# Orient Takaful P.J.S.C.

## FINANCIAL STATEMENTS

### 31 DECEMBER 2024

***Contents*** ***Pages***

# REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DEC 2024

## MARKET OVERVIEW

The UAE's economic prospects are optimistic, with the Central Bank of the UAE having projected the country's GDP growth at 4.5% in 2025 & 5.5% in 2026. The IMF has projected that the UAE Economy to grow by 5.1% in 2025. This growth is driven by both oil as well as non-oil segments of the country's Gross Domestic Product. The country's economy continued to show its resilience during 2024 with real estate, tourism and transportation sectors playing a key role. The UAE insurance industry has benefited from this positive impact, as reflected in the 21% growth in the Insurance Revenue (based on published preliminary results for 2024). Thus, the outlook for the UAE Insurance Sector for 2025 and beyond remains positive.

## OPERATING ENVIRONMENT

The company continues to grow and has achieved Takaful Contract revenue of AED 868 million in 2024 (AED 640 million in 2023), recording a 36% growth rate. The company continues to focus on expanding its strategic partnerships with all leading players in the market. The company is focused on continuing in this growth path, despite the very competitive market conditions by enhancing its partnerships to further improve its market share.

## COMPANY'S OPERATIONAL PERFORMANCE

Our company is pleased to report that we have achieved a Net Profit of AED 65.4 million for the year 2024, recording a significant 30% increase from the previous year's net profit of AED 50.1 million. The company has been able to achieve this performance due to its prudent underwriting, careful management of claims and control of expenses. The company will continue to exercise these due diligence measures in order to further the growth. The results for the Policyholders' operations are at a net deficit of AED 168.4 million (Deficit of AED 126.2 million in 2023).

As a result of the above performance, the Shareholder's Equity has grown to AED 349.4 million (AED 284.0 million in 2023) demonstrating the Company's robust growth.

## 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: --

- Financial Strength Rating of A (Excellent) by AM Best
- Financial Strength Rating of 'A+' by S & P Global ratings

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

**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. : 1266734

مسجلة طبقاً للقانون الإتحادي رقم (٦) لسنة ٢٠٠٧ م
رقم شهادة : ٩٢، تاريخ ١٦ يوليو ٢٠١٧
رقم السجل التجاري : ١٢٦٦٧٣٤

## 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 | **2024** (AED '000s) | **2023** (AED '000s) | % Increase/ (Decrease) over 2023 |
|---|---|---|---|
| Takaful Contract Revenue | 867,587 | 639,820 | 36% |
| Takaful Service Expense | 836,280 | 500,410 | 67% |
| Takaful Service Result | 197,793 | 116,454 | 70% |
| Net Takaful Results | 39,645 | 27,719 | 43% |
| Surplus / (Deficit) from Takaful Operations Before Wakala Fee | 205,052 | 119,565 | 72% |
| Policyholder Surplus /(Deficit) | (168,414) | (126,239) | 33% |
| Income from Wakala Deposits | 32,152 | 22,402 | 44% |
| Net profit / (Loss) after Tax and after Qard Hassan | 65,367 | 50,121 | 30% |
| Total Assets | 1,573,398 | 1,073,989 | 47% |
| Share Capital | 200,000 | 200,000 | - |
| Shareholders' Equity | 349,372 | 284,004 | 23% |

### Company's Outlook

Drawing on our performance during 2024, 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**

**ERNST & YOUNG MIDDLE EAST (DUBAI BRANCH)**
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P.L. No. 108937

# INDEPENDENT AUDITOR'S 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 2024, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024 and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

### 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 *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA) 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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ORIENT TAKAFUL P.J.S.C. (continued)**

**Report on the Audit of the Financial Statements (continued)**

**Key audit matters (continued)**

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Valuation of takaful contract assets/ liabilities and retakaful contract assets/ liabilities** | |
| The valuation of takaful contract assets and liabilities, as well as retakaful contract assets and liabilities, is considered to be a key audit matter due to its significance to the financial statements as a whole. The Company applies the Premium Allocation Approach (PAA) and this involves significant judgments in assessing the eligibility of the contracts to use PAA, estimating future cash flows, and determining the liability for remaining coverage.<br><br>Actuarial assumptions and models are essential to these valuations and the presence of estimation uncertainty involved in these assumptions may result in material misstatement.<br><br>Note 22 to the financial statements describes the elements that make up the takaful assets/ liabilities as well as retakaful contract assets and liabilities. | The work that we performed to address this key audit matter, included the following procedures:<br><br>• We obtained an understanding and evaluated the Company's process for determining the key actuarial assumptions;<br>• We involved our EY actuarial specialists to review the methodology, assumptions and other key inputs and to test a sample of the actuarial balances;<br>• We evaluated the data used in the actuarial calculations by substantiating it to source documentation;<br>• We tested on a sample basis, key inputs which includes contribution received, claims paid and commission income by comparing them to appropriate documentation, such as policy documents, reports from loss adjusters, retakaful contracts etc;<br>• We evaluated the calculations, methodology and the underlying assumptions used in loss component assessment and risk adjustment; and<br>• We assessed the disclosures in the financial statements relating to this matter against the requirements of IFRS. |

**Other information**

Other information consists of the information included in the Board of Directors' Report and in the Company's 2024 Annual Report, other than the financial statements and our auditor's report thereon. We obtained the Board of Directors' Report prior to the date of our auditor's report, and we expect to obtain the Company's 2024 Annual Report after the date of our auditor's report. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not and will 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 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 obtained prior to the date of the auditor's 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.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ORIENT TAKAFUL P.J.S.C. (continued)**

**Report on the Audit of the Financial Statements (continued)**

**Responsibilities of the 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 Accounting Standards and in compliance with the applicable provisions of the Company's Articles of Association and the UAE Federal Law No. (32) of 2021, Federal Decree Law No. 48 of 2023 regarding the regulation of Insurance activities, Central Bank of the UAE Board of Director's Decision No. (25) of 2014 pertinent to the Financial Regulations for Insurance Companies, 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.

**Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ORIENT TAKAFUL P.J.S.C. (continued)**

**Report on the Audit of the Financial Statements (continued)**

**Auditor's responsibilities for the audit of the financial statements (continued)**

- 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.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, 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 year and are therefore the key audit matters. We describe these matters in our auditor's 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 Law No. (32) of 2021, we report that for the year ended 31 December 2024:

i) the Company has maintained proper books of account;

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

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

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

v) investments in shares and stocks during the year ended 31 December 2024, if any, are disclosed in Note 1 to the financial statements;

vi) note 17 reflects 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 2024 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or of its Articles of Association which would have a material impact on its activities or its financial position as at 31 December 2024; and

viii) note 23.1 reflects the social contributions made during the year, if any.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ORIENT TAKAFUL P.J.S.C. (continued)**

**Report on other legal and regulatory requirements (continued)**

Further, as required by the Federal Decree Law No. 48 of 2023 and the related Financial Regulations for Insurance Companies, we report that we have obtained all the information and explanations we considered necessary for the purpose of the audit.

For Ernst & Young

TS. Hari Gopal

Thodla Harigopal
Registration No.: 689

17 March 2025

Dubai, United Arab Emirates

Orient Takaful P.J.S.C.

## STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

| | Notes | *31 December 2024 AED* | *31 December 2023 AED* |
|---|---|---|---|
| **TAKAFUL OPERATIONS' ASSETS** | | | |
| Cash and cash equivalents | 12 | **56,480,996** | 45,361,883 |
| Wakala deposits | 10 | **311,069,575** | 199,000,000 |
| Receivable from shareholders | 15 | **-** | 1,802,191 |
| Other receivable and prepayments | 9 | **249,900** | 162,361 |
| Takaful contract assets | 22 | **2,055,736** | 36,474,481 |
| Retakaful contract assets | 22 | **779,351,605** | 465,632,602 |
| **Total takaful operations' assets** | | **1,149,207,812** | 748,433,518 |
| **SHAREHOLDERS' ASSETS** | | | |
| Cash and cash equivalents | 12 | **2,353,160** | 2,546,521 |
| Wakala deposits | 10 | **315,296,453** | 297,475,000 |
| Statutory deposit | 10 | **6,000,000** | 6,000,000 |
| Other receivables and prepayments | 9 | **25,668,711** | 16,335,139 |
| Receivable from related party | 17 | **629,701** | 376,431 |
| Property and equipment | 13 | **6,332,643** | 2,236,310 |
| Intangible assets | 14 | **388,495** | 585,957 |
| Receivable from policyholders | 15 | **67,521,040** | - |
| **Total shareholders' assets** | | **424,190,203** | 325,555,358 |
| **TOTAL ASSETS** | | **1,573,398,015** | 1,073,988,876 |
| **TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT** | | | |
| **TAKAFUL OPERATIONS' LIABILITIES** | | | |
| Retakaful contract liabilities | 22 | **17,485,506** | 64,036,344 |
| Takaful contract liabilities | 22 | **1,064,201,266** | 684,397,174 |
| Payable to shareholders | 15 | **67,521,040** | - |
| **Total takaful operations' liabilities** | | **1,149,207,812** | 748,433,518 |
| **TAKAFUL OPERATIONS' DEFICIT** | | | |
| Deficit in policyholders' fund | 16 | **(538,089,080)** | (369,675,365) |
| Provision against Qard Hassan | 16 | **538,089,080** | 369,675,365 |
| **Total takaful operations' liabilities and deficit** | | **-** | - |
| **SHAREHOLDERS' LIABILITIES AND EQUITY** | | | |
| **SHAREHOLDERS' LIABILITIES** | | | |
| Other payables | 11 | **55,291,778** | 28,883,890 |
| Corporate tax payable | 24 | **6,430,102** | - |
| Related parties payable | 17 | **10,445,126** | 8,461,910 |
| Employees' end of service benefits | 18 | **2,651,295** | 2,402,931 |
| Payable to policyholders | 15 | **-** | 1,802,191 |
| **Total shareholders' liabilities** | | **74,818,301** | 41,550,922 |

The attached notes 1 to 33 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION (continued)
As at 31 December 2024

| | Notes | *31 December 2024 AED* | *31 December 2023 AED* |
|---|---|---|---|
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 20 | **200,000,000** | 200,000,000 |
| Share premium | 20 | **1,198,390** | 1,198,390 |
| Statutory reserve | 21 | **16,827,022** | 10,290,275 |
| Retakaful risk reserve | 21 | **11,352,842** | 7,429,261 |
| Retained earnings | | **119,993,648** | 65,086,510 |
| **Total shareholders' equity** | | **349,371,902** | 284,004,436 |
| **Total shareholders' liabilities and equity** | | **424,190,203** | 325,555,358 |
| **TOTAL TAKAFUL OPERATIONS' LIABILITIES AND SHAREHOLDERS' LIABILITIES AND EQUITY** | | **1,573,398,015** | 1,073,988,876 |

The financial statements were approved and authorised for issue by Board of Directors on 17 March 2025 and signed on their behalf by

Chairman

Chief Executive Officer

Head-Finance

The attached notes 1 to 33 form part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2024

| | Notes | *2024* *AED* | *2023* *AED* |
|---|---|---|---|
| Takaful contract revenue | 22 | **867,587,167** | 639,820,327 |
| Takaful service expenses (excluding commission) | 22 | **(682,963,563)** | (415,659,525) |
| Net income/ (expense) from retakaful contracts held | 22 | **13,168,918** | (107,707,173) |
| **Takaful service result** | | **197,792,522** | 116,453,629 |
| Finance expenses from takaful contracts issued | 22 | **(12,492,496)** | (8,837,216) |
| Finance income from retakaful contracts held | 22 | **10,719,505** | 7,754,010 |
| **Net Takaful finance expenses** | | **(1,772,991)** | (1,083,206) |
| Wakala fees | 15 | **(373,466,096)** | (245,804,687) |
| Profit from wakala deposits | 10 | **13,896,154** | 6,453,528 |
| Mudarib fee expense | | **(4,863,304)** | (2,258,735) |
| **Net Takaful and investment result from Takaful operation** | | **(168,413,715)** | (126,239,471) |
| Wakala fees income from policyholders | 15 | **373,466,096** | 245,804,687 |
| Profit from wakala deposits | 10 | **18,256,157** | 15,948,547 |
| Mudarib income from policyholders | | **4,863,304** | 2,258,735 |
| Other operating expenses | | **(2,239,757)** | (2,043,911) |
| Takaful service expenses | 22 | **(153,315,950)** | (84,750,907) |
| Net credit impairment losses on deposits | | **(818,567)** | (856,492) |
| **Profit for the year before Qard Hassan** | | **240,211,283** | 176,360,659 |
| Provision against Qard Hassan to policyholders' fund | 16 | **(168,413,715)** | (126,239,471) |
| **PROFIT FOR THE YEAR BEFORE TAX ATTRIBUTABLE TO SHAREHOLDERS** | | **71,797,568** | 50,121,188 |
| Income tax expense | 24 | **(6,430,102)** | - |
| **Profit for the year after tax** | | **65,367,466** | 50,121,188 |
| Other comprehensive income | | **-** | - |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | | **65,367,466** | 50,121,188 |
| **Earnings per share (AED)** | 25 | **32.68** | 25.06 |

The attached notes 1 to 33 form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

| | *Share capital AED* | *Share premium AED* | *Statutory reserve AED* | *Retakaful risk reserve AED* | *Retained earnings AED* | *Total AED* |
|---|---|---|---|---|---|---|
| Balance as at 31 December 2022 | 200,000,000 | 1,198,390 | 5,278,156 | 5,003,707 | 22,402,995 | 233,883,248 |
| Profit for the year | - | - | - | - | 50,121,188 | 50,121,188 |
| Transfer from retained earnings to retakaful risk reserve and statutory reserve (Note 21) | - | - | 5,012,119 | 2,425,554 | (7,437,673) | - |
| As at 31 December 2023 | 200,000,000 | 1,198,390 | 10,290,275 | 7,429,261 | 65,086,510 | 284,004,436 |
| Profit for the year | - | - | - | - | 65,367,466 | 65,367,466 |
| Transfer from retained earnings to retakaful risk reserve and statutory reserve (Note 21) | - | - | 6,536,747 | 3,923,581 | (10,460,328) | - |
| **Balance as at 31 December 2024** | **200,000,000** | **1,198,390** | **16,827,022** | **11,352,842** | **119,993,648** | **349,371,902** |

The attached notes 1 to 33 form part of these financial statements.

# STATEMENT OF CASH FLOWS
For the year ended 31 December 2024

| | Notes | *2024* *AED* | *2023* *AED* |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit for the year before tax | | **71,797,568** | 50,121,188 |
| Adjustment for: | | | |
| Depreciation of property and equipment | 13 | **1,562,554** | 1,500,233 |
| Amortisation of intangible assets | 14 | **197,462** | 259,242 |
| Provision for employees' end of service benefits | 18 | **648,110** | 654,565 |
| Impairment credit loss | | **818,567** | 856,492 |
| Finance costs on lease liabilities | 19 | **211,083** | 86,936 |
| Profit from wakala deposits | 10 | **32,152,311** | 22,402,075 |
| Operating cash flows before movements in working capital | | **107,387,655** | 75,880,731 |
| Change in: | | | |
| Retakaful contract assets | | **(313,719,003)** | (74,722,219) |
| Takaful contract assets | | **34,418,745** | (12,124,881) |
| Other receivables and prepayments | | **(9,493,911)** | (13,338,450) |
| Due from related parties (relating to shareholders) | | **(253,270)** | 689,339 |
| Takaful contract liabilities | | **379,804,092** | 119,804,278 |
| Retakaful contract liabilities | | **(46,550,838)** | 13,742,060 |
| Due to related parties (relating to shareholders) | | **1,983,216** | 3,971,245 |
| Accruals, provisions and other payables | | **21,391,120** | 19,419,448 |
| Net cash generated from operating activities | | **174,967,806** | 133,321,551 |
| Employees' end of service benefits paid | 18 | **(399,746)** | (142,506) |
| Net cash generated from operations | | **174,568,060** | 133,179,045 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Purchase of property and equipment | 13 | **(58,853)** | (154,383) |
| Sale of property and equipment | 13 | **9,356** | - |
| Purchase of intangible asset | 14 | **-** | (643,125) |
| Profits received from wakala deposit | | **(32,079,511)** | (22,278,137) |
| Deposit with Islamic bank | 10 | **(629,543,747)** | (499,000,000) |
| Maturity of deposits with Islamic financial institution | 10 | **499,000,000** | 365,000,000 |
| Net cash used in investing activities | | **(162,672,755)** | (157,075,645) |
| **CASH FLOW FROM FINANCING ACTIVITY** | | | |
| Payment of lease liabilities | 19 | **(969,553)** | (1,302,095) |
| Net cash used in financing activity | | **(969,553)** | (1,302,095) |
| **NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **10,925,752** | (25,198,695) |
| Cash and cash equivalents at 1 January | | **47,908,404** | 73,107,099 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER 2024 (NOTE 12)** | | **58,834,156** | 47,908,404 |

The attached notes 1 to 33 form part of these 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. The Company is subject to the regulations of the UAE Federal Decree Law No. 48 of 2023 regarding the Regulation of Insurance Activities and is registered in the Insurance Companies Register of the Central Bank of the UAE (“CBUAE”) (formerly, the UAE Insurance Authority (“IA”)) under registration number 92.

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 the CBUAE) on 16 July 2017.

On 2 October 2023, the UAE Federal Decree Law No. 48 of 2023 regarding the regulation of Insurance activities was issued and came into effect on 30 November 2023 which repealed the UAE Federal Law No. 6 of 2007. The Companies must within a period not exceeding (6) six months from the date of the enforcement of its provisions from 30 November 2023 ("the transitional period") comply with the provisions of the UAE Federal Decree Law No. 48 of 2023.

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

The Company has not purchased any shares during the year ended 31 December 2024.

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 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| Orient Insurance P.J.S.C | **95.78%** | 95.78% |
| Others | **4.22%** | 4.22% |
| | **100.00%** | 100.00% |

## 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 UAE Federal Decree Law No. (32) of 2021 (“Companies Law”), relating to commercial companies and the UAE Federal Law No. 48 of 2023 (previously Federal Law No. 6 of 2007, as amended) concerning Financial Regulations for Insurance Companies issued by the CBUAE and the UAE Board of Directors’ Decision No. (25) of 2014.

The name of the Company was 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.

The Company’s statement of financial position is not presented using a current / non-current classification. However, the balances which would generally be classified as current includes bank balances and cash and other receivables. The balances which would generally be classified as non-current includes property and equipment, intangible assets, employees’ end of service benefits and statutory deposits. The following balances are of mixed nature (including both current and non-current portions): wakala deposits, prepayments and other receivables, retakaful contract assets, retakaful contract liabilities, takaful contract liabilities and other payables.

**2 BASIS OF PREPARATION (continued)**

**b) Basis of measurement**

These financial statements have been prepared on the historical cost basis except for takaful and retakaful contracts which are measured as a sum of the fulfilment cash flows, which represent the risk-adjusted present value of estimates of expected cash flows.

**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 and presented in order of Liquidity.

**d) Use of estimates and judgments**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods effected.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements for the year ended 31 December 2023, except as noted in Note 3.1.1 and Note 3.1.2 to the financial statements.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

## 3 MATERIAL ACCOUNTING POLICY INFORMATION

### 3.1 Application of new and revised International Financial Reporting Standards ("IFRS")

**3.1.1 New and amended standards and interpretations**

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The new and revised IFRS effective in the year did not have any significant impact.

| New and revised IFRS Accounting Standards | Effective for annual periods beginning on or after |
|---|---|
| Amendments to IFRS 16 on lease liability in a sales and lease back | 1 January 2024 |
| Amendments to IAS 1 Presentation of Financial Statements — Classification of Liabilities as Current or Non-current | 1 January 2024 |
| Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 | 1 January 2024 |

In June 2023, the International Sustainability Standards Board released its first two sustainability disclosure standards, which are effective for annual reporting periods beginning on or after 1 January 2024:

- IFRS S1: General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2: Climate-related Disclosures

The Company is still assessing the impact of the IFRS S1 and IFRS S2 on the financial statements.

**3.1.2 Standards issued but not effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective

| New and revised IFRS Accounting Standards | Effective for annual periods beginning on or after |
|---|---|
| Lack of exchangeability – Amendments to IAS 21 | 1 January 2025 |
| Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 | 1 January 2026 |
| IFRS 19 Subsidiaries without Public Accountability: Disclosures | 1 January 2027 |
| IFRS 18 Presentation and Disclosure in Financial Statements | 1 January 2027 |

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Takaful Contracts

A takaful contract is a contract under which one party (the issuer) 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.

The Company issues takaful contracts in the normal course of business, under which it accepts significant takaful risk from its policyholders. As a general guideline, the Company determines whether it has significant takaful risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Takaful contracts can also transfer financial risk. The Company issues non-life takaful to individuals and businesses.

In the normal course of business, the Company uses retakaful to mitigate its risk exposures. A retakaful contract transfers significant risk if it transfers substantially all of the takaful risk resulting from the insured portion of the underlying takaful contracts, even if it does not expose the reinsurer to the possibility of a significant loss. All references to takaful contracts in the financial statements apply to takaful contracts issued or acquired and retakaful contracts held unless specifically stated otherwise.

The Company assesses its non-life takaful and retakaful products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) takaful contract.

**Level of Aggregation**
IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The Company manages takaful contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All takaful contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which takaful contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Company determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts.

The Company uses significant judgement to determine at what level of granularity the Company has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

Portfolios of retakaful contracts held are assessed for aggregation separately from portfolios of takaful contracts issued. Applying the grouping requirements to retakaful contracts held, the Company aggregates retakaful contracts held concluded within a calendar year (annual cohorts) into groups of (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

**Recognition**
Groups of takaful contracts issued are initially recognised from the earliest of the following:

a) the beginning of the coverage period;
b) the date when the first payment from the policyholder is due or received, if there is no due date; or
c) when the Company determines that a group of contracts becomes onerous.

**Combination of takaful contracts**
Sometimes, the Company enters into two or more contracts at the same time with the same or related counterparties to achieve an overall commercial effect. The Company accounts for such a set of contracts as a single takaful contract when this reflects the substance of the contracts. When making this assessment, the Company considers whether:

a) The rights and obligations are different when looked at together compared to when looked at individually
b) The Company is unable to measure one contract without considering the other

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**
**3.2 Takaful Contracts (continued)**

**Separating components from takaful and retakaful contracts**
The Company assesses its takaful and retakaful contracts to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) takaful contract. Currently, the Company's contracts do not include any distinct components that require separation.

**Contract boundaries**
The measurement of a group of takaful contracts includes all future cash flows expected to arise within the boundary of each contract in the group. Cash flows are within the boundary of a takaful contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the contributions, or in which the Company has a substantive obligation to provide the policyholder with takaful contract services. A substantive obligation to provide takaful contract services ends when:

The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or Both of the following criteria are satisfied:

a) The Company has the practical ability to reassess the risks of the portfolio of takaful contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and

b) The pricing of the contributions up to the date when the risks are reassessed does not consider the risks that relate to periods after the reassessment date

A liability or asset relating to expected contributions or claims outside the boundary of the takaful contract are not recognised. Such amounts relate to future takaful contracts.

**Measurement**
IFRS 17 establishes new principles for the measurement of Takaful revenues, assets and liabilities arising from Takaful Contracts. Below are the measurement models under IFRS 17:

1) General Measurement Model - Default Model based on Best estimate of Future Cash Flows and Risk adjustment
2) Variable Fee Approach - a modification to GMM or contracts with direct participation features (DPF)
3) Premium Allocation Approach - a simplified approach as an option for contracts with shorter duration. (<= 12 months)

The following table sets out the accounting policy choices adopted by the Company

| | ***IFRS 17 options*** | ***Adopted approach*** |
|---|---|---|
| Takaful acquisition cas flows for Takaful Contract issued | For contracts measured under PAA, IFRS 17 allows an accounting policy choice of either expensing the takaful acquisition cashflows when incurred or amortizing them over the contract's coverage period. | Takaful acquisition cash flows are allocated to related groups of takaful contracts and amortized over the coverage period of the related group. |
| Liability for Remaining Coverage ("LRC") adjusted for financial risk and time value of money | For contracts measured under PAA, where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC. | For contracts measured under the PAA, there is no allowance as the contributions are expected to be received within one year of the coverage period. |

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**
**3.2 Takaful Contracts (continued)**

**Measurement (continued)**

| | *IFRS 17 options* | *Adopted approach* |
|---|---|---|
| Liability for Incurred Claims ("LIC") adjusted for time value of money | For contracts measured under PAA, where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money. | For all contracts, the Company discounts the LIC for the time value of money. |
| Takaful finance income and expenses | IFRS 17 provides an accounting policy choice to recognise the impact of changes in discount rates and other financial variables in profit or loss or in OCI. The accounting policy choice (the P&L or OCI option) is applied on a portfolio basis. | The Company includes all takaful finance income or expenses for the year in profit or loss. |
| Disaggregation of risk adjustment | An insurer is not required to include the entire change in the risk adjustment for non-financial risk in the takaful service result. Instead, it can choose to split the amount between the takaful service result and takaful finance income or expenses. | The Company disaggregates changes in the risk adjustment for non- financial risk between takaful service result and takaful finance income or expenses. |
| Presentation of income / (expense) from retakaful contracts held | IFRS 17 allows an option to disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in OCI. | The Company has elected to present a single net amount in net expenses from retakaful contracts held. |

**Takaful Contract measured under PAA – Initial and subsequent measurement**
The Company applies the premium allocation approach (PAA) to all the takaful contracts that it issues and retakaful contracts that it holds, as:

a) The coverage period of each contract in the group is one year or less, including takaful contract services arising from all contributions within the contract boundary or

b) For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period before a claim is incurred.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

a) The contributions, if any, received at initial recognition
b) Minus any takaful acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed,
c) Plus or minus any amount arising from the derecognition at that date of the asset recognised for takaful acquisition cash flows and
d) Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of takaful contracts is recognised.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Company performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Takaful Contracts (continued)

**Retakaful contracts held**
Retakaful contracts held are accounted for applying IFRS 17 when they meet the definition of a takaful contract. This includes the condition that the contract must transfer significant takaful risk.

Retakaful contracts transfer significant takaful risk only if they transfer to the reinsurer substantially all the takaful risk relating to the reinsured portions of the underlying takaful contracts, even if a retakaful contract does not expose the issuer (reinsurer) to the possibility of a significant loss.

Portfolios of retakaful contracts held are assessed for aggregation separately from portfolios of takaful contracts issued. Applying the grouping requirements to retakaful contracts held, the Company aggregates retakaful contracts held concluded within a calendar year (annual cohorts) into groups of

(i) contracts for which there is a net gain at initial recognition, if any;
(ii) contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and
**(iii)** remaining contracts in the portfolio, if any.

**A group of retakaful contracts held is recognised as follows:**
If the retakaful contracts provide proportionate coverage, the date the Company initially recognizes any underlying takaful contracts (onerous or not).

In all other cases, at the beginning of the coverage period of the group of retakaful contracts. However, if the Company recognises an onerous group of underlying takaful contracts on an earlier date and the related retakaful contract was entered into before that earlier date, then the group of retakaful contracts is recognised on that earlier date.

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer shall end when the reinsurer:
has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or has a substantive right to terminate the coverage.

The Company measures its retakaful assets for a group of retakaful contracts that it holds on the same basis as takaful contracts that it issues. However, they are adapted to reflect the features of retakaful contracts held that differ from takaful contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

Where the Company recognises a loss on initial recognition of an onerous group of underlying takaful contracts or when further onerous underlying takaful contracts are added to a group, the Company establishes a loss-recovery component of the asset for remaining coverage for a group of retakaful contracts held depicting the recovery of losses. The Company calculates the loss-recovery component by multiplying the loss recognised on the underlying takaful contracts and the percentage of claims on the underlying takaful contracts the Company expects to recover from the group of retakaful contracts held. The Company uses a systematic and rational method to determine the portion of losses recognised on the group to takaful contracts covered by the group of retakaful contracts held where some contracts in the underlying group are not covered by the group of retakaful contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage.

**Modification and derecognition**
The Company derecognises takaful contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.2 Takaful Contracts (continued)**

**Takaful acquisition cash flows**
The Company includes takaful acquisition cash flows in the measurement of a group of takaful contracts if they are directly attributable to either the individual contracts in a group, the group itself or the portfolio of takaful contracts to which the group belongs. The Company estimates at a portfolio level, takaful acquisition cash flows not directly attributable to the group but directly attributable to the portfolio. The Company then allocates them to the group of newly written and renewed contracts on a systematic and rational basis.

**Discount rates**
The Company has elected to use EIOPA (European Insurance and Occupational Pensions Authority) Discount rates in the currency of the takaful contract liabilities.

**Risk adjustment for non-financial risk**
The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of takaful contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

**Presentation of Financial Statements**
For presentation in the statement of financial position, the Company aggregates portfolios of takaful and retakaful contracts issued and retakaful contracts held and presents separately, the carrying amount of:

- Portfolios of takaful and retakaful contracts issued that are assets
- Portfolios of retakaful contracts held that are assets
- Portfolios of takaful contracts and retakaful contracts issued that are liabilities
- Portfolios of retakaful contracts held that are liabilities

The groups referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

IFRS 17 requires separate presentation of:

- Takaful revenue
- Takaful service expense
- Income or expenses from retakaful contracts held
- Takaful finance income or expenses
- Retakaful finance income or expenses
- Net takaful finance income or expenses

**Takaful revenue**
The Takaful revenue for the year is the amount of expected contribution receipts (excluding any investment component) allocated to the year. The company allocates the expected contribution receipts to each period of coverage on the basis of the passage of time, but if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred takaful service expenses.

The company changes the basis of allocation between the two methods above as necessary if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

**Takaful service expense**
Takaful service expense includes expenses such as claims payments, policy acquisition costs, underwriting expenses, and other costs directly related to fulfilling the obligations under takaful contracts.

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.2 Takaful Contracts (continued)

**Loss components**
The company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. If at any time during the coverage period, the facts and circumstances indicate that a group of takaful contracts is onerous, the company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts, the loss component will be zero.

**Takaful and retakaful finance income and expenses**
Takaful Finance Income or Expenses comprise the change in the carrying amount of the group of takaful contracts arising from:

- The effect of the time value of money and changes in time value of money; and
- The effect of financial risk and changes in financial risk

The company disaggregates takaful finance income or expenses in the profit or loss. The impact of changes in market profit rates on the value of the takaful assets and liabilities are reflected in the profit or loss.

**Income or expenses from retakaful contracts held**
The company presents separately on the face of the statement of profit or loss, the amounts expected to be recovered from retakaful operators, and an allocation of retakaful contributions paid. The company treats retakaful cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the retakaful contract held.

**Assessment of significance of takaful risk**
The Company applies its judgement in assessing whether a contract transfers to the issuer significant takaful risk. A contract transfers significant takaful risk only if an insured event could cause the Company to pay additional amounts that are significant in any single scenario and only if there is a scenario that has commercial substance in which the issuer has a possibility of a loss on a present value basis upon an occurrence of the insured event, regardless of whether the insured event is extremely unlikely.

**Significant Judgements and Estimates**
The preparation of financial statements requires management to make judgements, 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. In preparing these financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2023. Further details on judgements and estimates are also included in Note 6.

**Onerosity determination**
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 contributions (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 takaful obligations.

**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. This is adjusted to eliminate differences between the liquidity characteristics of the financial instruments that underlie the chosen curve and those of the takaful contract. The Company has elected to use EIOPA (European Insurance and Occupational Pensions Authority) discount rates in the currency of the takaful contract liabilities.

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.2 Takaful Contracts (continued)**

**Time value of money**
The Company adjusts the carrying amount of the takaful contracts liabilities and retakaful contracts assets to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cash flows of the group of contracts.

Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free curve itself will either be derived by the Company from risk free assets in the market, or the Company may choose to apply a published risk-free yield curve. The top-down approach starts with the determination of a reference portfolio. The reference portfolio yield will be taken as the yield on the underlying items to which the liability cashflows are linked.

**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.

**Measurement of the expected credit loss ("ECL") allowance**
The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining the criteria for significant increase in credit risk;
- Determining the criteria and definition of default;
- Choosing appropriate models and assumptions for the measurement of ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.3 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.

**3.4 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.

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.4 Property and equipment (continued)**

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 |

**3.5 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 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.

**3.6 Taxes**

**Income tax**
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associate, and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.6 Taxes (continued)

**Deferred tax (continued)**
The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Value added tax (VAT)**

Expenses and assets are recognised net of the amount of VAT, except:

- When VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**International Tax Reform - Pillar Two model rules**

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) published the Pillar Two Anti Global Base Erosion Rules ("GloBE Rules”) designed to address the tax challenges arising from the digitalisation of the global economy.

The Company is not in scope of Pillar Two legislation as it operates in a jurisdiction that has substantively enacted Pillar Two legislation and but its consolidated revenue does not exceed €750 million threshold.

UAE, where the head quarter of the Company is based, published Federal Decree-Law No. 60 of 2023, amending specific provisions of Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses on 24 November 2023, as part of its commitment to the OECD guidelines.

The amendments introduced by Federal Decree-Law No. 60 of 2023 are intended to prepare for the introduction of the BEPS 2.0 Pillar Two Rules. The implementation of these rules in the UAE is still pending additional Cabinet Decisions, and the specific form and manner of implementation are yet to be determined.

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.6 Taxes (continued)**

**International Tax Reform - Pillar Two model rules (continued)**
Separately, on 9 December 2024, the UAE Ministry of Finance (MoF) announced further amendments to Federal Decree-Law No. 47 of 2022, including the implementation of a Domestic Minimum Top-up Tax (DMTT) and the introduction of certain tax incentives. According to the MoF, these amendments aim to enhance the UAE’s business environment and promote greater compliance with global standards for transparency and fairness. Press reports indicate that the DMTT will impose a minimum effective tax rate of 15% on multinational enterprises (MNEs) with global revenues exceeding €750 million in at least two of the last four financial years, effective from 1 January 2025. The MoF is expected to provide further details on the legislation therefore no top-up tax is applicable for the financial year ended 31 December 2024.

As of 31 December 2024, the Company is in the process of assessing the potential exposure to Pillar Two income taxes in jurisdictions where the legislation will be effective from 1 January 2025. The potential exposure, if any, to Pillar Two income taxes is currently not known or reasonably estimable. The Company expects to be in a position to report the potential exposure in Q1 2025.

It is unclear if the Pillar Two model rules create additional temporary differences, whether to remeasure deferred taxes for the Pillar Two model rules and which tax rate to use to measure deferred taxes. In response to this uncertainty, on 23 May 2023, the International Accounting Standards Board (IASB) issued amendments to IAS 12 ‘Income taxes’ introducing a mandatory temporary exception to the requirements of IAS 12 under which an entity does not recognise or disclose information about deferred tax assets and liabilities related to the proposed OECD/G20 BEPS Pillar Two model rules.

The Company has applied this mandatory exception to recognising and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes.

**3.7 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 comprehensive income.

**3.8 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 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.

**3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.9 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.

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 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.

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

### 3.10 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.

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.

### 3.11 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.

### 3.12 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.

i) 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.

ii) 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 comprehensive income.

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

## 4 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.

**4 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

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 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.

**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.

**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.

## 4 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

## 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 retakaful 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 2024.

iv) Regulatory framework

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

**5 RISK MANAGEMENT (continued)**

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 CBUAE via 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. Also UAE Federal Decree Law No. 48 of 2023 was issued regarding the regulation of Insurance activities. 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 takaful 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 |
| - Property | - Marine |
| - Motor | - Engineering |
| - Property | - Casualty |

The principal risk the Company faces under takaful contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the 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 guidelines, as well as the use of retakaful arrangements. The Company only issue short term takaful contracts in connection with property, motor, marine, casualty and medical risks.

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

**5 RISK MANAGEMENT (continued)**
**a) Takaful risks(continued)**

***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.

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.

**5 RISK MANAGEMENT (continued)**

**a) Takaful risks (continued)**

***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.

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.

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.

**5 RISK MANAGEMENT (continued)**

**a) Takaful risks (continued)**

***Retakaful strategy*** **(continued)**

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

| | ***31 December 2024*** | | *31 December 2023* | |
|---|---|---|---|---|
| ***Type of risk*** | ***Gross Loss ratio*** | ***Net Loss ratio*** | *Gross Loss ratio* | *Net Loss ratio* |
| Commercial | **83%** | **53%** | 65% | 58% |
| Consumer | **63%** | **52%** | 50% | 64% |

The Company has an overall risk retention level of 26% (31 December 2023: 29%) 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.

***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.

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 2024 and has generally witnessed renewals and new business across major lines of businesses.

***Sources of uncertainty in the estimation of future claim payments***

Claims on takaful contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, certain claims are settled over a long period of time.

The estimation of cost of claims is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some takaful contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities and changing situation during the claim evaluation. In estimating the liability for the cost of reported claims not yet paid, the Company considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio. The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims' exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome will prove to be different from the original liability established. The amount of takaful claims is in certain cases sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort.

Where possible, the Company adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident

**5 RISK MANAGEMENT (continued)**

**a) Takaful risks (continued)**

***Sources of uncertainty in the estimation of future claim payments*****(continued)**
year. In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience where greater weight is given to actual claims experience as time passes. The initial loss- ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as contribution rate changes, anticipated market experience and claims inflation.

***Process used to decide on assumptions***
The risks associated with takaful contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The Company uses assumptions based on a mixture of internal and market data to measure its claims liabilities. Internal data is derived mostly from the Company's claims reports and screening of the actual takaful contracts carried out at the end of the reporting period to derive data for the contracts held. The Company has reviewed the individual contracts and in particular, the line of business in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The Company uses several statistical methods and actuarial techniques to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The three methods more commonly used are the Chain Ladder, Expected Loss Ratio and the Bornhuetter-Ferguson methods.

Chain-ladder methods may be applied to contributions, paid claims or incurred claims (for example, paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year.

Chain-ladder techniques are most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business or involves significant deal of changes in terms of process.

Expected Loss Ratio method (ELR) is used to determine the projected amount of claims, relative to earned contributions. ELR method is used for line of businesses that lack past data, while the chain ladder method is used for stable businesses. In certain instances, such as new lines of business, the ELR method may be the only possible way to figure out the appropriate level of loss reserves required.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as contributions; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (recent accident years or new classes of business).

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or Company's accident years within the same class of business.

The Company uses standard actuarial techniques to estimate its loss provisions as mentioned above. Actuarial techniques and/or methodologies used to estimate the loss provisions could vary based on the specific nature of the lines of business. The general excluding motor and medical business typically have a lower frequency and higher severity of claims while the medical and motor business are more attritional in nature i.e., higher frequency and lower severity. For the attritional lines, any inconsistencies in the claims processes could impact the loss development experience assumed in the technical provisions calculation and hence is one of the key assumptions in the estimation of the technical provisions. For the less attritional lines, typically the loss ratio assumptions under the Bornhuetter-Ferguson technique is a key assumption in the estimation of the technical provisions. The Company monitors closely and validates the key assumptions in the estimation of the technical provisions on a periodic basis.

**5 RISK MANAGEMENT (continued)**

**a) Takaful risks (continued)**

**Claims development table – Gross**

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The Company has not disclosed previously unpublished information about claims development that occurred earlier than five years before the end of the annual reporting period in which it first applies IFRS 17.

| *Accident year* | *2020 & Prior AED* | *2021 AED* | *2022 AED* | *2023 AED* | *2024 AED* | ***Total AED*** |
|---|---|---|---|---|---|---|
| At the end of accident year | 133,742,637 | 150,509,353 | 218,823,522 | 429,117,763 | 764,956,560 | **764,956,560** |
| One year later | 92,745,584 | 122,717,826 | 205,588,642 | 355,056,838 | - | **355,056,838** |
| Two years later | 86,857,989 | 107,193,229 | 226,773,127 | - | - | **226,773,127** |
| Three years later | 87,281,241 | 105,760,511 | - | - | - | **105,760,511** |
| Four years later | 83,227,660 | - | - | - | - | **83,227,660** |
| **Current estimate of cumulative claims** | **83,227,660** | **105,760,511** | **226,773,127** | **355,056,838** | **764,956,560** | **1,535,774,696** |
| At the end of accident year | (22,795,560) | (24,406,625) | (22,390,946) | (166,551,532) | (277,511,738) | **(513,656,401)** |
| One year later | (18,272,185) | (20,533,712) | (57,454,559) | (104,342,323) | - | **(200,602,779)** |
| Two years later | (14,992,641) | (36,562,869) | (28,543,654) | - | - | **(80,099,164)** |
| Three years later | (7,743,044) | (2,867,198) | - | - | - | **(10,610,242)** |
| Four years later | (6,332,554) | - | - | - | - | **(6,332,554)** |
| **Cumulative payments to date** | **(70,135,984)** | **(84,370,404)** | **(108,389,159)** | **(270,893,855)** | **(277,511,738)** | **(811,301,140)** |
| **Total** | **13,091,676** | **21,390,107** | **118,383,968** | **84,162,983** | **487,444,822** | **724,473,556** |
| Effect of discounting | | | | | | (42,077,343) |
| Effect of Risk Adjustment | | | | | | 34,317,627 |
| Others (ULAE + Claims Payable) | | | | | | 56,596,687 |
| Total Gross liabilities for incurred claims (Note 22) | | | | | | **773,308,423** |

**5 RISK MANAGEMENT (continued)**

**a) Takaful risks (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* | *2020 & Prior* *AED* | *2021* *AED* | *2022* *AED* | *2023* *AED* | *2024* *AED* | *Total* *AED* |
|---|---|---|---|---|---|---|
| At the end of accident year | 30,245,828 | 30,361,711 | 31,013,831 | 107,205,106 | 122,962,054 | 122,962,054 |
| One year later | 18,679,842 | 20,349,849 | 41,824,918 | 113,371,448 | - | 113,371,448 |
| Two years later | 21,702,447 | 19,494,604 | 39,451,492 | - | - | 39,451,492 |
| Three years later | 22,869,294 | 21,842,957 | - | - | - | 21,842,957 |
| Four years later | 18,286,867 | - | - | - | - | 18,286,867 |
| **Current estimate of cumulative claims** | **18,286,867** | **21,842,957** | **39,451,492** | **113,371,448** | **122,962,054** | **315,914,818** |
| At the end of accident year | (11,528,016) | (11,642,668) | (10,094,643) | (74,853,442) | (73,794,619) | (181,913,388) |
| One year later | (3,043,988) | (3,113,068) | (15,611,515) | (25,853,335) | - | (47,621,906) |
| Two years later | 13,082 | (335,048) | (2,192,380) | - | - | (2,514,346) |
| Three years later | (118,808) | (961,686) | - | - | - | (1,080,494) |
| Four years later | (713,921) | - | - | - | - | (713,921) |
| **Cumulative payments to date** | **(15,391,651)** | **(16,052,470)** | **(27,898,538)** | **(100,706,777)** | **(73,794,619)** | **(233,844,055)** |
| **Total** | **2,895,216** | **5,790,487** | **11,552,954** | **12,664,671** | **49,167,435** | **82,070,763** |
| | | | | | | |
| Effect of discounting | | | | | | (4,623,774) |
| Effect of Risk Adjustment | | | | | | 4,547,368 |
| Others (ULAE + Claims Payable) | | | | | | 24,639,799 |
| Total Net liabilities for incurred claims (Note 22) | | | | | | **106,634,156** |

**5 RISK MANAGEMENT (continued)**

**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.

**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 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| **Takaful operations' assets** | | |
| Bank balances | **56,480,996** | 45,361,883 |
| Wakala deposit | **311,069,575** | 199,000,000 |
| Receivable from shareholders | **-** | 1,802,191 |
| Other receivable and prepayments | **249,900** | 162,361 |
| | **367,800,471** | 246,326,435 |
| **Shareholders' assets** | | |
| Bank balances | **2,353,160** | 2,546,521 |
| Other receivables | **25,668,711** | 16,335,139 |
| Wakala deposit | **315,296,453** | 297,475,000 |
| Statutory deposit | **6,000,000** | 6,000,000 |
| Due from related parties | **629,701** | 376,431 |
| Receivable from policyholders | **67,521,040** | - |
| | **417,469,065** | 322,733,091 |

**5 RISK MANAGEMENT (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 which are included within Takaful /Retakaful Contract Assets and Liabilities in Note 22:

| | ***31 December 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| 0 - 30 days | **94,362,121** | 28,570,086 |
| 31 - 90 days | **115,268,766** | 62,314,903 |
| 91 - 180 days | **46,856,146** | 33,778,274 |
| 181 - 270 days | **22,591,960** | 13,420,251 |
| 271 - 360 days | **8,625,354** | 4,104,556 |
| More than 360 days | **15,232,472** | 10,347,244 |
| Less: Allowance for doubtful debts | **(7,930,869)** | (7,930,869) |
| | **295,005,950** | 144,604,445 |

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.

**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.

***Maturity profiles***

***Maturity analysis (contractual undiscounted cash flow basis)***

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual cash flows.

**31 December 2024**

| | *Less than 1 year AED* | *1 year to 5 years AED* | *More than 5 years AED* | *No stated maturity AED* | *Total AED* |
|---|---|---|---|---|---|
| **Takaful operations' assets** | | | | | |
| Bank balances | 56,821,746 | - | - | - | 56,821,746 |
| Wakala deposit | 312,632,739 | - | - | - | 312,632,739 |
| **Total takaful operations' assets** | **369,454,485** | **-** | **-** | **-** | **369,454,485** |

**5 RISK MANAGEMENT (continued)**

**b) Financial risk (continued)**

**ii) Liquidity risk (continued)**

***Maturity profiles (continued)***
***Maturity analysis (contractual undiscounted cash flow basis) (continued)***

**31 December 2024**

| | ***Less than 1 year AED*** | ***1 year to 5 years AED*** | ***More than 5 years AED*** | ***No stated maturity AED*** | ***Total AED*** |
|---|---|---|---|---|---|
| **Shareholders' assets** | | | | | |
| Cash and bank balances | 2,366,267 | - | - | - | 2,366,267 |
| Other receivables and prepayments | 25,918,611 | - | - | - | 25,918,611 |
| Wakala deposit | 316,911,008 | - | - | - | 316,911,008 |
| Statutory deposit | - | - | - | 6,000,000 | 6,000,000 |
| Receivable from Related party | 629,701 | - | - | - | 629,701 |
| Due from policyholders | 67,521,040 | - | - | - | 67,521,040 |
| **Total shareholders' assets** | **413,346,627** | **-** | **-** | **6,000,000** | **419,346,627** |
| **Shareholders' liabilities** | | | | | |
| Due to related parties | 10,445,126 | - | - | - | 10,445,126 |
| Accruals, provisions and other payables | 49,311,579 | - | - | - | 49,311,579 |
| Lease liabilities | 1,970,468 | 4,644,555 | - | | 6,615,023 |
| Corporate tax payable | 6,430,102 | - | - | - | 6,430,102 |
| **Total shareholders' liabilities** | **68,157,275** | **4,644,555** | **-** | **-** | **72,801,830** |

31 December 2023

| | *Less than 1 year AED* | *1 year to 5 years AED* | *More than 5 years AED* | *No stated maturity AED* | *Total AED* |
|---|---|---|---|---|---|
| Takaful operations' assets | | | | | |
| Bank balances | 45,540,256 | - | - | - | 45,540,256 |
| Receivable from shareholders | 1,802,191 | - | - | - | 1,802,191 |
| Wakala deposit | 200,000,000 | - | - | - | 200,000,000 |
| Total takaful operations' assets | 247,342,447 | - | - | - | 247,342,447 |
| Shareholders' assets | | | | | |
| Cash and bank balances | 2,556,503 | - | - | - | 2,556,503 |
| Other receivables and prepayments | 16,497,500 | - | - | - | 16,497,500 |
| Wakala deposit | 299,000,000 | - | - | - | 299,000,000 |
| Statutory deposit | - | - | - | 6,000,000 | 6,000,000 |
| Due from related parties | 376,431 | - | - | - | 376,431 |
| Total shareholders' assets | 318,430,434 | - | - | 6,000,000 | 324,430,434 |

**5 RISK MANAGEMENT (continued)**

**b) Financial risk (continued)**

**ii) Liquidity risk (continued)**

***Maturity profiles (continued)***
***Maturity analysis (contractual undiscounted cash flow basis) (continued)***

31 December 2023

| | *Less than 1 year AED* | *1 year to 5 years AED* | *More than 5 years AED* | *No stated maturity AED* | *Total AED* |
|---|---|---|---|---|---|
| *Shareholders' liabilities* | | | | | |
| Due to related parties | 8,461,910 | - | - | - | 8,461,910 |
| Accruals, provisions and other payables | 30,118,541 | - | - | - | 30,118,541 |
| Lease liabilities | 500,000 | 780,000 | - | - | 1,280,000 |
| Payable to Policyholder | 1,802,191 | - | - | - | 1,802,191 |
| Total shareholders' liabilities | 40,882,642 | 780,000 | - | - | 41,662,642 |

***Maturity analysis for takaful and retakaful contract assets and liabilities (present value of future cash flows basis)***
The following table summarises the maturity profile of portfolios of takaful contracts and retakaful contracts of the Company based on the estimates of the present value of the future cash flows.

**31 December 2024**

| | ***Less than 1 year AED*** | ***1 year to 5 years AED*** | ***More than 5 years AED*** | ***No stated maturity AED*** | ***Total AED*** |
|---|---|---|---|---|---|
| **Takaful operations' assets** | | | | | |
| Takaful contract assets | 2,055,736 | - | - | - | 2,055,736 |
| Retakaful contract assets | 435,113,948 | 343,629,905 | 607,752 | - | 779,351,605 |
| **Total takaful operations' assets** | **437,169,684** | **343,629,905** | **607,752** | **-** | **781,407,341** |
| **Takaful operations' liabilities** | | | | | |
| Retakaful contract liabilities | 684,010,268 | 379,254,130 | 936,868 | - | 1,064,201,266 |
| Takaful contract liabilities | 17,485,506 | - | - | - | 17,485,506 |
| **Total takaful operations' liabilities** | **701,495,774** | **379,254,130** | **936,868** | **-** | **1,081,686,772** |

31 December 2023

| | *Less than 1 year AED* | *1 year to 5 years AED* | *More than 5 years AED* | *No stated maturity AED* | *Total AED* |
|---|---|---|---|---|---|
| Takaful operations' assets | | | | | |
| Takaful contract assets | 36,474,481 | - | - | - | 36,474,481 |
| Retakaful contract assets | 298,892,868 | 161,667,079 | 5,072,655 | - | 465,632,602 |
| Total takaful operations' assets | 335,367,349 | 161,667,079 | 5,072,655 | - | 502,107,083 |
| Takaful operations' liabilities | | | | | |
| Retakaful contract liabilities | 64,036,344 | - | - | - | 64,036,344 |
| Takaful contract liabilities | 478,763,061 | 199,757,106 | 5,877,007 | - | 684,397,174 |
| Total takaful operations' liabilities | 542,799,405 | 199,757,106 | 5,877,007 | - | 748,433,518 |

**5 RISK MANAGEMENT (continued)**

**b) Financial risk (continued)**

**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.

**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 (Unaudited)**

The Company's objectives when managing capital is to comply with the takaful capital requirements required by the UAE Federal Law No. (6) of 2007 (as amended).

Section 2 of the Financial Regulations for Insurance Companies (the "Regulations") issued by the CBUAE identifies the required solvency margin to be held in addition to its takaful liabilities. The solvency margins must be maintained at all times throughout the year. The Company is subject to the Regulations which has been complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with these Regulations.

**5 RISK MANAGEMENT (continued)**

**b) Financial risk (continued)**

**v) Capital risk management (Unaudited) (continued)**

The table below summarises the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these solvency margins as defined in the Regulations. In accordance with Circular No. CBUAE/BSD/N/2022/923 of CBUAE dated 28 February 2022, the Company has disclosed the solvency position for the immediately preceding period as the current year solvency position is not yet finalised.

These numbers are based on eforms and are unaudited and unreviewed.

| | ***30 September 2024 AED (Unaudited)*** | *31 December 2023 AED (Unaudited)* |
|---|---|---|
| **Solvency Requirement** | | |
| 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) | **168,214,416** | 97,438,150 |
| Minimum Guarantee Fund (MGF) | **58,577,519** | 52,828,079 |
| | | |
| **Own funds** | | |
| Basic own funds | **221,747,559** | 214,001,909 |
| MCR solvency Margin – surplus | **121,747,559** | 114,001,909 |
| SCR solvency Margin – surplus | **53,533,143** | 116,563,759 |
| MGF solvency Margin – surplus | **163,170,040** | 161,173,830 |

Based on the CBUAE regulatory requirements, the minimum regulatory capital required is AED 100 million (31 December 2023: AED 100 million) against which the paid up capital of the Company is AED 200 million (31 December 2023: AED 200 million).

**vi) Sensitivity analysis**

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following sensitivity analysis shows the impact on gross and net liabilities, net profit and equity for reasonably possible movements in key assumptions with all other assumptions held constant.

The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are nonlinear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

**5 RISK MANAGEMENT (continued)**

**b) Financial risk (continued)**

**vi) Sensitivity analysis (continued)**

**Sensitivity analysis for contracts measured under PAA**

| | ***For the year ended 31 December 2024*** | | *For the year ended 31 December 2023* | |
|---|---|---|---|---|
| | ***Net Takaful Contract Liabilities AED'000*** | ***Impact on Net Takaful Contract Liabilities AED'000*** | *Net Takaful Contract Liabilities AED'000* | *Impact on Net Takaful Contract Liabilities AED'000* |
| Takaful contract liabilities | **1,062,146** | **-** | 684,397 | - |
| Retakaful contract assets | **(761,866)** | **-** | (465,633) | - |
| **Net takaful contract liabilities** | **300,280** | **-** | 218,764 | - |
| **+0.5% increase – Discount Rate** | | | | |
| Takaful contract liabilities | **1,057,318** | **(4,828)** | 686,689 | (2,292) |
| Retakaful contract assets | **(757,567)** | **4,299** | (467,603) | 1,970 |
| **Net takaful contract liabilities** | **299,751** | **(529)** | 219,086 | (322) |
| **-0.5% decrease – Discount Rate** | | | | |
| Takaful contract liabilities | **1,067,048** | **4,902** | 682,105 | 2,292 |
| Retakaful contract assets | **(766,231)** | **(4,365)** | (463,669) | (1,964) |
| **Net takaful contract liability** | **300,817** | **537** | 218,436 | 328 |
| **5% increase - Risk Adjustment** | | | | |
| Takaful contract liabilities | **1,062,317** | **172** | 683,337 | 1,060 |
| Retakaful contract assets | **(762,015)** | **(149)** | (464,760) | (873) |
| **Net takaful contract liabilities** | **300,302** | **23** | 218,577 | 187 |
| **5% decrease - Risk Adjustment** | | | | |
| Takaful contract liabilities | **1,061,974** | **(172)** | (685,457) | (1,060) |
| Retakaful contract assets | **(761,717)** | **149** | 466,506 | 873 |
| **Net takaful contract liabilities** | **300,257** | **(23)** | (218,951) | (187) |
| **5% increase - Loss Reserve** | | | | |
| Takaful contract liabilities | **1,100,811** | **38,666** | 663,206 | 21,191 |
| Retakaful contract assets | **(795,200)** | **(33,334)** | (448,185) | (17,448) |
| **Net takaful contract liabilities** | **305,611** | **5,332** | 215,021 | 3,743 |
| **5% decrease – Loss Reserve** | | | | |
| Takaful contract liabilities | **1,023,480** | **(38,666)** | (705,588) | (21,191) |
| Retakaful contract assets | **(728,532)** | **33,334** | 483,081 | 17,448 |
| **Net takaful contract liabilities** | **294,948** | **(5,332)** | (222,507) | (3,743) |

## 6 SIGNIFICANT JUDGEMENTS AND ESTIMATES

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

### 6.1. Takaful and retakaful contracts

The Company applies the PAA to simplify the measurement of takaful contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Company's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

#### 6.1.1. Liability for remaining coverage

*Takaful acquisition cash flows*
For all lines of business, the company recognizes takaful acquisition cash flows as an expense immediately as incurred. This is because all takaful contracts issued have a coverage period of one year or less. An asset for takaful acquisition cash flows is recognised for acquisition cash flows incurred before the related group of takaful contracts has been recognised.

The effect of electing to recognise takaful acquisition cash flows as an expense when incurred for a group of takaful contracts is to increase the liability for remaining coverage and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on incurring the expense, offset by an increase in profit released over the coverage period.
a

*Onerous groups*
For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from retakaful contracts held.

*Time value of money*
For the all-product lines, the Company adjusts the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cash flows of the group of takaful contracts at initial recognition.

#### 6.1.2. Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

The Company also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs. Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

## 6 SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

### 6.1. Takaful and retakaful contracts (continued)

#### 6.1.3. Discount rates

Takaful contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to EIOPA (European Insurance and Occupational Pensions Authority) rates in the currency of the takaful contract liabilities. The illiquidity premium is determined by reference to observable market rates.

Discount Rates Applied for discounting of future cashflows are listed below:

| | ***1 Year*** | | ***5 Years*** | | ***10 Years*** | | ***20 Years*** | | ***30 Years*** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | ***2024*** | *2023* | ***2024*** | *2023* | ***2024*** | *2023* | ***2024*** | *2023* | ***2024*** | *2023* |
| | **%** | **%** | **%** | **%** | **%** | **%** | **%** | **%** | **%** | **%** |
| Takaful contracts Issued | **4.33** | 5.44 | **4.17** | 4.18 | **4.22** | 4.13 | **4.25** | 4.14 | **3.98** | 3.91 |
| Retakaful contracts Issued | **4.33** | 5.44 | **4.17** | 4.18 | **4.22** | 4.13 | **4.25** | 4.14 | **3.98** | 3.91 |

#### 6.1.4. Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of takaful contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

At the end of each reporting period, the Company revisits the assumptions made to allocate takaful acquisition cash flows to groups and where necessary revises the amounts of assets for takaful acquisition cash flows accordingly.

### 6.2. Financial assets

#### 6.2.1. Impairment losses on financial assets

The measurement of impairment losses under IFRS 9 across relevant financial assets requires judgement, in particular, for the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by the outcome of modelled ECL scenarios and the relevant inputs used.

## 7 CLASSES AND CATEGORIES OF FINANCIALS ASSETS AND FINANCIAL LIABILITIES

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

***At 31 December 2024***

| ***Financial assets*** | ***Amortised cost AED*** | ***Total AED*** |
|---|---|---|
| Cash and bank balances | **58,834,156** | **58,834,156** |
| Other receivables | **25,918,611** | **25,918,611** |
| Wakala deposit | **626,366,028** | **626,366,028** |
| Statutory deposit | **6,000,000** | **6,000,000** |
| Due from related parties | **629,701** | **629,701** |
| | **717,748,496** | **717,748,496** |

| ***Financial liabilities*** | ***Amortised cost AED*** | ***Total AED*** |
|---|---|---|
| Due to related parties | **10,445,126** | **10,445,126** |
| Accruals, provisions and other payables | **58,392,976** | **58,392,976** |
| Lease liabilities | **5,980,199** | **5,980,199** |
| | **74,818,301** | **74,818,301** |

*At 31 December 2023*

| *Financial assets* | *Amortised cost AED* | *Total AED* |
|---|---|---|
| Cash and bank balances | 47,908,404 | 47,908,404 |
| Other receivables | 16,497,500 | 16,497,500 |
| Wakala deposit | 496,475,000 | 496,475,000 |
| Statutory deposit | 6,000,000 | 6,000,000 |
| Due from related parties | 376,431 | 376,431 |
| | 567,257,335 | 567,257,335 |

| *Financial liabilities* | *Amortised cost AED* | *Total AED* |
|---|---|---|
| Due to related parties | 8,461,910 | 8,461,910 |
| Accruals, provisions and other payables | 30,118,541 | 30,118,541 |
| Lease liabilities | 1,168,280 | 1,168,280 |
| | 39,748,731 | 39,748,731 |

## 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.

## 9 OTHER RECEIVABLES AND PREPAYMENTS

| | ***31 December 2024*** | | |
|---|---|---|---|
| | ***Takaful operations AED*** | ***Shareholders' operations AED*** | ***Total AED*** |
| Accrued profit on wakala deposits | **249,900** | **255,176** | **505,076** |
| Prepayments Financial institutions | **-** | **2,913,433** | **2,913,433** |
| Other receivables | **-** | **22,500,102** | **22,500,102** |
| | **249,900** | **25,668,711** | **25,918,611** |

| | *31 December 2023 (Reclassified*)* | | |
|---|---|---|---|
| | *Takaful operations AED* | *Shareholders' operations AED* | *Total AED* |
| Accrued profit on wakala deposits | 162,361 | 269,915 | 432,276 |
| Prepayments Financial institutions | - | 620,838 | 620,838 |
| Other receivables | - | 15,444,386 | 15,444,386 |
| | 162,361 | 16,335,139 | 16,497,500 |

Other receivables include VAT input to be recovered by the Company from commissions paid to brokers.

*Refer Note 31 for the reclassification disclosure.

## 10 WAKALA AND STATUTORY DEPOSIT

**Wakala Deposit**
This consists of term Wakala deposits with Islamic Banks / Islamic Division of a Commercial Bank in United Arab Emirates, at profit rates from 4.70% to 4.75% per annum (31 December 2023: from 5.80% to 5.95% per annum) amounting to Gross AED 629.54 million which will mature in December 2025. This includes an amount of AED 3.8 million under lien against bank guarantees.

**Statutory Deposit**
This consists of a Wakala deposit with the Islamic Division of a commercial bank in the United Arab Emirates, under lien in favour of the Insurance Supervision - Central Bank of the UAE, at a profit rate of 4.75% per annum (31 December 2023: from 5.80% per annum) amounting to Gross AED 6 million which matures in December 2025.

| | ***31 December 2024*** | | |
|---|---|---|---|
| | ***Takaful operations AED*** | ***Shareholders' operations AED*** | ***Total AED*** |
| Wakala Deposits | **312,632,739** | **316,911,008** | **629,543,747** |
| Expected credit losses | **(1,563,164)** | **(1,614,555)** | **(3,177,719)** |
| **Total Wakala Deposits** | **311,069,575** | **315,296,453** | **626,366,028** |
| Statutory Deposits | **-** | **6,000,000** | **6,000,000** |
| **Total Deposits** | **311,069,575** | **321,296,453** | **632,366,028** |

| | *31 December 2023* | | |
|---|---|---|---|
| | *Takaful operations AED* | *Shareholders' operations AED* | *Total AED* |
| Wakala Deposits | 200,000,000 | 299,000,000 | 499,000,000 |
| Expected credit losses | (1,000,000) | (1,525,000) | (2,525,000) |
| Total Wakala Deposits | 199,000,000 | 297,475,000 | 496,475,000 |
| Statutory Deposits | - | 6,000,000 | 6,000,000 |
| Total Deposits | 199,000,000 | 303,475,000 | 502,475,000 |

Profit from these wakala deposits are included in the statement of comprehensive income as follows:

| | ***31 December 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| Profit from wakala deposit (takaful operations) | **13,896,154** | 6,453,528 |
| Profit from wakala deposit (shareholders' operations) | **18,256,157** | 15,948,547 |
| | **32,152,311** | 22,402,075 |

## 11 OTHER PAYABLES (RELATING TO SHAREHOLDERS)

| | ***31 December 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| Accrual and provision | **49,311,579** | 27,715,610 |
| Lease liability (Note 19) | **5,980,199** | 1,168,280 |
| | **55,291,778** | 28,883,890 |

## 12 CASH AND CASH EQUIVALENTS

| | ***31 December 2024*** | | |
|---|---|---|---|
| | ***Takaful operations AED*** | ***Shareholders' operations AED*** | ***Total AED*** |
| Cash in hand | **-** | **5,621** | **5,621** |
| Current accounts with banks and Islamic financial institutions | **56,480,996** | **2,347,539** | **58,828,535** |
| | **56,480,996** | **2,353,160** | **58,834,156** |

| | *31 December 2023* | | |
|---|---|---|---|
| | *Takaful operations AED* | *Shareholders' operations AED* | *Total AED* |
| Cash in hand | - | 8,000 | 8,000 |
| Current accounts with banks and Islamic financial institutions | 45,361,883 | 2,538,521 | 47,900,404 |
| | 45,361,883 | 2,546,521 | 47,908,404 |

As at 31 December 2024, the Company has determined that the ECL related to cash and cash equivalents is not material. Therefore, detailed disclosures regarding ECL calculations and assumptions have not been provided in these financial statements.

The Company maintains its cash and cash equivalents with reputable financial institutions and continuously monitors the credit risk associated with these balances. Management believes that the risk of default is low, and as such, only an immaterial amount of ECL has been recognized.

**13 PROPERTY AND EQUIPMENT**

| | *Right of use assets AED* | *Motor vehicles AED* | *Furniture and fixtures AED* | *Office equipment AED* | *Total AED* |
|---|---|---|---|---|---|
| Cost | | | | | |
| At 1 January 2023 | 5,125,524 | 293,284 | 1,657,823 | 492,267 | 7,568,898 |
| Additions during the year | 1,064,695 | 59,905 | 5,475 | 89,003 | 1,219,078 |
| At 31 December 2023 | 6,190,219 | 353,189 | 1,663,298 | 581,270 | 8,787,976 |
| At 1 January 2024 | 6,190,219 | 353,189 | 1,663,298 | 581,270 | 8,787,976 |
| Additions during the year | 6,445,977 | 58,853 | - | - | 6,504,830 |
| Disposals during the year | (5,030,348) | - | - | (9,356) | (5,039,704) |
| **At 31 December 2024** | **7,605,848** | **412,042** | **1,663,298** | **571,914** | **10,253,102** |
| Accumulated depreciation | | | | | |
| At 1 January 2023 | (3,555,746) | (85,900) | (1,012,478) | (397,309) | (5,051,433) |
| Charge for the year | (1,137,491) | (56,614) | (236,724) | (69,404) | (1,500,233) |
| At 31 December 2023 | (4,693,237) | (142,514) | (1,249,202) | (466,713) | (6,551,666) |
| At 1 January 2024 | (4,693,237) | (142,514) | (1,249,202) | (466,713) | (6,551,666) |
| Charge for the year | (1,261,500) | (65,311) | (176,079) | (59,664) | (1,562,554) |
| Disposal during the year | 4,154,760 | - | - | 39,001 | 4,193,761 |
| **At 31 December 2024** | **(1,799,977)** | **(207,825)** | **(1,425,281)** | **(487,376)** | **(3,920,459)** |
| Net carrying amount | | | | | |
| At 31 December 2023 | 1,496,982 | 210,675 | 414,096 | 114,557 | 2,236,310 |
| **At 31 December 2024** | **5,805,871** | **204,217** | **238,017** | **84,538** | **6,332,643** |

**14 INTANGIBLE ASSETS – SOFTWARE**

| | ***31 December 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| Cost | | |
| At 1 January | **1,547,161** | 904,036 |
| Additions during the year | **-** | 643,125 |
| At 31 December | **1,547,161** | 1,547,161 |
| Accumulated amortisation | | |
| At 1 January | **(961,204)** | (701,962) |
| Charge for the year | **(197,462)** | (259,242) |
| At 31 December | **(1,158,666)** | (961,204) |
| Net carrying amount | | |
| At 31 December | **388,495** | 585,957 |

## 15 RECEIVABLES FROM / (PAYABLE TO) SHAREHOLDERS AND (RECEIVABLE FROM) / PAYABLE TO POLICYHOLDERS - TAKAFUL OPERATIONS

| | | ***31 December 2024 AED*** | *31 December 2023 AED (Reclassified*)* |
|---|---|---|---|
| As at 1 January | | **1,802,191** | 31,413,339 |
| Wakala fees for the year | 15.1 | **(373,466,096)** | (245,804,687) |
| Other movement in account during the year | | **304,142,865** | 216,193,539 |
| | | **(67,521,040)** | 1,802,191 |

15.1 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 comprehensive income when incurred.

*Refer Note 31 for the reclassification disclosure.

## 16 QARD HASSAN

| | ***31 December 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| **Deficit in Policyholders' fund** | | |
| As at 1 January | **(369,675,365)** | (243,435,894) |
| Deficit during the year | **(168,413,715)** | (126,239,471) |
| | **(538,089,080)** | (369,675,365) |
| **Provision against Qard Hassan** | | |
| As at 1 January | **369,675,365** | 243,435,894 |
| Provision during the year | **168,413,715** | 126,239,471 |
| | **538,089,080** | 369,675,365 |

## 17 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 comprehensive income are as follows:

| | ***31 December 2024*** | | |
|---|---|---|---|
| | ***Shareholders AED*** | ***Associated companies of the shareholders AED*** | ***Total AED*** |
| Gross written contribution | **51,698,164** | **122,438,921** | **174,137,085** |
| Retakaful contribution | **105,027,827** | **33,030** | **105,060,857** |
| Commission | **5,561,098** | **26,448,826** | **32,009,924** |
| Retakaful Commission | **20,452,871** | **8,853** | **20,461,724** |
| General and administrative expenses | **603,781** | **2,838,194** | **3,441,975** |
| Rent | **-** | **369,365** | **369,365** |
| Claims reported | **24,561,887** | **52,996,077** | **77,557,964** |
| Retakaful Claims | **56,565,195** | **-** | **56,565,195** |

| | *31 December 2023* | | |
|---|---|---|---|
| | *Shareholders AED* | *Associated companies of the shareholders AED* | *Total AED* |
| Gross written contribution | 36,807,949 | 97,498,909 | 134,306,858 |
| Retakaful contribution | 87,666,716 | 606,518 | 88,273,234 |
| Commission | 3,665,879 | 20,301,800 | 23,967,679 |
| Retakaful Commission | 17,167,354 | - | 17,167,354 |
| General and administrative expenses | - | 2,353,527 | 2,353,527 |
| Rent | - | 1,057,095 | 1,057,095 |
| Claims reported | 11,061,896 | 26,720,948 | 37,782,844 |
| Retakaful Claims | 16,531,399 | - | 16,531,399 |

**Compensation of key management personnel**

| | ***31 December 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| Short term benefits | **2,738,086** | 2,749,148 |
| End of service benefits | **108,750** | 143,520 |
| | **2,846,836** | 2,892,668 |

## 17 RELATED PARTY TRANSACTIONS (continued)

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

| | ***31 December 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| **Due from related parties (relating to takaful operations)** | | |
| Al Futtaim Motors | **20,245,409** | 12,118,244 |
| Trading Enterprises | **5,244,302** | 1,140,020 |
| Al Futtaim Willis Co. LLC | **5,205,001** | 5,057,350 |
| Other related parties | **20,940,024** | 8,630,581 |
| Included within Note 22 Takaful contract assets and liabilities | **51,634,736** | 26,946,195 |

| | ***31 December 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| **Due to related parties (relating to takaful operations)** | | |
| Orient Insurance P.J.S.C | **57,468,361** | 37,665,418 |
| Al Futtaim Motors | **7,879,528** | 604,518 |
| Trading Enterprises | **3,242,478** | - |
| Others | **11,034,691** | - |
| Included within Note 22 Takaful contract assets and liabilities | **79,625,058** | 38,269,936 |
| **Due from related parties (relating to shareholders)** | | |
| Al Futtaim Electric Vehicle Co. LLC | **629,701** | - |
| Al Futtaim Motors | **-** | 158,761 |
| Other related parties | **-** | 217,670 |
| | **629,701** | 376,431 |
| **Due to related parties (relating to shareholders)** | | |
| Al Futtaim Motor Auto Centre | **9,501,956** | 6,197,218 |
| Al Futtaim Trading Enterprises | **465,534** | 393,606 |
| Other related parties | **477,636** | 1,871,086 |
| | **10,445,126** | 8,461,910 |

## 18 EMPLOYEES' END OF SERVICE BENEFITS

| | ***31 December 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| At 1 January | **2,402,931** | 1,890,872 |
| Charge for the year | **648,110** | 654,565 |
| Paid during the year | **(399,746)** | (142,506) |
| At 31 December | **2,651,295** | 2,402,931 |

## 19 LEASES

**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 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| **Office premises** | | |
| At 1 January | **1,496,982** | 1,569,778 |
| Additions during the year (Note 13) | **6,445,977** | 1,064,695 |
| Disposals during the year (Note 13) | **(875,588)** | - |
| Depreciation charge for the year (Note 13) | **(1,261,500)** | (1,137,491) |
| As at 31st December | **5,805,871** | 1,496,982 |

### ii. Lease liabilities

| | ***31 December 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| **Lease liabilities** | | |
| At 1 January | **1,168,280** | 1,318,744 |
| Lease payments during the year | **(969,553)** | (1,302,095) |
| Finance cost accretion during the year | **211,083** | 86,936 |
| Additions | **5,570,389** | 1,064,695 |
| | **5,980,199** | 1,168,280 |

| | ***31 December 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| Less than one year | **1,720,008** | 446,704 |
| Between one and five years | **4,260,191** | 721,576 |
| | **5,980,199** | 1,168,280 |

### iii. Amounts recognised in statement of comprehensive income

| | ***31 December 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| Depreciation expense | **1,261,500** | 1,137,491 |
| Finance cost on lease liabilities | **211,083** | 86,936 |

**iv. Amounts recognised in statement of cash flows**

| | ***31 December 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| Total cash outflow for leases | **969,553** | 1,302,095 |

**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.

## 20 SHARE CAPITAL AND SHARE PREMIUM

| | ***31 December 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| Issued and paid up capital | | |
| Issued and fully paid 2,000,000 shares of AED 100 each | **200,000,000** | 200,000,000 |
| Share premium reserve | **1,198,390** | 1,198,390 |
| | **201,198,390** | 201,198,390 |

## 21 RESERVES

**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 Central Bank of the United Arab Emirate’s Decision No. (23) of 2019, the Company has transferred AED 3.92 million to the Retakaful risk reserve for the year ended 31 December 2024 (31 December 2023: AED 2.42 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 Central Bank of the United Arab Emirates.

## 22 TAKAFUL AND RETAKAFUL CONTRACT ASSETS AND LIABILITIES

### 22.1 Reconciliation of the Liability for Remaining Coverage & Liability for Incurred claims for Takaful Contracts

| *31 December 2024* | *Liabilities for remaining coverage* | | *Liability for incurred claims - PAA* | | |
|---|---|---|---|---|---|
| | *Excluding loss component AED* | *Loss component AED* | *Estimates of the present value of future cash flow AED* | *Risk Adjustment for non-financial risk AED* | *Total AED* |
| Opening Takaful Contract Liabilities | 220,584,699 | 1,225,859 | 441,391,769 | 21,194,847 | 684,397,174 |
| Opening Takaful Contract Assets | (36,474,481) | - | - | - | (36,474,481) |
| **Net opening position of Takaful Contracts as at 1 January 2024** | **184,110,218** | **1,225,859** | **441,391,769** | **21,194,847** | **647,922,693** |
| **Takaful Revenue** | **(867,587,167)** | **-** | **-** | **-** | **(867,587,167)** |
| **Takaful Service Expenses** | | | | | |
| Incurred Claims and Expenses | - | - | 781,677,957 | 23,053,900 | 804,731,857 |
| Amortization of Acquisition Cashflows | 109,969,116 | - | - | - | 109,969,116 |
| Changes in Incurred Claims (Release) | - | - | (68,775,127) | (9,892,301) | (78,667,428) |
| Changes in Onerous Liability | - | 245,968 | - | - | 245,968 |
| **Takaful Service Expenses** | **109,969,116** | **245,968** | **712,902,830** | **13,161,599** | **836,279,513** |
| **Takaful Service Result** | **(757,618,051)** | **245,968** | **712,902,830** | **13,161,599** | **(31,307,654)** |
| Takaful Finance expense/ (income) - through profit or loss | - | - | 12,531,315 | (38,819) | 12,492,496 |
| **Total changes to statement of comprehensive income** | **(757,618,051)** | **245,968** | **725,434,145** | **13,122,780** | **(18,815,158)** |
| **Cash flows** | | | | | |
| Contribution Received | 983,325,456 | - | - | - | 983,325,456 |
| Claims and Other directly attributable Expenses Paid | - | - | (427,835,118) | - | (427,835,118) |
| Acquisition Cost paid | (122,452,343) | - | - | - | (122,452,343) |
| **Total Cash Flows** | **860,873,113** | **-** | **(427,835,118)** | **-** | **433,037,995** |
| **Net Balance as at 31 December 2024** | **287,365,280** | **1,471,827** | **738,990,796** | **34,317,627** | **1,062,145,530** |
| Closing Takaful Contract Liabilities | **289,421,016** | **1,471,827** | **738,990,796** | **34,317,627** | **1,064,201,266** |
| Closing Takaful Contract Assets | **(2,055,736)** | **-** | **-** | **-** | **(2,055,736)** |
| **Net Balance as at 31 December 2024** | **287,365,280** | **1,471,827** | **738,990,796** | **34,317,627** | **1,062,145,530** |

Takaful service expense of AED 836,279,513 consists of AED 682,963,563 pertaining to Policyholders' operations and AED 153,315,950 relating to Shareholders' operations.

**22 TAKAFUL AND RETAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)**

**22.1 Reconciliation of the Liability for Remaining Coverage & Liability for Incurred claims for Takaful Contracts (continued)**

| *31 December 2023* | *Liabilities for remaining coverage* | | *Liability for incurred claims - PAA* | | |
|---|---|---|---|---|---|
| | *Excluding loss component AED* | *Loss component AED* | *Estimates of the present value of future cash flow AED* | *Risk Adjustment for non-financial risk AED* | *Total AED* |
| Opening Takaful Contract Liabilities | 182,080,094 | - | 367,078,269 | 15,434,533 | 564,592,896 |
| Opening Takaful Contract Assets | (24,349,600) | - | - | - | (24,349,600) |
| Net opening position of Takaful Contracts as at 1 January 2023 | 157,730,494 | - | 367,078,269 | 15,434,533 | 540,243,296 |
| Takaful Revenue | (639,820,327) | - | - | - | (639,820,327) |
| Takaful Service Expenses | | | | | |
| Incurred Claim and Expenses | - | | 427,366,539 | 12,449,078 | 439,815,617 |
| Amortization of Acquisition CFs | 78,875,486 | - | - | - | 78,875,486 |
| Changes in Incurred Claims (Release) | - | - | (12,812,724) | (6,693,806) | (19,506,530) |
| Changes in Onerous Liability | - | 1,225,859 | - | - | 1,225,859 |
| Takaful Service Expenses | 78,875,486 | 1,225,859 | 414,553,815 | 5,755,272 | 500,410,432 |
| Takaful Service Result | (560,944,841) | 1,225,859 | 414,553,815 | 5,755,272 | (139,409,895) |
| Takaful Finance expense/ (income) through profit or loss | - | - | 8,832,174 | 5,042 | 8,837,216 |
| Total changes to SOPL and OCI | (560,944,841) | 1,225,859 | 423,385,989 | 5,760,314 | (130,572,679) |
| Cash flows | | | | | |
| Contribution Received | 643,893,525 | - | - | - | 643,893,525 |
| Claims and Other directly attributable Expenses Paid | - | - | (349,072,489) | - | (349,072,489) |
| Acquisition Cost paid | (56,568,960) | - | - | - | (56,568,960) |
| Total Cash Flows | 587,324,565 | - | (349,072,489) | - | 238,252,076 |
| Net Balance as at 31 December 2023 | 184,110,218 | 1,225,859 | 441,391,769 | 21,194,847 | 647,922,693 |
| Closing Takaful Contract Liabilities | 220,584,699 | 1,225,859 | 441,391,769 | 21,194,847 | 684,397,174 |
| Closing Takaful Contract Assets | (36,474,481) | - | - | - | (36,474,481) |
| Net Balance as at 31 December 2023 | 184,110,218 | 1,225,859 | 441,391,769 | 21,194,847 | 647,922,693 |

Takaful service expense of AED 500,410,432 consists of AED 415,659,525 pertaining to Policyholders' operations and AED 84,750,907 relating to Shareholders' operations.

## 22 TAKAFUL AND RETAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)

### 22.2 Reconciliation of Assets for Remaining Coverage & Asset for Incurred claims for Retakaful Contracts

| *31 December 2024* | *Assets for Remaining coverage* | | *Amounts recoverable on incurred claims* | | |
|---|---|---|---|---|---|
| | *Excluding loss recovery component AED* | *Loss component AED* | *Estimates of the present value of future cash flow AED* | *Risk Adjustment for non-financial risk AED* | *Total AED* |
| Opening Balance of Retakaful Contract Assets | 66,131,127 | 652,157 | 381,394,344 | 17,454,974 | 465,632,602 |
| Opening Balance Retakaful Contract Liabilities | (64,036,344) | - | - | - | (64,036,344) |
| **Net position of Retakaful Contracts as on 1 January 2024** | **2,094,783** | **652,157** | **381,394,344** | **17,454,974** | **401,596,258** |
| Allocation of Retakaful Contribution | (640,690,694) | (652,157) | - | - | (641,342,851) |
| Recovery of Incurred claims and Expenses | - | - | 609,044,964 | 20,279,290 | 629,324,254 |
| Amortisation of acquisition cash flows | 88,968,476 | - | - | - | 88,968,476 |
| Changes in Incurred Claims contract held (Release) | - | - | (56,764,201) | (7,929,293) | (64,693,494) |
| Claims Recovered (Loss Recovery) | - | 912,533 | - | - | 912,533 |
| **Net (expense)/ income from retakaful contracts held** | **(551,722,218)** | **260,376** | **552,280,763** | **12,349,997** | **13,168,918** |
| **Retakaful finance income through profit or loss** | **-** | **-** | **10,754,217** | **(34,712)** | **10,719,505** |
| **Total changes to SOPL** | **(551,722,218)** | **260,376** | **563,034,980** | **12,315,285** | **23,888,423** |
| **Cash flows** | | | | | |
| Contribution Paid | 762,729,220 | - | - | - | 762,729,220 |
| Claims Received | - | - | (307,525,316) | - | (307,525,316) |
| Acquisition Cost Received (Ceding Commission) | (118,822,486) | - | - | - | (118,822,486) |
| **Total Cash Flows** | **643,906,734** | **-** | **(307,525,316)** | **-** | **336,381,418** |
| **Net balance as at 31 December 2024** | **94,279,299** | **912,533** | **636,904,008** | **29,770,259** | **761,866,099** |
| Closing Retakaful Contract Assets | 111,764,805 | 912,533 | 636,904,008 | 29,770,259 | 779,351,605 |
| Closing Retakaful Contract Liabilities | (17,485,506) | - | - | - | (17,485,506) |
| **Net balance as at 31 December 2024** | **94,279,299** | **912,533** | **636,904,008** | **29,770,259** | **761,866,099** |

## 22 TAKAFUL AND RETAKAFUL CONTRACT ASSETS AND LIABILITIES (continued)

### 22.2 Reconciliation of Assets for Remaining Coverage & Asset for Incurred claims for Retakaful Contracts (continued)

| *31 December 2023* | *Assets for Remaining coverage* | | *Amounts recoverable on incurred claims* | | |
|---|---|---|---|---|---|
| | *Excluding loss recovery AED* | *Loss component AED* | *Estimates of the present value of future component AED* | *Risk Adjustment for non- financial risk AED* | *Total AED* |
| Opening Balance of Retakaful Contract Assets | 78,831,414 | - | 299,180,686 | 12,898,283 | 390,910,383 |
| Opening Balance Retakaful Contract Liabilities | (50,294,284) | - | - | - | (50,294,284) |
| Net position of Retakaful contracts as at 1 January 2023 | 28,537,130 | - | 299,180,686 | 12,898,283 | 340,616,099 |
| Retakaful Contributions | (442,491,586) | - | - | - | (442,491,586) |
| Recovery of Incurred claims and Expenses | - | - | 309,541,311 | 10,502,206 | 320,043,517 |
| Amortisation of acquisition cash flows | 68,775,925 | - | - | - | 68,775,925 |
| Changes in Incurred Claims contract held (Release) | - | - | (48,736,369) | (5,950,817) | (54,687,186) |
| Claims Recovered (Loss Recovery) | - | 652,157 | - | - | 652,157 |
| Net (expense)/ income from retakaful contracts held | (373,715,661) | 652,157 | 260,804,942 | 4,551,389 | (107,707,173) |
| Retakaful finance income through profit or loss | - | - | 7,748,708 | 5,302 | 7,754,010 |
| Total changes to SOPL | (373,715,661) | 652,157 | 268,553,650 | 4,556,691 | (99,953,163) |
| Cash flows | | | | | |
| Contribution Paid | 407,963,749 | - | - | - | 407,963,749 |
| Claims Received | - | - | (186,339,992) | - | (186,339,992) |
| Acquisition Cost Received (Ceding Commission) | (60,690,435) | - | - | - | (60,690,435) |
| Total Cash Flows | 347,273,314 | - | (186,339,992) | - | 160,933,322 |
| Net balance as at 31 December 2023 | 2,094,783 | 652,157 | 381,394,344 | 17,454,974 | 401,596,258 |
| Closing Retakaful Contract Assets | 66,131,127 | 652,157 | 381,394,344 | 17,454,974 | 465,632,602 |
| Closing Retakaful Contract Liabilities | (64,036,344) | - | - | - | (64,036,344) |
| Net balance as at 31 December 2023 | 2,094,783 | 652,157 | 381,394,344 | 17,454,974 | 401,596,258 |

## 23 GENERAL AND ADMINISTRATIVE EXPENSES

The following amounts related to administrative costs are included in Takaful service expenses attributable to shareholders, excluding commissions and other policy-related issuance costs.

| | ***31 December 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| Staff costs | **23,417,902** | 19,359,666 |
| Depreciation and amortisation | **1,760,016** | 1,759,475 |
| Others | **4,738,740** | 9,420,913 |
| | **29,916,658** | 30,540,054 |

23.1 During the year, the Company has made social contributions amounting to nil (2023: nil).

## 24 CORPORATE TAX

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal Corporate Tax (CT) regime in the UAE. The CT regime has become effective for accounting periods beginning on or after 1 June 2023. The Cabinet of Ministers Decision No. 116 of 2022 (widely accepted to be effective from 16 January 2023) specified the threshold of taxable income to which the 0% UAE CT rate would apply, and above which the 9% UAE CT rate would apply. It is widely considered that this would constitute ‘substantive enactment’ of the UAE CT Law for the purposes of IAS 12, the objective of which is to prescribe the basis for accounting for Income Taxes.

Current taxes should be measured at the amount expected to be paid to or recovered from the tax authorities by reference to tax rates and laws that have been enacted or substantively enacted, by the end of the any reporting period. Since the Company is expected to pay tax in accordance with the provision of the UAE CT Law on its operational results with effect from 1 January 2024, current taxes have been accounted for in the financial statements for the year beginning from 1 January 2024.

Deferred taxes should be measured by reference to the tax rates and laws, as enacted, or substantively enacted, by the end of the reporting period, that are expected to apply in the periods in which the assets and liabilities to which the deferred tax relates are realized or settled. As the UAE CT Law is considered ‘enacted’ as at 31 December 2024 for the purposes of IAS 12, the Company considered the application of IAS 12 and any requirements for the measurement and recognition of deferred taxes (if any) for the year ended 31 December 2024.

Amount recognised in the statement of comprehensive income:

The major components of corporate tax expense for the year ended 31 December 2024:

| | ***31 December 2024 AED*** |
|---|---|
| *Current income tax:* | |
| Current income tax charge | **6,430,102** |
| *Deferred tax:* | |
| Deferred tax charge | **-** |
| Income tax expense reported in the statement of comprehensive income | **6,430,102** |

## 24 CORPORATE TAX (continued)

Following is the reconciliation of current income tax expense and accounting profit:

| | ***31 December 2024 AED*** |
|---|---|
| Accounting profit before tax | **71,797,568** |
| At UAE's statutory income tax rate of 9% | **6,461,781** |
| Add/Less Tax effect of: | |
| Adjustments in respect of standard deduction as per the Law | **(33,750)** |
| Non-deductible expenses | **2,071** |
| Income tax expense reported in the statement of comprehensive income | **6,430,102** |
| Effective tax rate | **9%** |

## 25 EARNINGS PER SHARE

| | ***31 December 2024 AED*** | *31 December 2023 AED (Restated)* |
|---|---|---|
| Profit for the year attributable to shareholders after tax (AED) | **65,367,466** | 50,121,188 |
| Weighted average number of shares outstanding during the year | **2,000,000** | 2,000,000 |
| Earnings per share (AED) | **32.68** | 25.06 |

There is no dilution impact on basic earnings per share.

Basic earnings per share are calculated by dividing the profit for the year attributable to the owners of the Company by the number of weighted average shares outstanding at the end of the reporting period. Diluted earnings per share is equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

## 26 CONTINGENCIES AND COMMITMENTS

**Contingent liabilities**
At 31 December 2024, the guarantees, other than those relating to claims for which provisions are held, amounting to AED 6.24 million (31 December 2023: AED 1.38 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.

## 27 GROSS TAKAFUL CONTRIBUTION

As per the CBUAE's reporting requirements, the following disclosures are provided which are not prepared under IFRS 17.

| **31 December 2024** | ***Family Takaful AED*** | ***Fund Accumulation AED*** | ***Medical Takaful AED*** | ***Property & Liability AED*** | ***Total AED*** |
|---|---|---|---|---|---|
| Direct Written Contributions | - | - | 205,403,172 | 639,332,786 | 844,735,958 |
| Assumed Business | | | | | |
| Foreign | - | - | - | 72,898,921 | 72,898,921 |
| Local | - | - | 46,635,469 | 102,775,640 | 149,411,109 |
| Total Assumed Business | - | - | 46,635,469 | 175,674,561 | 222,310,030 |
| **Gross Written Contributions** | **-** | **-** | **252,038,641** | **815,007,347** | **1,067,045,988** |

| 31 December 2023 | *Family Takaful AED* | *Fund Accumulation AED* | *Medical Takaful AED* | *Property & Liability AED* | *Total AED* |
|---|---|---|---|---|---|
| Direct Written Contributions | - | - | 142,537,923 | 390,924,984 | 533,462,907 |
| Assumed Business | | | | | |
| Foreign | - | - | 259,296 | 46,138,151 | 46,397,447 |
| Local | - | - | 27,468,005 | 94,970,747 | 122,438,752 |
| Total Assumed Business | - | - | 27,727,301 | 141,108,898 | 168,836,199 |
| Gross Written Contributions | - | - | 170,265,224 | 532,033,882 | 702,299,106 |

## 28 INTERNAL SHARIA SUPERVISORY COMMITTEE

The Company's business activities are subject to the supervision of its Internal Sharia Supervision Committee (ISSC) consisting of three members appointed by the shareholders. ISSC performs a supervisory role in order to determine whether the operations of the Company are conducted in accordance with Sharia rules and principles.

According to the Internal Sharia Supervision Committee, the Company is required to identify any income deemed to be derived from transactions not acceptable under Islamic Sharia rules and principles, as interpreted by Internal Sharia Supervision Committee, and to set aside such amount in a separate account for Shareholders who may resolve to pay the same for local charitable causes and activities

## 29 Zakat

The Company does not pay Zakat on behalf of its shareholders. The Zakat obligation as approved by the Internal Shariah Supervision Committee is AED 3.54 per share (2023: AED 0.91 per share).

## 30 AUDIT FEES

| | ***31 December 2024 AED*** | *31 December 2023 AED* |
|---|---|---|
| Audit of the Company | **157,500** | 85,000 |
| Fees on related assurance services | **157,500** | 176,950 |
| | **315,000** | 261,950 |

## 31 RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures for the year ended 31 December 2023 have been reclassified for consistency with the current year presentation. This reclassification had no effect on the reported results of the Company.

To achieve presentation in line with the takaful regulations, the Company's management reclassified accrued profit on wakala deposits from shareholders' operations to takaful operations on the statement of financial position and in the corresponding note to the financial statements for the comparative year. This has also led to change in total assets and total liabilities and equity for the comparative figures for the year ended 31 December 2023.

| *31 December 2023* | *As previously reported AED* | *Reclassification AED* | *As reclassified AED* |
|---|---|---|---|
| Other receivables and prepayments (shareholders' assets)* | 16,497,500 | (162,361) | 16,335,139 |
| Other receivables and prepayments (takaful operations' assets)* | - | 162,361 | 162,361 |
| Receivable from shareholders (takaful operations' assets)** | 1,964,552 | (162,361) | 1,802,191 |
| Payable to policyholders (shareholders' liabilities)** | (1,964,552) | 162,361 | (1,802,191) |
| | 16,497,500 | - | 16,497,500 |

*Refer Note 9 for the disclosure on other receivables and prepayments
**Refer Note 15 for the disclosure on Receivable from shareholders and payable to policyholders

## 32 SUBSEQUENT EVENTS

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of these financial statements.

## 33 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on 17 March 2025.