل (ش.م.ع)

الموضوع : شهادة بمطابقة أنشطة الشركة وفقاً للقوائم المالية في 31 ديسمبر 2022 للشريعة الإسلامية

تحية طيبة وبعد ،،،،،

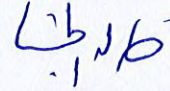
بالإشارة إلى الموضوع المذكور عاليه، وبعد مراجعتنا للقوائم المالية للسنة المالية المنتهية في 2022/12/31، نفيد سيادتكم علماً بأن أنشطة الشركة التالي ذكرها في إطار الشريعة الإسلامية، وذلك بعد إطلاع اللجنة على البيانات المالية للشركة من بيان المركز المالي وبيان الدخل:

1. قامت الشركة بالفصل في حساباتها بين المساهمين والمشاركين بما يتوافق مع متطلبات الشريعة الإسلامية.
2. تم خصم أجر الوكالة المحدد وفقاً لنظام الشركة سواء الخاص بعمليات التأمين أو عوائد الإستثمار من حسابات المشاركين بما يتوافق مع أحكام الشريعة الإسلامية.
3. القنوات الإستثمارية التي تقوم الشركة بالإستثمارات فيها تتوافق مع أحكام الشريعة الإسلامية.
4. تمت مراجعة كافة وثائق التأمين الخاصة بالشركة وجميعها تتفق مع أحكام الشريعة الإسلامية.
5. تمت مراجعة كافة عقود إعادة التأمين الخاصة بالشركة وجميعها تتفق مع أحكام الشريعة الإسلامية.
6. تم إبداء الرأي من قبل اللجنة في ما يخص أحكام الزكاة الواجب تطبيقها وتأكدت اللجنة من تطبيقها بما يتفق مع النظام الأساسي للشركة ومع ما يتفق مع أحكام الشريعة الإسلامية.
7. تم التأكد من أن كافة العقود والمستندات والوثائق التي تبرمها الشركة تمت مراجعتها والموافقة عليها من قبل اللجنة.


وهذه شهادة منا بذلك.

أعضاء اللجنة الشرعية

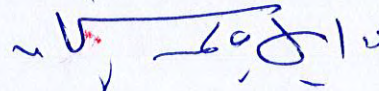
فضيلة الشيخ / خالد عبد المحسن الجندي - رئيس اللجنة

التوقيع : 

الأستاذ الدكتور / سعد الدين مسعد احمد حسن الهلالي - أستاذ الفقه المقارن بجامعة الأزهر الشريف - عضو اللجنة الشرعية

التوقيع : 

الأستاذ الدكتور / إيهاب محمد محمد علي الشحات - عضو اللجنة الشرعية

التوقيع : 

بسم الله الرحمن الرحيم

أولاً

الرأي الفقهي في مسأله الزكاه علي حصة المساهمين :

تري اللجنة الشرعية أنه يتم إخطار المساهمين بأرباح أسهمهم المستثمرة في بنك أبو ظبي الإسلامي ، او اي بنك إسلامي وعليهم معرفة ما اذا كان البنك قد قام بتزكيتهها ، فإن لم يتم فعلهم إخراج زكاه أرباحها وتقدر ب 10% علي أحدي الفتاوي أو احتسابها مالا مكتسبا لا زكاة فيه الا ببلوغ الحول وكان مع سائر أموال المساهمين قد بلغ النصاب فيقدر بمقدار 2.5%

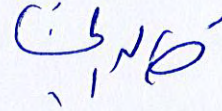
ثانياً

الرأي الفقهي في مسأله الزكاه علي صندوق حملة الوثائق (المشتركين)

لا يوجد احتساب زكاه علي اموال هذا الصندوق لانها كالامانات في يد ادارة الصندوق للانفاق منها علي ما خصص له ثم اعادة الباقي لاصحابها فلا توجد ارباح حقيقة وانما يتم استرداد الباقي والمسترد لحقوقه هو وشأنه وتحسب المالية المستوجبة عليه كزكاة

روجعت ووجدناها مطابقة للأصول والقواعد الفقهية المعتمدة

فضيلة الشيخ / خالد عبد المحسن الجندي - رئيس اللجنة



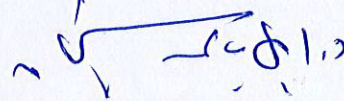
التوقيع :

الأستاذ الدكتور / سعد الدين مسعد احمد حسن الهلالي - أستاذ الفقه المقارن بجامعة الأزهر الشريف - عضو اللجنة الشرعية



التوقيع :

الأستاذ الدكتور / إيهاب محمد محمد علي الشحات - عضو اللجنة الشرعية



التوقيع :



Corporate Governance Report - 2022
DECISION NO. (7 R.M) OF 2016

ORIENT TAKAFUL (PJSC) Corporate Governance Report

2022

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Approval and signature of the report

Board declaration of liability for the company's internal control system is attached

1- A statement of procedures taken to complete the Corporate Governance System during 2022 and how they are applied

- 1- Orient Takaful (Public Joint Stock Company) was established in 2016 and registered with the Securities and Commodities Authority on 02/06/2017. It was listed on the Dubai Financial Market on 22/06/2017 and obtained the registration certificate from the Insurance Authority on 16/07/2017.
- 2- The Company has been keen to meet all the requirements specified in the decision issued by the Board of Directors of the Securities and Commodities Authority No. 7/2016 on the standards of corporate discipline and corporate governance. The company has implemented the requirements of governance as follows:
 - 1) Direct the committees emanating from the Board of Directors to carry out their work.
 - 2) The Internal Control Department shall carry out the role entrusted to it during the year ended 31/12/2022.
 - 3) Work in accordance with internal policies approved by the Board of Directors.
 - Subscription policy and risk management policy
 - Reinsurance policy
 - The Company's credit policy and the policy of making provisions for doubtful debts
 - Anti-money laundering and combating the financing of terrorism policy
 - Guide to the rules and procedures of governance
 - Political organization of relationship with stakeholders.
 - Disclosure and transparency policy
 - Rules for the transactions of insiders
 - Guide to internal control procedures.
- 3- The Board of Directors has followed the performance and work of the Director of Investor Relations Department in accordance with the regulations and laws.
- 4- The Board of Directors has followed up the performance and work of each of its committees, including the Internal Audit and Audit Committees, the Nomination and Remuneration Committee and ensuring that their work is consistent with the general rules of governance.
- 5- During 2022, a number of the company's employees attended several workshops explaining various matters related to the rules of corporate governance and institutional discipline.
- 6- The company is keen to exercise its transparency with respect to the dates and methods of disclosure of financial statements with compliance with all provisions and decisions of the Securities and Commodities Authority.
- 7- Commitment to complete the governance report including a detailed picture of the steps of applying the rules of governance as well as the annual report and all the financial statements and presenting them to the members of the general assembly before they are held in a timely manner to enable the general assembly to review these and make their decisions.

2- A statement of ownership and transaction of the members of Board Directors and spouse and children thereof in the company's securities during 2022

No	Name	Title / Relationship	Own shares as on 31/12/2022	Total Sale	Total Purchase
1	Mr. Yousuf Ali Ahmad Obaid Binzayed Al Falasi	Chairman	None	None	None
2	Mr. Yousuf Ali Shahdad Rahma Al Raeesi	Vice Chairman	None	None	None
3	Mr. Hussain Murad Mohamed Ali Al-Blooshi	Director	None	None	None
4	Ms. Aysha Abd-Elsalam Ebrahim Mohamed Al-bastaky	Director	None	None	None
5	Mr. Syed Muhammad Asim Syed Mujtaba	Director - CEO	None	None	None

**Since the members of the board of Orient Takaful (public shareholding) and their spouses and children do not own any of the shares of the company, there is no trading transactions on the company's shares from the members of the Board of Directors during the year 2022, whether from the members of the Board of Directors, their relatives or others.

3- Composition of the board

1) A statement of current Board of Directors (BOD)

No	Name	Category	Experience/Qualifications	
1	Mr. Yousuf Ali Ahmad Obaid Binzayed Al Falasi	Non-Executive/ Independent	General Manager Facilities Management, Al-Futtaim Engineering Company	Bachelor of Engineering
2	Mr. Yousuf Ali Shahdad Rahma Al Raeesi	Non-Executive/ Independent	Consultant, Legal & BS Group, ADCB	
3	Mr. Hussain Murad Mohamed Ali Al-Blooshi	Non-Executive/ Independent	Director of the Department of Security, Health and Safety At Al-Futtaim Group	Diploma of Leadership in Humanitarian and Development Work
4	Ms. Aysha Abd-Elsalam Ebrahim Mohamed Al-bastaky	Non-Executive/ Independent	Marketing Manager, Al Futtaim Engineering Company	Bachelor of Public Relations
5	Mr. Syed Muhammad Asim Syed Mujtaba	Executive/ Non-Independent	Executive Vice President of Sales and Branches at Orient Insurance Company from 2005 to 2017	Bachelor of Commerce

No	Name	Period served as BOD member of the company since his first election	Membership of other joint-stock companies	Positions in important control, governmental or trade positions	Remarks
1	Mr. Yousuf Ali Ahmad Obaid Binzayed Al Falasi	6 Years	None	None	
2	Mr. Yousuf Ali Shahdad Rahma Al Raeesi	5 Years	None	None	
3	Mr. Hussain Murad Mohamed Ali Al-Blooshi	1 Year and 9 months	None	None	
4	Ms. Aysha Abd-Elsalam Ebrahim Mohamed Al-bastaky	1 Year and 9 months	None	None	
5	Mr. Syed Muhammad Asim Syed Mujtaba	6 Years	None	None	

2) A statement of women's representation in the board in 2022

The representation of female membership of the board in 2022 is 20%.

3) Directors' remunerations and sitting fees

• The remunerations paid to the members of Board of Directors for 2022

Concerning the year 2022, all directors dispensed with their remunerations and no remunerations were released.

• Total remunerations proposed to be paid to the members of the Board of Directors for the year 2022, which shall be presented in the Annual General Assembly for approval:

Concerning the year 2022, all Directors dispensed with their remunerations for 2022, so there are no recommendations regarding the distribution of remunerations that can be presented in the Annual General Assembly Meeting.

• A Statement of the details of attendance allowances for attending the sessions of Board and committees constituted by the BoD, which were paid to the BoD members for the fiscal year 2022:

All directors, including the members of Board and Constituted committees, dispensed with all allowances of attendance of Board meetings and Board Sub-committees' meetings, and no allowances were released to them.

No	Name	Allowances of attending the board committees		
		Committee	Allowance	Number of Meetings
1	Mr. Hussain Murad Mohamed Ali Al-Blooshi	Audit Committee	None	2/4
		Nomination & Remuneration	None	1/1
2	Mr. Yousuf Ali Shahdad Rahma Al Raeesi	Audit Committee	None	4/4
		Nomination & Remuneration	None	1/1
3	Ms. Aysha Abd-Elsalam Ebrahim Mohamed Al-bastaky	Audit Committee	None	3/4
		Nomination & Remuneration	None	0/1

** There are no additional allowances, salaries, or fees that members of the Board of Directors' charge, including those attending committees.

A Statement of Attendance of Board Members to Board Committees:

<u>Name</u>	<u>Audit Committee</u>	<u>Nomination & remuneration</u>	<u>Investment Committee</u>	<u>Committee for Supervision of Insiders' Trading</u>
Mr. Yousuf Ali Shahdad Rahma Al Raeesi	4 Meetings	1 Meeting	Not a member	Not a member
Mr. Hussain Murad Mohamed Ali Al-Blooshi	2 Meetings	1 Meeting	1 Meeting	Not a member
Ms. Aysha Abd-Elsalam Ebrahim Mohamed Al-bastaky	3 Meetings	Nil	Nil	Nil
Mr. Syed Muhammad Asim Syed Mujtaba	Not a member	Not a member	1 Meeting	1 Meeting
Mr. Meenachi Sundaram (Board secretary and Committee Member)	Not a member	Not a member	Not a member	1 Meeting

4) The numbers and dates of BOD meeting held during the FY 2022 as well as the attendance frequency by all the members, in person and by proxy

Board of Orient Takaful (PJSC) held (4) meetings during the year 2022 according to the following details:

<u>Meeting</u>	<u>Date of Meeting</u>	<u>No. of Attendees</u>	<u>No. of Attendees by Proxy</u>	<u>No. of Absent Members</u>
First Meeting	2022/02/11	4	NIL	Mr. Hussain Murad Mohamed Ali Al-Blooshi
Second Meeting	2022/05/10	5	NIL	NIL
Third Meeting	2022/08/10	4	NIL	Mr. Hussain Murad Mohamed Ali Al-Blooshi
Fourth Meeting	2022/11/08	4	NIL	Ms. Aysha Abd-Elsalam Ebrahim Mohamed Al-bastaky

A Statement of Attendance of Board Members to Board Meetings:

<u>Name</u>	<u>Meeting/Meeting Date</u>			
	<u>First Meeting 11/02/2022</u>	<u>Second Meeting 10/05/2022</u>	<u>Third meeting 10/08/2022</u>	<u>Fourth Meeting 08/11/2022</u>
Mr. Yousuf Ali Ahmad Obaid Binzayed Al Falasi	Attended	Attended	Attended	Attended
Mr. Yousuf Ali Shahdad Rahma Al Raeesi	Attended	Attended	Attended	Attended
Mr. Syed Muhammad Asim Syed Mujtaba	Attended	Attended	Attended	Attended
Mr. Hussain Murad Mohamed Ali Al-Blooshi	Absent	Attended	Absent	Attended
Ms. Aysha Abd-Elsalam Ebrahim Mohamed Al-bastaky	Attended	Attended	Attended	Absent

Number of times of personal attendance of board members:

Mr. Yousuf Ali Ahmad Obaid Binzayed Al Falasi	4 times
Mr. Yousuf Ali Shahdad Rahma Al Raeesi	4 times
Mr. Syed Muhammad Asim Syed Mujtaba	4 times
Mr. Hussain Murad Mohamed Ali Al-Blooshi	2 times
Ms. Aysha Abd-Elsalam Ebrahim Mohamed Al-bastaky	3 times

The numbers and dates of BOD decisions by circulation during the FY 2022

Two Meetings were held by Circulation as follows:

- 1- First Meeting Dated: 24/03/2022
- 2- Second Meeting Dated: 26/09/2022

- 5) **A statement of the BOD` tasks and functions which were performed by the Executive Management pursuant to an authorization by the BoD to the management, stating the period and validity of the delegation**

The Company's board assigned the company's executive management to assume the following duties and competences:

Name of authorized person	Delegation authority	Duration of Delegation
Syed Muhammad Asim Chief Executive Officer "Managing Director"	<p>All the necessary powers to carry out the administrative and technical requirements of the company, including for example:</p> <ul style="list-style-type: none"> -Daily management of the company. -Annual budget arrangement. -Put the necessary insurance for the company. -Appointing and isolating employees, consultants and contractors and determining their duties and rewards inside and outside the country. -Representing the company in all natural and legal entities, ministries, committees, committees, boards, references, civil departments, companies and private entities. Signing all contracts, transactions, correspondence and documents related to the company's business. -Follow up the establishment, processing and operation of new branches and premises and take the procedures of its establishment. <p>In general, the Company is represented in all the activities required for the conduct of its business and activities or related to and related to its practice within the United Arab Emirates and other countries.</p>	<p>The executive management of the company shall carry out the functions and responsibilities entrusted to it under a delegated authority from the Board of Directors, subject to continuous review by the Board. These powers shall remain in force unless they are canceled or undermined by the Board of Directors.</p>

- 6) **Statement of the details of transactions made with related parties (stakeholders)**

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 shareholders.

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

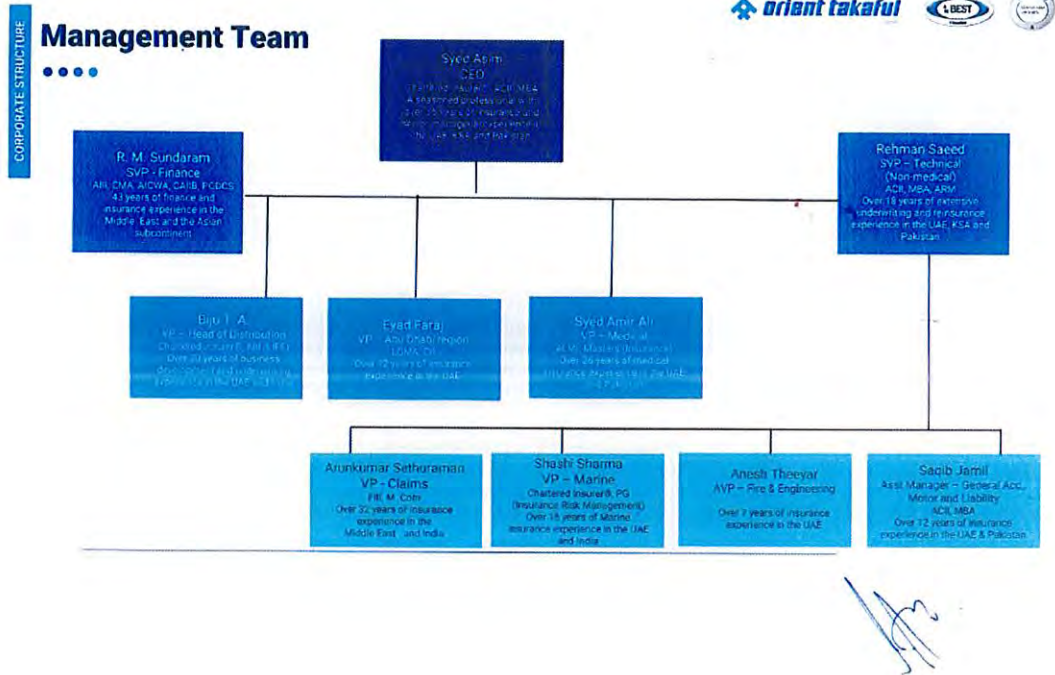
Gross written contribution	110,751,959
Retakaful contribution	74,211,045
General and administrative expenses	1,658,922
Claims reported	36,209,701
Due from related parties	26,224,185
Due to related parties	65,712,968

Compensation of Key Management Personnel

Short term benefits	2,573,127
End of service	450,794

Related Parties	Nature of Relationship	Type of Transactions	Value of the Transactions
<u>Due From related parties</u>			
Al Futtaim Motors	Part of same group as Orient Insurance PJSC	Insurance	8,892,910
Al Futtaim Willis Co	Part of same group as Orient Insurance PJSC	Insurance & Reinsurance	9,744,385
Other Related Parties	Part of same group as Orient Insurance PJSC	Insurance	7,586,890
<u>TOTAL Due from Related Parties</u>			26,224,185
<u>Due To related parties</u>			
Orient Insurance PJSC	Shareholder	Inter Company Transactions	60,721,556
Al Futtaim Motors			278,323
Al Futtaim Auto Centre	Part of same group as Orient Insurance PJSC	Repair Charges for Motor Claims	2,460,489
Al Futtaim Trading Enterprises	Part of same group as Orient Insurance PJSC	Repair Charges for Motor Claims	258,714
Other Related Parties		Inter Company Transactions	1,993,886
<u>TOTAL Due to Related Parties</u>			65,712,968

7) **The company's organizational structure:**



8) **A detailed statement of the senior executives as the company's organizational structure and their positions and appointment dates and the total salaries and benefits paid thereto**

No	Name	Title	Date of appointment	Total salaries and allowances paid in 2022 (AED)	Total bonuses paid in 2022 (AED)
1	Syed Muhammad Asim	Chief Executive officer	01/04/2017	1,508,926	Not paid yet
2	Meenachi Sundaram	Senior Vice president Finance	09/04/2017	578,428	Not paid yet
4	Rehman Saeed	Vice president Technical	18/04/2017	473,553	Not paid yet
5	Biju Anthappen	Vice President Abu Dhabi Branch	28/04/2020	363,964	Not paid yet
6	Eyad Amer Khalil Faraj	Vice President Sharjah Branch	08/11/2020	344,211	Not paid yet
Total				3,269,082	

**No Bonuses were paid for 2022, and the expected time of release of the Bonuses is 30/04/2023.

4- External auditor

A. Brief of the external auditor of the companies to the shareholders

KPMG assumes the external auditing works of the company. It is one of the international auditing companies that has branches in most countries of the world and is trusted by many leading international companies. It is auditing company approved in the state and assumes auditing of the company's account since 2018. According to the follow up of auditing works of the company during those years, the external auditor performed his works honestly, independently, and neutrally, and appointment was made in accordance with the company's general meeting dated 13/04/2022.

B. Statement of the fees or costs of auditing or services provided by the external auditor

During the year 2022, the Company paid AED 230,000 as fees to the external auditor. This amount was paid against the quarterly audit of the Company's accounts, the final annual review and the verification of the financial statements of the Company and whether there is a violation of the provisions of the Articles of Association of the Company and/or the Corporate Law, During the financial year ended 2022, as part of the fees, the auditor shall attend the Annual General Meeting of the Company, as well as express his opinion on the budget during that meeting and verify the procedures followed for the announcing/holding of this meeting.

Name of Auditing Company and Partners' Name	KPMG Partner Name: Adil Abid
Number of years spent as external auditor of the company	5
Number of years Partner auditor spent auditing the company's accounts	5
Total auditing fees of financial statements for 2022 (AED)	160,000
The fees and costs of special services other than auditing of financial statement in 2022	70,000
Details and nature of other services provided	Authority Supervision Requirements
Statement of the other special services submitted by another external auditor than the company's auditor during 2022	None

C. Indication of the company's auditor reservations included in the interim and annual financial statements for the year 2022

As per quarterly, half yearly and annual reports, we did not recognize any reservation from external auditors.

5- Audit Committee

I, **Chairman of the Audit Committee**, acknowledge my responsibility for the Audit committee system at the company, review of its work mechanism and ensures its effectiveness.

A. The names of members of the audit committee, and a statement of its functions and duties assigned thereto

The audit committee consist of the following board members:

Mr. Yousuf Ali Shahdad Rahma Al Raeesi	Head of Committee	Independent / Non-Executive
Mr. Hussain Murad Mohamed Ali Al-Blooshi	Member	Independent / Non-Executive
Ms. Aysha Abd-Elsalam Ebrahim Mohamed Al-bastaky	Member	Independent / Non-Executive

Functions and duties of audit committee:

- a- To set and implement the policy of entering into contract with the external auditor and refer the board report that defines the matters it finds necessary to take measure in their respect and to present recommendations of the steps to be taken.
- b- To follow up and control the independence and objectivity of external auditor, and to discuss him about the nature, scope and effectiveness of auditing in accordance with the approved auditing standards.
- c- To control the safety of the company's (Annual, semi-annual and quarterly) financial statements and reports and to audit them as part of its normal work during the year, after closure of accounts in any quarter, and shall focus on the following:
 - Any changes to the accounting policies and practices.
 - Highlighting the sides which are subject to the management's assessment
 - Material amendments that result from auditing.
 - Assuming continuity of the company's work.
 - Compliance with the accounting standards to be decided by the Authority.
 - Comply with the rules of listing, disclosure and other legal requirements related to preparation of financial reports.
- d- Coordinating with the company's board, executive department, financial manager or manager in charge of the same duties in the company for performance of its duties. The committee shall meet with the company's auditors at least once per year.

- e- Consider any important and extraordinary items that are contained or may be contained in those reports and accounts and draw the due attention to any matters to be raised by the company's financial manager or the manager who assumes the same duties, compliance officer or auditors.
- f- Review the financial control and internal control systems and risk management of the company.
- g- Discuss the internal control system with management and assure its performance of the duty of creating effective internal control system.
- h- Consider the key results of investigation of the internal control matters to be assigned by the board or initiated by the committee and management's approval.
- i- Assure coordination between the company's auditors and external auditor and assure availability of the necessary resources to the internal auditing staff and review and control the effectiveness of this staff.
- j- Review the financial and accounting policies and procedures of the company.
- k- Review the external auditor's letter and work plan and any essential inquiries to be raised by the auditor to the executive department in connection with the accounting records, financial accounts or control systems and recuse and approve them.
- l- Assure the board's timely response to the inquiries and essential matters raised in the external auditor's letter.
- m- Set the controls that enable the company's employees to report any potential violations in the financial reports, internal control or other matters confidentially and the steps that guarantee independent and fair investigations of those violations.
- n- Control the company's compliance with the rules of professional conduct.
- o- Guarantee application of the rules of work of its duties and the capacities assigned thereto by the board.
- p- Present report to the board on the matters contained in this item.
- q- Consider any other topics to be defined by the board.

B. The numbers and dates of the meetings held by the audit committee during the year 2022 to discuss issue related to financial statements and any other issues, and a statement of the attendance frequency in person by the committee`s members

Meeting	Date of Meeting	Agenda
First Meeting	11/02/2022	Review the company's annual financial results for the year ended 31/12/2021
Second Meeting	10/05/2022	Review the Company's financial results for the first quarter ended 31/03/2022 and review and evaluate the internal control and risk management system
Third Meeting	10/08/2022	Review the Company's financial results for the first quarter ended 30/06/2022 and review and evaluate the internal control and risk management system
Fourth Meeting	08/11/2022	Review the Company's financial results for the first quarter ended 30/09/2022 and review and evaluate the internal control and risk management system

<u>Name</u>	<u>Meeting/Meeting Date</u>				<u>No. of Times Attended</u>
	<u>First Meeting 11/02/2022</u>	<u>Second Meeting 10/05/2022</u>	<u>Third meeting 10/08/2022</u>	<u>Fourth Meeting 08/11/2022</u>	
Mr. Yousuf Ali Shahdad Rahma Al Raeesi	Attended	Attended	Attended	Attended	4 Out of 4
Mr. Hussain Murad Mohamed Ali Al-Blooshi	Absent	Attended	Absent	Attended	2 Out of 4
Ms. Aysha Abd-Elsalam Ebrahim Mohamed Al-bastaky	Attended	Attended	Attended	Absent	3 Out of 4

6- Nominations and Remunerations committee

I **Chairman of the Nominations and Remunerations committee**, acknowledge my responsibility for the Nominations and Remunerations committee system at the company, review of its work mechanism and ensures its effectiveness.

A. The names of members of the Nomination and Remunerations committee and a statement of its functions and duties assigned thereto

The nominations and remunerations committee consist of the following board members:

Mr. Yousuf Ali Shahdad Rahma Al Raeesi	Head of Committee	Independent / Non-Executive
Mr. Hussain Murad Mohamed Ali Al-Blooshi	Member	Independent / Non-Executive
Ms. Aysha Abd-Elsalam Ebrahim Mohamed Al-bastaky	Member	Independent / Non-Executive

Functions and duties of nominations and remunerations committee:

- 1- To assure independence of the independent directors on continuous basis. If the committee found that a director missed the conditions of independence, the company shall refer the matter to the company's board.
- 2- Prepare the policy of remunerations, benefits, incentives and salaries of the company's board and annually reviewing it. The committee shall assure that the remunerations and benefits granted to the senior executive department of the company is reasonable and suitable to the company's performance.
- 3- Define the company's needs of competences on the level of senior executive department and employees and basis of choice of them.
- 4- Prepare the human resources and training policy of the company and control application and review of it on annual basis.
- 5- Organize and follow up the procedures of nomination to the board membership in accordance with the applicable laws and regulations and the provisions of the Securities and Commodities Authority Board Resolution No 7/R.M of 2016.

B. The numbers and dates of the meetings held by Nominations and remunerations committee during the year 2022, stating the frequency of attendance in person by the all the members of the committee

Meeting	Date of Meeting	Agenda
First Meeting	2022/11/08	<ul style="list-style-type: none"> Review the functions of the Committee in accordance with Article 47 of the decision of the Board of Directors of the Securities and Commodities Authority No. 7/R.M of 2016 on the standards of corporate discipline and corporate governance To verify the status of the independent members of the Board and the extent to which the members are independent. Review the policy of candidacy for membership of the Board of Directors, as outlined in the previous corporate governance guide. Annual review of the policy of granting bonuses and benefits to the Board members and employees of the company. Annual review of the company's needs for the competencies of executive management and staff and the basis of their selection Annual review of HR policy and training. Annual review of the Board structure

Name	Meeting/Meeting Date	No. of Times Attended
	First Meeting 2022/11/08	
Mr. Yousuf Ali Shahdad Rahma Al Raeesi	Attended	1 Out of 1
Mr. Hussain Murad Mohamed Ali Al-Blooshi	Attended	1 Out of 1
Ms. Aysha Abd-Elsalam Ebrahim Mohamed Al-bastaky	Absence	Nil Out of 1

7- Insiders' Trading Follow up and supervision Committee

I, **Chairman of the Committee for Supervision of Insiders' Trading**, acknowledge my responsibility for the Insiders' Trading Follow up and Supervision committee system at the company, review of its work mechanism and ensures its effectiveness.

A. Names of the members of the Insiders` Trading Follow up and supervision Committee and a statement of its functions and duties assigned thereto

The committee for Supervision of Insiders' Trading activities consist of the following board members:

Ms. Aysha Abd-Elsalam Ebrahim Mohamed Al-bastaky	Head of Committee	Independent / Non-Executive
Mr. Syed Muhammad Asim Syed Mujtaba	Member	Independent / Executive
Mr. Meenachi Sundaram Raja Raman	Member	Independent / Non-Executive

B. A summary of the Committee's activities in 2022

First: Competences and duties of Insiders' Trading Follow Up and Supervision of the Committee

- 1- Review and control of the customer trading policies, including the periodic changes to be made thereto.
- 2- Receive and review the reports of trading operations done by customers.
- 3- Study and grant prior approval of the requests of trading of shares, bonds and securities (possession/ purchase/ and other authorized activities).

Second: Duties of Insiders' Trading Follow Up and Supervision of the Committee shall undertake the following duties:

- 4- Meet at least twice per year to follow up and supervise the customer transactions.
- 5- Review and control the trading policy of customers on annual basis in accordance with the rules of transactions and transparency and carry out the periodic changes, if necessary, to be in line with the changes of governing laws and decisions.
- 6- Receive and review the trading reports prepared by customers (by the end of each quarter) and carry out periodic control of the customer transactions in Dubai Financial Market to guarantee customer compliance with the trading policy of the company and assure validity of the declarations submitted by customers.
- 7- Receive the previous requests of securities trading and evaluate them in terms of compliance with the governing legislation and procedures, and to grant approval and advise the specific decision whereby trading is allowed to customers and notify the official authorities with those requests.
- 8- Report to Dubai Financial Market and Securities and Commodities Authority the violations of trading policy requirements for customers to take the necessary decision and take the disciplinary measures against violators.
- 9- Draft the declarations of customers and supervise the contracts with external and temporary customers.

C. The numbers and dates of the meetings held by Insiders' Trading committee during the year 2022, stating the frequency of attendance in person by the all the members of the committee

Meeting	Date of Meeting	Agenda
First Meeting	2022/11/08	The committee reviewed the list of Trades on the Company's stock, during the year and noted that there have not been any transactions done on the trade of the company's stocks, and that the stock share is stable on the price of 100 AED. Accordingly, the Committee submitted its report that there were no transactions made by any of the related parties.

Name	Meeting/Meeting Date	No. of Times Attended
	First Meeting 2022/11/08	
Ms. Aysha Abd-Elsalam Ebrahim Mohamed Al-bastaky	Absence	Nil Out of 1
Mr. Syed Muhammad Asim Syed Mujtaba	Attended	1 Out of 1
Mr. R. Meenachi Sundaram	Attended	1 Out of 1

8- Investment committee

I, **Chairman of the Investment Committee**, acknowledge my responsibility for the Investment committee system at the company, review of its work mechanism and ensures its effectiveness.

A- The names of members of the Investment committee and a statement of its functions and duties assigned thereto

The Investment committee consists of the following board members:

Mr. Hussain Murad Mohamed Ali Al-Blooshi	Head of Committee	Independent / Non-Executive
Ms. Aysha Abd-Elsalam Ebrahim Mohamed Al-bastaky	Member	Independent / Non-Executive
Mr. Syed Muhammad Asim Syed Mujtaba	Member	Independent / Executive

B- A summary of the Committee's functions and duties

- Review, supervise and approve the company's investments.
- Review, supervise and approve the dates of benefits for the company's investments.
- Review, supervise and approve the legal deposits and the Agency's deposits.
- Ensure that the company's investment officers follow the standards and controls contained in the decisions of the regulatory bodies and abide by them.

C- The numbers and dates of the meetings held by the Investment Committee during the year 2022

Meeting	Date of Meeting	Agenda
First Meeting	2022/11/08	Review of the company's investment portfolio

Name	Meeting/Meeting Date	No. of Times Attended
	First Meeting 08/11/2022	
Mr. Hussain Murad Mohamed Ali Al-Blooshi	Attended	1 Out of 1
Ms. Aysha Abd-Elsalam Ebrahim Mohamed Al-bastaky	Absence	Nil Out of 1
Mr. Syed Muhammad Asim Syed Mujtaba	Attended	1 Out of 1

9- Internal control system

A- The BOD's acknowledgement of its responsibility for the Internal Control System in the Company and its review of the functioning mechanism of internal control and ensuring its effectiveness

The internal control department of the company exercises its works in accordance with the provisions of article (8) of the Securities and Commodities Authority board resolution No 7/R.M of 2016 to be sufficiently independent to assume its duties and track the board directly, and he shall be responsible for the internal control system and its follow up, revision and effectiveness as provided in the attached declaration issued by the company's board.

Work mechanism of the company's internal control department

The company adopted application of the international standards for achievement of internal control to achieve the required purposes at the utmost efficiency and least economic cost. The company's internal control work mechanism includes the following:

- Reasonableness and consistency of information and data.
- Compliance of the policies plans and procedures with the regulations, laws and instructions.
- Protection of the company's assets.
- Compliance of activities, operations and programs with the specific strategic objectives and purposes, and assurance of the supervisory authority's compliance with the plans and objectives.
- Assurance of preventive control to prevent occurrence of any undesired occurrences and correct the improper acts and adoption of desired practices and encourage repetition of performance of them.
- Assure the safety and efficiency of internal control items represented in:
 - 1- Control authority
 - 2- Assessment of risks
 - 3- Internal control activities
 - 4- Information and communications
 - 5- Control and inspection
- Represented in the head of internal control department, the internal control department assumes the following:
 - Preparation of annual control plan in coordination with the auditing committee and heads of appropriate departments and heads of other departments of the company.
 - Implementation of the internal control plan which is set and approve in addition to implementation of any other duties or projects required by the board.
- The internal control manager shall refer detailed reports to the board on evaluation of the internal control system and shall highlight the notes and raise suggestions to bridge any gap that may arise in the internal control system on regular periodic basis when necessary and at any time he decides in accordance with the requirements of the control best practices.

B- The name, qualifications and date of appointment of the directors of internal control department

Mr. **Kamal Batcha Sowkath Ali** is responsible for the internal control function of the company and was appointed by the company on 11/04/2017

Academic Qualifications:

- Bachelor of Accounting
- Higher Diploma in auditing companies
- Diploma in computer applications
- Diploma in Management Sciences
- Diploma of the Indian Institute of Insurance (AIII)

Work Experience:

More Than 25 years' experience in auditing insurance companies within the UAE.

- From 2017 till date - Director of the Internal Control Department of Orient Takaful.
- From 2003 till 2016 - Director of the Internal Control Department of Orient Insurance.
- From 1996 till 2003 - Accountant of Dubai Branch - United Insurance Company -Dubai

C- The name, qualifications and date of appointment of Compliance officer

The Director of the Internal Control Department, **Mr. Kamal Batch Sowkath Ali**, acts as Compliance Officer, commissioned by the Board of Directors to ascertain the extent to which the Company and its employees comply with the laws, regulations and regulations issued.

D- How the Internal Control department handle any significant issues in the company, or issues disclosed in the annual report and accounts

The internal control department works for a specific mechanism, which is the direct dependency of the board of directors. In the event of a major problem, the company will be referred to the chairman to take the necessary steps to prevent the problem from escalating. During 2022, the company did not encounter any problems because the company deals in accordance with the generally acceptable principles and practices in accordance with the provisions of law.

E- Number of Reports issued by the Internal Control Department to the Company's Board of Directors

The following Reports have been issued by the Internal Control Department to the Company's Board of Directors.

- Four Internal Audit reports-one for every quarter.
- Two MLRO Reports on AML & CFT during the year 2022.
- Suspicious Transactions Reporting for the Year ended 2021 on 14/03/2022

10- Details of the violations committed during the year 2022, and a statement of reasons thereof, and how they addressed and how they will avoid in the future

Through the data that was submitted and continuous follow up by the board committees and internal control department, and the external auditor, it was found that there are no financial or administrative violations of 2022.

11- A statement of the cash and in-kind contributions made by the company during the year 2022 towards the local community development and environmental conservation

Orient Takaful (Public Shareholding) follows an environmental and social policy that stems from its interest in maintaining the integrity of the local environment by reducing the use of pollution-friendly tools, reducing the amount of waste recycled and reusing, and optimizing the use of resources. In addition to this, Orient Takaful (Public Shareholding) is actively practicing its social role by joining a number of governmental and private associations to enhance the external communication elements and to comply with the general development plans of the State.

As for the company's contribution during the year 2022, due to the recent establishment, the company has not disbursed any amounts.

12- General Information

A. A statement of the Company share price in the market by the end of each month during the year 2022

Table that indicates the stock price during the fiscal year 2022 that indicates the maximum and minimum price by the end of each month:

Month	Highest price		Lowest price	
January	AED	100	AED	100
February	AED	100	AED	100
March	AED	100	AED	100
April	AED	100	AED	100
May	AED	100	AED	78.50
June	AED	100	AED	100

Month	Highest price		Lowest price	
July	AED	100	AED	100
August	AED	100	AED	100
September	AED	100	AED	100
October	AED	100	AED	100
November	AED	100	AED	100
December	AED	100	AED	100

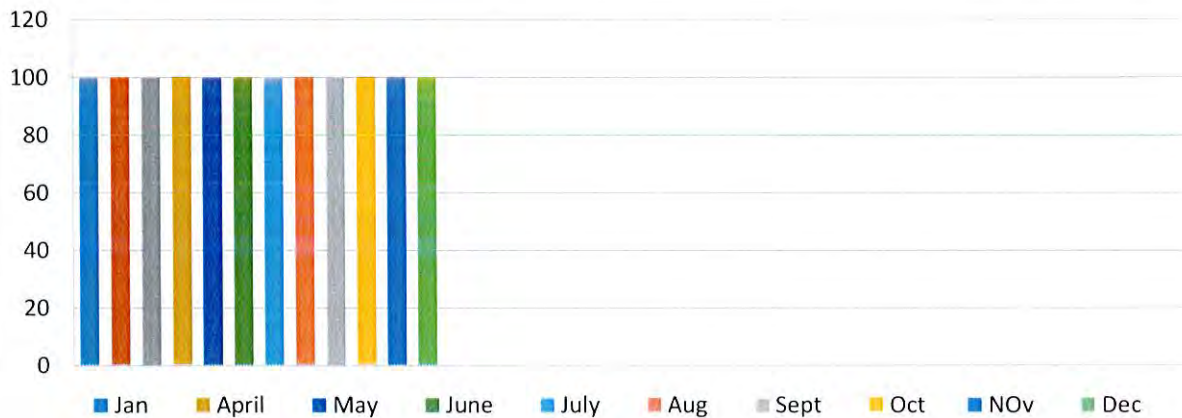
B. A statement of comparative performance of the company's share with the market index and sector index to which the company belongs during year 2022

During the year 2022 there have not been any transactions done on the trade of the company's stocks except the following: -

- A set of trades on 19.05.2022 when 237,390 shares were bought by Orient Insurance @ 78.50 per share

Except for the above deals, the stock share is stable on the price of 100 AED during the year. Therefore, the share price remained constant without any interaction with the general market index or with sector index.

A chart showing the stability of the stock price and its non-interaction with the general market index and the sector index during the year 2022



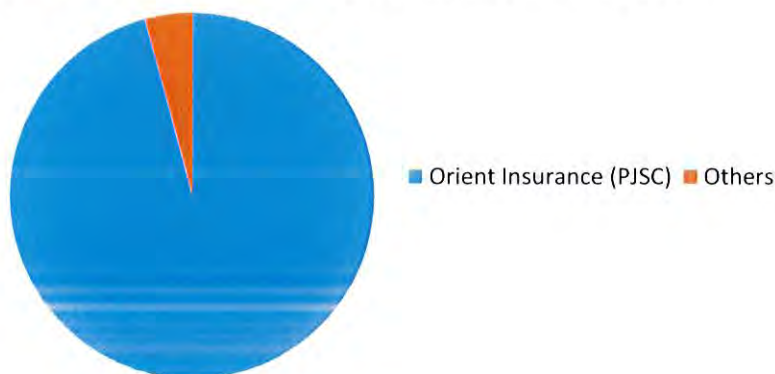
C. A statement of shareholding distribution as of 31/12/2022

No	Shareholder's classification	Percentage of own shares			
		Individuals	Companies	Government	Total
	Local	4.2244%	95.7757%	None	100.00%
	Arab	None	None	None	None
	Foreign	None	None	None	None
	Total	4.2244%	95.7757%	None	100.00%

D. A statement of shareholders who hold 5% or more of the company's capital as of 31/12/2022

No	Name	Number of own shares	Percentage of own capital shares
1	Orient Insurance (PJSC)	1,915,514	95.7757%

An illustration of shareholders holding 5% or more of the company's shares



E. A statement of shareholder's distribution by the size of equity as of 31/12/2022

No	Shareholding (share)	Number of shareholders	Number of shares owned	Percentage of capital shares owned
1	Less than 50,000	6	84,486	4.2244%
2	50,000 to less than 500,000	None	None	None
3	500,000 to less than 5,000,000	1	1,915,514	95.7757%
4	Over 5,000,000	None	None	None
TOTAL		7	2,000,000	100%

F. A statement of the procedures taken with respect to control of investor's relation taken on the controls of investors' relations

In compliance with the decisions issued in this regard, the Senior Vice-President Finance has been appointed as an Investor Relations Officer due to the availability of the required conditions of familiarity with the regulations and laws and the ability to communicate with investors.

The name and contact information of Investors' Relations Manager

Mr. **Meenachi Sundaram Raja Raman** is the Investors Relation Officer

Phone: +971 4 6017585 Mobile +971582162212

Fax +971 4 6017555 E-mail Sundaram.rajaraman@orienttakaful.ae

Link of the investor's relations webpage on the website of the company: www.orienttakaful.ae

G. Name and date of appointment for Board Secretary

Board Secretary Mr. Meenachi Sundaram Raja Raman

Date of Appointment: 13/11/2017

Qualifications: CMA, AICWA, AIII, CAIIB, PGDCS, B.Sc

Experiences: Senior Vice President - Finance

Board secretary Certification from Hawkamah / DFM

Statement of Board Secretary duties:

- Ensuring effective Corporate Governance.
- Ensure meeting attendance, effective communication and execution of meetings inputs/outputs and accurate maintenance of relating documentation and records.
- Call-out for agenda items and agenda preparation for Board and Committee meetings as well as the Annual General Assembly meeting with adequate notice.
- Discreet handling of confidential information.
- Represent the organization in a professional manner

H. A statement of the Emiratization percentage in the company as of 2022

- The Emiratization rate at the end of **2017** was 12%. The company has achieved the required points according to the points system approved by the Insurance Authority.
- The Emiratization rate at the end of **2018** was 12%. The company has achieved the required points according to the points system approved by the Insurance Authority.
- The Emiratization rate at the end of **2019** was 12%. The company has achieved the required points according to the points system approved by the Insurance Authority.
- The Emiratization rate at the end of **2020** was 12%. The company has achieved the required points according to the points system approved by the Insurance Authority.
- The Emiratization rate at the end of **2021** was 12%. The company has achieved the required points according to the points system approved by the Insurance Authority.
- The Emiratization rate at the end of **2022** was 12%. The company has achieved the required points according to the points system approved by the Insurance Authority.

I. A statement of innovative projects and initiatives implemented by the company, or which were under development during 2022

Due to the recent establishment of the company, there are no innovative projects or initiatives.



Kamal Batcha Sowkath Ali
Internal Control Department Head
Date:



Yousef Al Raeesi
Chairman of the Audit Committee
Date:



Yousef Al Raeesi
Chairman of the Nomination & Remuneration Committee
Date:



Yousuf Ali Ahmad Obaid Binzayed Al Falasi
Chairman of the Board
Date:

Date: 24/02/2023

Orient Takaful (PJSC) Board of Directors Declaration for its responsibility for the company's
Internal Control System

Board of Orient Takaful (PJSC) declares its responsibility for the internal control system of the company and effectiveness of the internal control system. The board assures that it has reviewed the works of Internal Control Committee of the Company and the duties assigned thereto in accordance with the related board resolutions of the Securities and Commodities Authority and the internal control duties.

In witnesses hereof, the board issued this declaration.



Yousuf Ali Ahmad Obaid Binzayed Al Falasi
Chairman of the Board

Environment Social & Governance Report



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Focus on
Sustainability
Development
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The 17 Sustainable Development Goals

The Sustainable Development Goals (SDGs), also known as Global Goals, are a set of 17 integrated and interrelated goals to end poverty, protect the planet and ensure that humanity enjoys peace and prosperity by 2030.



Message from Leader

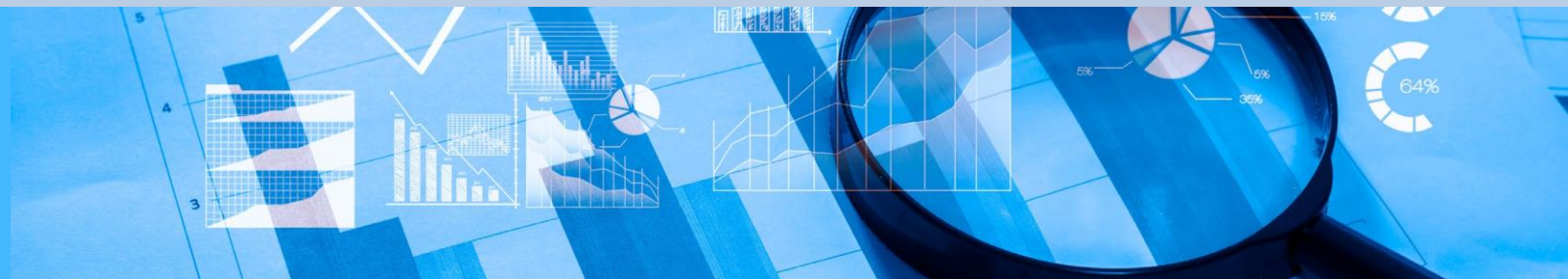
Orient Takaful PJSC (Orient Takaful), a public joint stock company registered under UAE Federal Law No.2 of 2015, aims 'To be the leading Takaful company in UAE contributing effectively to the development and growth of UAE economy through the provision of all types of Sharia compliant insurance products and services.'

- In pursuit of this Vision Statement, the Company has recently received an exemplary credit rating of 'A' from Standard & Poor's and 'A Excellent' from AM Best, amongst the highest rating in the region. This is a testament to the best practices embedded in all its procedures, insurance and operational.
- A subsidiary of Orient Insurance PJSC, the regulatory authorities that Orient Takaful reports to are the Insurance Supervision Department of the UAE Central Bank, Dubai Financial Market (DFM) and Securities and Commodities Authority (SCA). The company is listed on the DFM.
- Overall supervision is provided by a 5-member Board, supported by the Chief Executive Officer and top management team. Shariah compliance is overseen by a 3-member Shariah Board.
- Orient Takaful began its operations in 2017 with a paid-up capital of AED 200 million. Within this short span of time, Orient Takaful has attained a Takaful market share of 13%, achieving a Gross Written Premium of AED 531 million in 2022 and net profit of over AED 30 million. This growth is a testament to the company's sound practices and reputation in the Takaful industry.
- The company deals in the issuance of takaful contracts that cover all types of risks. Details are available on the website (www.orienttakaful.ae).

Scope and Methodology

This report for Orient takaful covers the activities of the company for the year 2022 and is based on the review of key policies through discussions with key personnel.

Activities undertaken within the aspects of Environmental, Social and Governance aspects are outlined in Section 3. The integration of company activities with the Sustainability Development Goals is listed in Section 4.





ESG Approach

A rapidly growing Islamic finance company, Orient Takaful is well-positioned to make ESG a core driver of growth. The company plans to develop a multi-dimensional ESG strategy that will be guided by common Islamic and socially responsible principles of being good for society and the environment, transparency and fairness. This is particularly relevant in the context of UAE's intention to host COP28 in 2023.

In June 2020, the UN Environment Programme's Finance Initiative issued its Principles for Sustainable Insurance (PSI) to tackle a wide range of sustainability risks.



Principle 1 : We will embed in our decision-making environmental, social and governance issues relevant to our insurance business.

Principle 2 : We will work together with our clients and business partners to raise awareness of environmental, social and governance issues, manage risk and develop solutions.

Principle 3 : We will work together with governments, regulators and other key stakeholders to promote widespread action across society on environmental, social and governance issues.

Principle 4 : We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

Orient Takaful plans to implement these principles in a staged manner, embedding them within the scope of its business goals. The first stage involves creating a strategy and awareness among all stakeholders:



ORIENT TAKAFUL ESG APPROACH 2022

Environmental: Energy, Water, Waste

Orient Takaful is incorporating the philosophy of managing energy and water usage into its company culture, through

- Training and creating awareness among staff.
- Setting up of a suggestion scheme to encourage further awareness.
- Encouraging individual responsibility for achieving the Dubai goal for 30% reduction in emissions by 2030, such as by ensuring all lights are shut off after office hours.
- Saving energy by using energy saver LED bulbs for office lighting.
- Saving water by monitoring taps regularly for any leakage in plumb lines.

The company encourages employees to adopt the mandate of Reduce, Reuse, Recycle wherever possible. Given the nature of business, an area where the company is already able to make a contribution is controlling paper waste.

Several steps are taken to optimise paper usage:

- Motor Claims files, which are over 35% of total claims, are scanned and physically stored with an outside agency Infofort. Finance files are also being scanned.
- A link is sent to clients for payment of premium online.
- The Core Insurance System provides necessary features so that the documents can be scanned and stored at each policy level, so that when a claim is registered, the claims team can access all these documents through the application, rather than obtaining physical copies from the underwriting teams.
- Reducing printouts and re-using printed paper as rough writing pads etc. where possible.





SOCIAL

Orient Takaful recognises the importance of focusing on the triple bottom line of People, Planet and Profit and manages its Human Capital through a set of policies that ensure a fair and equitable framework is followed.

Policies for HR are driven by the Al Futtaim Group to ensure parity and a coordinated approach amongst its companies. As a young company with plans to grow and retain its talent, Orient Takaful takes a personalised approach to managing its employees and partnering with them in their aspirations.

HUMAN CAPITAL

The HR team has issued detailed policies to manage the multicultural team with transparency and fairness. Some key policies that improve engagement and productivity are :

- Recruitment Policy : provides guidelines for internal, external and temporary recruitment, selection processes and onboarding.
- Emiratisation and Diversity : encourages diversity of gender and nationality by setting rules for the maximum number of people from a single country in any department.
- Performance Management : aligns objectives to overall strategy through the use of Balanced Score Card, regular reviews, the 360-degree feedback process and reward policies that recognize special contributions.



EMPLOYEE TRAINING AND DEVELOPMENT

The Al Futtaim Group has an extensive Performance Management System. As part of a focussed effort to improve employee prospects and performance, training calendars are prepared annually. The company gives access to a wide range of training courses, both online & classroom, available on the online employee portal known as IGROW.



HEALTH AND SAFETY

For its employees, Orient Takaful ensures full compliance with health and safety requirements including First Aid training and fire drills. Medical insurance is provided to all staff, while at senior levels, family cover is also provided. Maternity cover and pre-natal and post-natal care are provided for women.

The company also sponsors recreation events such as Sports Day and specific health and wellness activities to foster teamwork and well-being in the workplace.



Research has shown that a well-thought-out and strategic diversity and equality policy facilitates employee satisfaction, retention and creativity. In addition, Orient Takaful's diverse workforce helps the organisation appeal to a wider customer base that is representative of the UAE's population.

Nationality Distribution	Male	Female
Emirati	1	10
Egyptian	2	
Indian	32	15
Jordanian	4	
Kenyan	1	
Sri Lankan	4	
Filipino	3	5
Pakistani	31	3
Palestinian	1	
Sudanese		1
Syrian	2	
TOTAL	81	34

Ensuring Board diversity, one of the 5 directors on the Board of Orient Takaful is a lady member. 30% of the employees are women.



FEEDBACK AND GRIEVANCE MECHANISM

The suggestion scheme provides opportunities to all staff to contribute to the company's performance. Employees are encouraged to provide suggestions not just in environmental initiatives but in any area where there is a room for enhancement. Taking responsibility and working well with internal and external customers is rewarded through a recognition system of Employee of the Quarter, On The Spot Award, Annual Sales Award and Long Service Awards.

The Al Futtaim Group has in place a grievance code which aims to provide a means of formally communicating grievances and ensuring their timely and equitable settlement by contacting Employee Services online or via the telephone.



FINANCIAL PRODUCT SAFETY

In addition, feedback is received in the form of Employee Engagement surveys, as well as Exit Interviews. HR also uses other forms of inputs from the employees by way of periodical department meetings and other open forums.

The HR department annually conducts online employee engagement surveys that measures various work-related factors such as Alignment, Loyalty, Organisational environment, Customer focus, Performance & Recognition, Empowerment, and Growth & Development. Time bound impact plans are formulated by every department on the basis of the Engagement Survey results. The most recent survey had response rate of 94%.

The employees can also obtain free independent confidential legal advice in relation to whistle blowing from the following external contact: Group Legal Counsel: Ethics toll-free line on 800-ETHICS (800 384427) or on email to ethics@alfuttaim.ae.

SUSTAINABLE INSURANCE

According to the UNEP FI, “Sustainable insurance is a strategic approach where all activities in the insurance value chain, including interactions with stakeholders, are done in a responsible and forward-looking way by identifying, assessing, managing and monitoring risks and opportunities associated with environmental, social and governance issues. Sustainable insurance aims to reduce risk, develop innovative solutions, improve business performance, and contribute to environmental, social and economic sustainability.”

A detailed analysis of risks and how they are managed is presented in the audited financial statements which is available on the Company website as well as regulator’s website.



PRODUCT MANAGEMENT

Policies and products are designed in keeping with Customer requirements with respect to product features, competitive pricing, delivery and policy servicing including claims handling.

Specific aspects are:

- Every customer is provided with a copy of the policy together with all applicable terms, conditions, warranties and exclusions.
- Products offered by the company are displayed on the Company as well as websites of partners such as online brokers

FINANCIAL PRODUCT SAFETY, REMEDY AND GRIEVANCE MECHANISM FOR CLIENTS



Orient Takaful ensures that the transparency is at the heart of every transaction. At Orient Takaful all products, at the time of product design, are reviewed and approved by the Company's Shariah Board.

For any concerns, customers can contact "CustomerCare@orienttakaful.ae". Issues are reviewed by the CEO's office for appropriate action and remedial measures. In the spirit of transparency, customers are encouraged to escalate to the Dispute Committee if they feel the matter merits further attention.



AREA

Privacy and Data Security

Responsible Investment

ACTIVITY / PROJECT

As part of the Al Futtaim Group, Orient Takaful follows the Group policy to govern and protect the confidentiality, integrity and availability of information.

In addition, Orient Takaful is working with Al Futtaim IT team to ensure compliance with ADHICS and NESAs guidelines issued by the regulator relating to Data Privacy and Data Security.

Orient Takaful's key investments are in Wakala deposits held with Islamic Financial Institutions in accordance with requirements for a Takaful company.

Partnerships

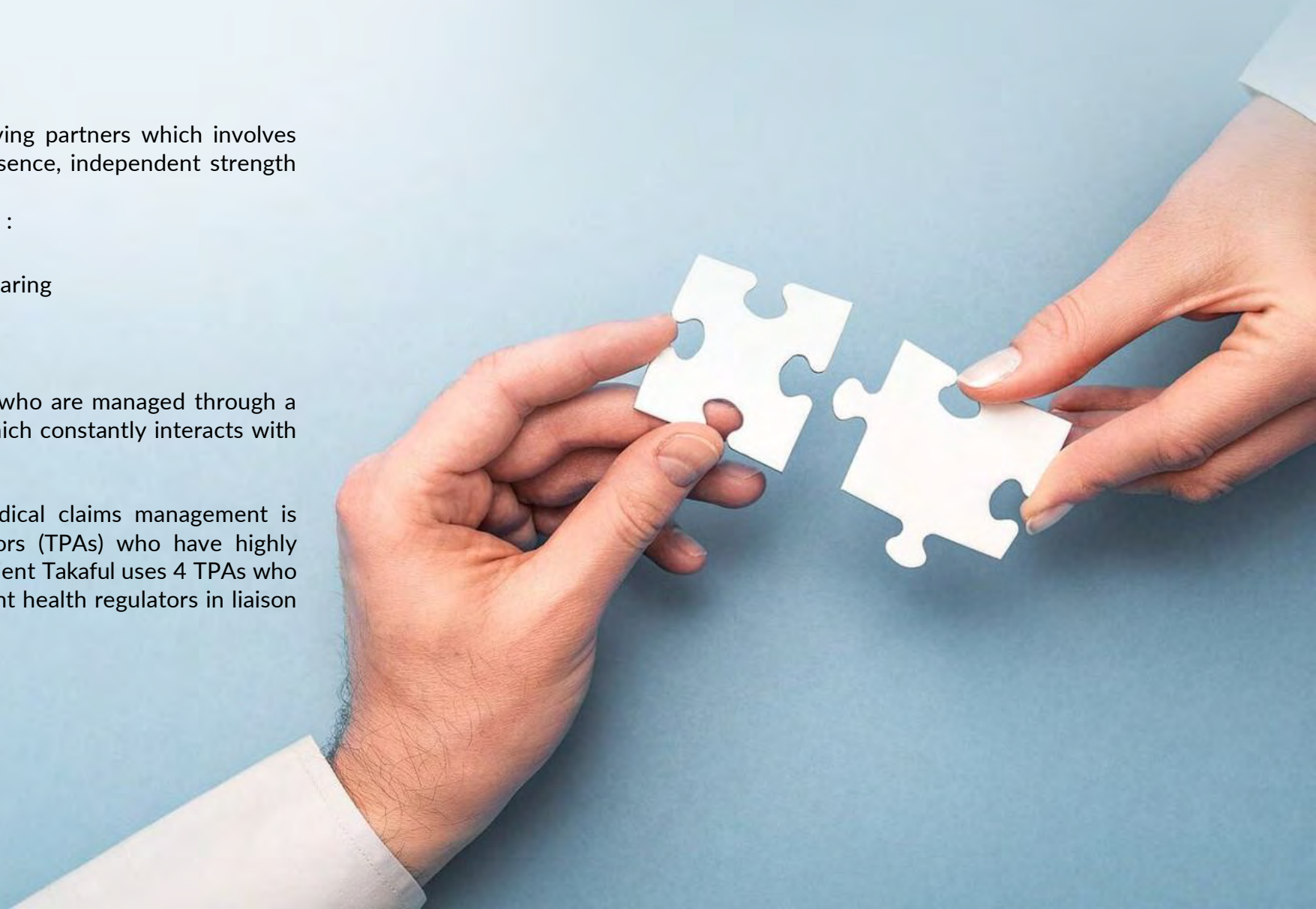
The Company has a process for approving partners which involves assessing their credit rating, market presence, independent strength of the organization and market feedback.

Orient Takaful 's key partnerships include :

- Reinsurers
- Other insurance companies for risk sharing
- Brokers
- Third Party Administrators (TPAs):

There are about 115 regulated brokers who are managed through a dedicated Broker Management Team which constantly interacts with them.

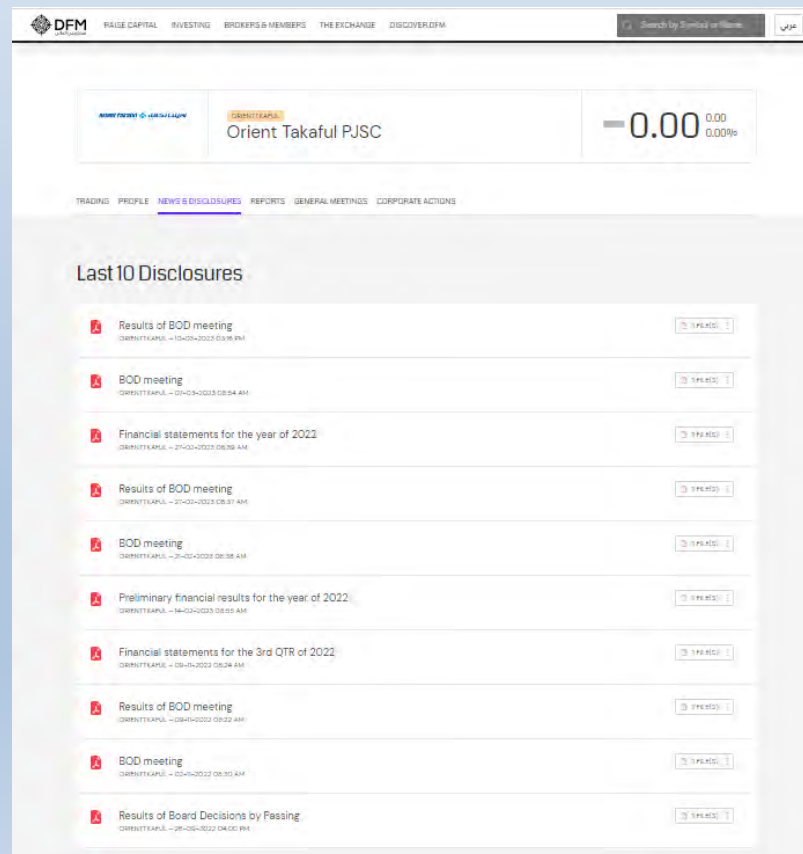
Highly specialized activity like the Medical claims management is outsourced to Third Party Administrators (TPAs) who have highly specialized knowledge of health care. Orient Takaful uses 4 TPAs who are licensed and regulated by the relevant health regulators in liaison with Insurance regulators.



Governance

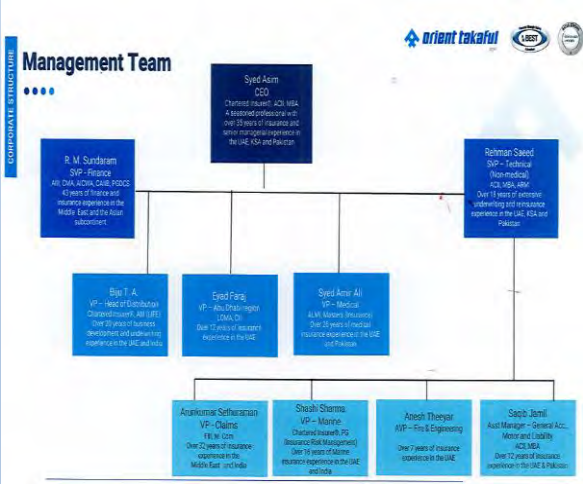
All requirements relating to the disclosures of the financial statements as required by DFM, Securities and Commodities Authority and UAE Central Bank are adhered to by the company within the timelines prescribed for the same.

These include the Corporate Governance report which is published on DFM as well as the company website.



BOARD AND COMMITTEES

The company is a subsidiary of Orient Insurance PJSC and follows all practices related to governance, internal control and audit. There is a 5-member Board which oversees all activities with the help of a management team to which authorities have been delegated. The organisation chart of the senior team is displayed below.



Specific Committees have been set up to take care of key aspects and meetings are held regularly as mandated. The Committees include

- Audit Committee
- Nominations and Remuneration Committee.
- Insiders' Trading Follow up and Supervision Committee
- Investment Committee

All governance activities are reported in the Annual Governance Report published on the website.

INTERNAL CONTROLS AND AUDITS

The core operations in the company can be segregated into underwriting, claims, sales and marketing, HR and Administration, Finance, IT and Audit & Compliance.

Key procedures are outlined in the form of Manuals and SOPs. All common corporate policies are available on the Al Futtain Group intranet. Within the company, there is a shared folder for Takaful related policies / resources. Both these are available for access by any employee.

The Audit Committee is headed by an independent director and is responsible for reviewing financial control and internal control systems and risk management of the company. Internal audits are carried out by Orient Takaful's inhouse Internal audit team as well as at group level.

The internal and external audit procedures include the concurrent audit of all financial payments and in addition, Quarterly Internal Audit of selected topics or departments.

The external audit is conducted by KPMG. Along with the audited financial statements, the approval of the Shariah Board must be obtained and Fatwa from the Shariah Board must be obtained regarding the Zakat to be paid by the Shareholders, to ensure compliance with Shariah principles.



EXECUTIVE COMPENSATION

A Board Member is in charge of the nominations and remunerations committee which oversees the remunerations, benefits, incentives and salaries of the company's board and senior executives. Directors and senior executives' compensation is disclosed in the Corporate Governance Report.



BUSINESS ETHICS AND ANTI-CORRUPTION

Al Futtaim Group has clearly laid down policies with regard to Ethics and Whistle blowing. Every employee is required to undergo the Corporate Ethics Training at the time of their joining. During 2022, several workshops were held for employees to understand the rules of Corporate Governance.

TAX TRANSPARENCY

Orient Takaful ensures full compliance with VAT regulation, filing the returns in a timely fashion during each reporting period.

Focus on Sustainability

In keeping with the UAE's direction outlined in the National Committee on Sustainable Development Goals, Orient Takaful supports the implementation of the SDGs in an integrated manner.



1 NO POVERTY



NO POVERTY

Providing insurance leads to the economic protection of people, their property and their savings. It provides a safety net and prevents families from falling back into poverty. For example, health insurance can help cover medical costs, a common reason why people fall into poverty and general insurance for situations caused by accidents and natural disasters can help prevent bankruptcy in individuals and businesses.

2 ZERO HUNGER



Zero Hunger

Providing insurance for individuals/organizations in the food production value chain, leads to achieving food security and reducing hunger. Orient Takaful provides insurance for food processing industries among its clients.

3 GOOD HEALTH AND WELL-BEING



GOOD HEALTH AND WELL BEING

Health Insurance improves health care seeking behaviour and lowers/removes financial barriers to obtain healthcare. Insured households are less likely to incur devastating out-of-pocket health expenditures. The company provides health insurance to a number of companies for their employees, and special rates are offered for Frontline workers. Wellness and preventative programs are conducted for clients & general public.

Orient Takaful supports its employees as follows:-

- By providing an extensive medical cover to them.
- Through the Covid breakout by providing free quarantine (including food and medical care) at a group owned hotel facility to all staff who tested positive.
- Free testing was provided to staff and their family members.
- Work from home was facilitated by providing desktops, dongles and laptop
- Fire drills and other periodic inspections are being carried out as per the mandate of The General Directorate of Civil Defence Dubai
- Compliance with Instructions given by Dubai Health Authority (DHA) and HR guidelines to ensure the health, safety and wellbeing of staff.

4 QUALITY EDUCATION



QUALITY EDUCATION

Employees are able to provide quality education for their children as Orient Takaful ensures its employees are paid on time within market norms.

For its own staff, Orient Takaful sponsors insurance training and certifications through bearing the cost of external training, tuition and books. In addition, staff may attend the over 5000 training courses conducted by Group in-house technical training staff.

The company also supports educational institutions which impact quality education to children in the community.

5 GENDER EQUALITY



GENDER EQUALITY

Contributing to gender and cultural diversity, Orient Takaful has 30% of women in the workforce. Women are represented at various levels in the organization.

1 out of the 5 Members of the Board of Directors is a lady member.

6 CLEAN WATER AND SANITATION



Clean water and sanitation

Orient Takaful ensures that customers who walk-in have ready access to clean water.

The Company also keeps monitoring its water taps and plumb lines to ensure availability of clean water for sanitation and ensuring at the same time efficient usage of water.

As an indirect form of support, the company provides insurance for a number of utility companies.

7 AFFORDABLE AND CLEAN ENERGY



AFFORDABLE and clean Energy

In keeping with the need to contribute to the overall uptake of renewable technologies, Orient Takaful offers insurance for electric cars and autonomous cars.

Orient Insurance has put in place an Energy Optimization project. This includes using LED bulbs for office lighting as well as optimising use of centralized AC focusing on energy savings.

8 DECENT WORK AND ECONOMIC GROWTH



DECENT WORK AND EConomic growth

Orient Takaful contributes to this goal by

- Creating social and economic value for shareholders, clients, employees, through various products.

- Promoting a safe and healthy, diverse and inclusive working environment free from discrimination.

- Promoting training and professional and personal development of employees.

- Protecting labour rights with effective monitoring and control systems.

Orient Takaful has a multicultural team of more than 100 staff, There are more than 10 nationalities across the company.

Further, the company builds a safety net which supports economic growth as well as benefits the entire workforce within the community.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



INDUSTRY, INNOVATION & INFRASTRUCTURE

Providing Insurance to small and medium enterprises protects them from losses due to risks related to business, natural disasters and other catastrophes. Orient Takaful supports its SME clients with providing access to its entire gamut of commercial policies.

Providing Insurance to technology companies, R&D companies, and infrastructure companies supports industrial innovation and growth. Orient Takaful is the insurance partner with a number of infrastructure projects in the UAE.

10 REDUCED INEQUALITIES



REDUCED INEQUALITIES

The company supports a number of social organisations through its insurance policies.

11 SUSTAINABLE CITIES AND COMMUNITIES



SUSTAINABLE CITIES AND COMMUNITIES

Within its short life span, Orient Takaful has policies covering General Insurance products related to Property, Engineering, Motor, Marine, Miscellaneous Accidents and Medical. The assessment and management of risks contributes significantly to sustainability in cities and communities.

12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



RESPONSIBLE CONSUMPTION AND PRODUCTION

The insurance business drives responsible consumption and production through its format of reducing risk for all participants in the economy, which has certain pre-requisites of the insured party's performance.

In an example, Orient Takaful offers its customers a better pricing on account of No Claims in the Motor Insurance business, thus promoting better driving.

13 CLIMATE
ACTION



CLIMATE ACTION

Insurance products mitigate the effects of extreme weather events and strengthens climate change resilience. Orient Takaful's insurance policies provide the insurance cover against the damage caused due to natural disasters like earthquakes, floods, storms etc.

14 LIFE
BELOW WATER



LIFE BELOW WATER

Orient Takaful supports a number of organisations dealing with marine transport, which indirectly supports marine resources through developing a marine risk model.

15 LIFE ON LAND



LIFE ON LAND

Orient Takaful indirectly helps to combat desertification through its support of clients in the water sector. It also supports clients which operate in the Dairy Farming sector.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



PEACE, JUSTICE AND STRONG INSTITUTION

Orient Takaful contributes to an ethical, accountable, transparent, diverse, inclusive and effective governance system and to systems for controlling potential conflicts of interest in the following ways :

Orient Takaful ensures all operations and activity are within the Company's ethics, values and principles. In order to promote these behavior among stakeholders, especially employees, providers and clients, Orient has in place a

Code of Conduct and Ethics policy as well as a Whistle-blower policy

Orient Takaful has adequate systems in place for monitoring and controlling compliance with laws, agreements, commitments and goals of the Company and with due diligence mechanisms for human rights. This is done through the Internal Audit function at the Company and at Group level.

17 PARTNERSHIPS FOR THE GOALS



PATNERSHIP FOR THE GOALS

Partnering with many of the best government and private sector projects in the UAE and GCC, Orient Takaful thus has the opportunity to participate in the exchange of best practices with its market presence and partnerships with global reinsurers, TPAs and brokers, among others.

Thank You

