# Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance

Financial statements for the year ended
31 December 2022

## Directors' report

The directors submit their report for the year ended 31 December 2022.

### Incorporation and registered offices

Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance (the "Company") is a public shareholding company and was registered in 1992. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations and is registered in the Insurance Companies Register of Central Bank of U.A.E under registration number 6. The address of the Company's registered office is P.O. Box 1993, Dubai, United Arab Emirates.

### Principal activities

The Company started issuing short term takaful contracts from 1 February 2015 in connection with non-life takaful such as motor, marine, fire, engineering, medical and general accident risks (collectively known as general takaful) and the name of the Company was changed to Arabian Scandinavian Insurance Company (PLC) - Takaful ASCANA Insurance. The Company only operates in U.A.E., through its Dubai and Abu Dhabi office.

### Financial position and results

The financial position and results of the Company for the year ended 31 December 2022 are set out in the accompanying financial statements.

### Directors

The following were the Directors of the Company for the year ended 31 December 2022:

- H.H. Sheikh Butti Bin Maktoum Bin Juma Al Maktoum
- Mr. Khaled Habib Mohammed Al Redha
- Mr. Majid Mohammed Amin Al Kazim
- Mr. Faisal Aqeel Mohammed Al Bastaki
- Mr. Mahmoud Mohammed Hadi Hassan
- Dr. Mohammad Salim Ahmad Al Olama
- H.E. Abdulla Abdulrahman Al Shaibani

### Auditors

Grant Thornton were appointed as auditors of the Company for the year ended 31 December 2022 and being eligible, have offered themselves for re-appointment. The Directors have proposed their appointment as auditors of the Company for the year ending 31 December 2023.

These financial statements for the year ended 31 December 2022 (including comparatives) were approved by the Board of Directors on 27 February 2023 and were signed on their behalf by:

**Mr. Khalid Ahmad Al Kazim**
**CEO**

Dubai, United Arab Emirates

Grant Thornton Audit and Accounting Limited (Dubai Branch)

The Offices 5
Level 3
Office 302, 303
One Central, DWTC
Dubai, UAE

P.O. Box 1620
T +971 4 388 9925
F +971 4 388 9915
www.grantthornton.ae

# Independent Auditor's Report

## To the shareholder of Arabian Scandinavian Insurance Company (PLC) – Takaful – ASCANA Insurance

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of Arabian Scandinavian Insurance Company (PLC) - Takaful - ASCANA Insurance (the "Company"), Dubai, United Arab Emirates which comprise the statement of financial position as at 31 December 2022, and the statement of income, 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 a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### 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 International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements together with the ethical requirements that are relevant to the audit of the financial statements. 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 Company for the year ended 31 December 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### i) Valuation of takaful contract liabilities and retakaful contract assets

The estimation of liabilities arising from takaful contracts such as outstanding claims, incurred but not reported claims, unallocated loss adjustment expenses and unearned premium reserve, as disclosed in note 7 to the financial statements, involves a significant degree of judgement.



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# Independent Auditor's Report

**To the shareholder of Arabian Scandinavian Insurance Company (PLC) – Takaful – ASCANA Insurance (continued)**

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

### Key audit matters (continued)

**i) Valuation of takaful contract liabilities and retakaful contract assets (continued)**

These liabilities are based on the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and the pattern of risk distribution over the coverage period. Actuarial computations have been used to determine these provisions. Underlying these computations are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such a provision requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these liabilities was significant to our audit.

We assessed management's calculations of the takaful contract liabilities and retakaful contract assets by performing the following procedures:

- Understood the governance process in place to determine the insurance contract liabilities;
- Tested the underlying Company data to source documentation on sample basis;
- Evaluated the competence, objectivity and independence of the management appointed actuary;
- Using our actuarial specialist team members, we applied our industry knowledge and experience, and compared the methodology, models and assumptions used against recognised actuarial practices; and
- Using our actuarial specialist team members, we checked the mathematical accuracy of the methodology applied on selected classes of business, particularly focusing on the largest and most uncertain reserves.

**ii) Valuation of investment properties**

The Company holds investment properties under the fair value model as at 31 December 2022 amounting to AED 161 million (2021: AED 159 million), as detailed in note 13 to the financial statements. The fair value estimate requires significant judgement and estimates by management and independent external valuers. The Company has involved independent external valuers in order to value the investment properties for the purpose of determining the fair value for inclusion in the financial statements. The existence of significant estimation and judgement coupled with change in valuation assumptions used could result in material change. Therefore, the valuation of these investment properties was significant to our audit.

Grant Thornton

## Independent Auditor's Report

**To the shareholder of Arabian Scandinavian Insurance Company (PLC) – Takaful – ASCANA Insurance (continued)**

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

**Key audit matters (continued)**

**ii) Valuation of investment properties (continued)**

Our audit procedures, among others, included:

- Assessing the competence, capabilities, and objectivity of external valuers;
- Evaluating the accuracy and completeness of the source data used in the calculation of fair values;
- Assessing the appropriateness of the key assumptions and methodologies used; and
- Performing an independent calculation by carrying out enquiries with management and independent valuer, including performing reasonableness computation by using publicly available sources of information to independently corroborate the valuation performed by management expert.

**Other information**

Management is responsible for the other information. The other information comprises the information included in the Directors' Report, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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.

**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 IFRSs and their preparation in compliance with the applicable provisions of the UAE Federal Law No. 32 of 2021 and Federal Law No.6 of 2007 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.

Grant Thornton

## Independent Auditor's Report

**To the shareholder of Arabian Scandinavian Insurance Company (PLC) – Takaful – ASCANA Insurance (continued)**

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

**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 scepticism 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.

- 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

Grant Thornton

## Independent Auditor's Report

**To the shareholder of Arabian Scandinavian Insurance Company (PLC) – Takaful – ASCANA Insurance (continued)**

**Report on other Legal and Regulatory Requirements**

As required by the UAE Federal Law No. 32 of 2021, we report that:

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

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

iii) The Company has maintained proper books of account;

iv) The financial information included in the Directors' Report, in so far as it relates to these financial statements, is consistent with the books of account of the Company;

v) Note 10 to the financial statements discloses purchase of securities by the Company during the year ended 31 December 2022;

vi) Note 9 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and

vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the Federal Law No. 32 of 2021, or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022.

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

Furthermore, as required by the CBUAE Insurance Reporting Requirements for 2023, Note 13 to the financial statements discloses information on assets that are held by a related party for the beneficial interest of the Company.

Grant Thornton

Grant Thornton P.O. Box: 1620 DUBAI-U.A.E. Public Accountants

**GRANT THORNTON**

**Dr. Osama El Bakry**
**Registration No: 935**
**Dubai, United Arab Emirates**

**February 27, 2023**

## Arabian Scandinavian Insurance Company (PLC) – Takaful – ASCANA Insurance
## Statement of financial position
## As at 31 December 2022

| | Notes | 2022<br>AED'000 | 2021<br>AED'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Takaful operations' assets** | | | |
| Cash and bank balances | 5 | **36,630** | 43,694 |
| Takaful and retakaful receivables | 6 | **27,898** | 32,796 |
| Retakaful contract assets: | | | |
| Unearned contribution | 7 | **11,742** | 10,982 |
| Claims reported unsettled | 7 | **9,185** | 11,524 |
| Claims incurred but not reported | 7 | **4,069** | 3,808 |
| Additional unexpired risk reserve | 7 | **3,246** | 1,059 |
| Prepayments and other receivables | 8 | **1,140** | 1,738 |
| Amounts due from related parties | 9 | **988** | 568 |
| Other financial assets measured at fair value through other comprehensive income (FVTOCI) | 10 | **9,060** | 3,765 |
| Deferred policy acquisition cost | | **8,983** | 9,324 |
| **Total takaful operations' assets** | | **112,941** | 119,258 |
| **Shareholders' assets** | | | |
| Cash and bank balances | 5 | **79,901** | 101,045 |
| Statutory deposits | 11 | **10,000** | 10,000 |
| Prepayments and other receivables | 8 | **3,538** | 4,365 |
| Due from policyholders | 12 | **29,521** | 27,290 |
| Other financial assets measured at fair value through other comprehensive income (FVTOCI) | 10 | **59,384** | 54,212 |
| Other financial assets measured at fair value through profit and loss (FVTPL) | 10 | **4,053** | 11,225 |
| Investment properties | 13 | **160,641** | 158,715 |
| Property and equipment | 14 | **1,938** | 2,335 |
| Intangible assets | 15 | **575** | 481 |
| **Total shareholders' assets** | | **349,551** | 369,668 |
| **Total assets** | | **462,492** | 488,926 |

The accompanying notes 1 to 43 form an integral part of these financial statements.

**Arabian Scandinavian Insurance Company (PLC) – Takaful – ASCANA Insurance**
**Statement of financial position (continued)**
**As at 31 December 2022**

| | Notes | 2022 AED'000 | 2021 AED'000 |
|---|---|---|---|
| **LIABILITIES, POLICYHOLDERS' FUND AND EQUITY** | | | |
| **Takaful operations' liabilities and policyholders' fund** | | | |
| **Takaful operations' liabilities** | | | |
| Takaful and retakaful payables | 16 | **48,323** | 31,297 |
| Takaful contract liabilities: | | | |
| Unearned contribution | 7 | **66,134** | 65,073 |
| Claims reported unsettled | 7 | **20,693** | 17,870 |
| Claims incurred but not reported | 7 | **8,545** | 9,286 |
| Unallocated loss adjustments expense reserve | 7 | **1,279** | 1,816 |
| Additional unexpired risk reserve | 7 | **15,465** | 4,767 |
| Other liabilities | 17 | **8,152** | 7,463 |
| Amounts due to related parties | 9 | **4** | 8 |
| Due to shareholders | 12 | **29,521** | 27,290 |
| Deferred discount | | **2,993** | 2,290 |
| **Total takaful operations' liabilities** | | **201,109** | 167,160 |
| **Policyholders' fund** | | | |
| Deficit in policyholders' fund | 18 | **(88,168)** | (47,902) |
| Qard Hassan from shareholders | 18 | **88,168** | 47,902 |
| **Total policyholders' fund** | | **-** | - |
| **Liabilities and policyholders' fund** | | **201,109** | 167,160 |
| **Shareholders' liabilities and equity** | | | |
| **Shareholders' liabilities** | | | |
| Provision for employees' end of service indemnity | 19 | **2,386** | 2,278 |
| Other liabilities | 17 | **7,400** | 9,723 |
| Amounts due to related parties | 9 | **23** | 14 |
| **Total shareholders' liabilities** | | **9,809** | 12,015 |
| **Shareholders' equity** | | | |
| Share capital | 20 | **154,000** | 154,000 |
| Statutory reserve | 21 | **77,000** | 77,000 |
| Reinsurance reserve | 23 | **479** | 309 |
| Investments revaluation reserve - FVTOCI | 24 | **(5,363)** | (251) |
| Retained earnings | | **25,458** | 78,693 |
| **Total shareholders' equity** | | **251,574** | 309,751 |
| **Total shareholders' liabilities and equity** | | **261,383** | 321,766 |
| **Total liabilities, policyholders' fund and equity** | | **462,492** | 488,926 |

These financial statements were approved by the Board of Directors on 27 February 2023 and were signed on their behalf by:

**Mr. Khalid Ahmad Al Kazim**
CEO

The accompanying notes 1 to 43 form an integral part of these financial statements.

## Arabian Scandinavian Insurance Company (PLC) – Takaful – ASCANA Insurance
## Statement of income
## For the year ended 31 December 2022

| | Notes | 2022 AED'000 | 2021 AED'000 |
|---|---|---|---|
| **Attributable to policyholders** | | | |
| **Takaful income** | | | |
| Gross takaful contribution | 25 | **129,558** | 122,888 |
| Retakaful share of accepted business | | **(599)** | (262) |
| Retakaful share of ceded business | | **(33,503)** | (30,741) |
| Net takaful contribution | 25 | **95,456** | 91,885 |
| Net transfer to unearned contribution reserves and additional unexpired risk reserves | 25 | **(8,812)** | (14,444) |
| **Net takaful contribution earned** | 25 | **86,644** | 77,441 |
| Discount received on retakaful contributions | | **6,675** | 5,364 |
| **Total takaful income** | | **93,319** | 82,805 |
| **Takaful expenses** | | | |
| Gross claims incurred | 26 | **(138,180)** | (97,288) |
| Retakaful share of accepted business claims | | **19** | 84 |
| Retakaful share of ceded business claims | | **46,018** | 37,464 |
| **Net claims incurred** | 26 | **(92,143)** | (59,740) |
| (Provision)/reversal of provision for claims reported Unsettled | 26 | **(2,823)** | 12,102 |
| Retakaful share of claims reported unsettled | 26 | **(2,339)** | (10,195) |
| Decrease in claims incurred but not reported – net | 26 | **1,003** | 2,125 |
| Decrease/(increase) in unallocated loss adjustments expenses – net | 26 | **537** | (251) |
| **Net takaful claims incurred** | 26 | **(95,765)** | (55,959) |
| **Net takaful (loss)/income** | | **(2,446)** | 26,846 |
| Investment income – net | 27 | **692** | 356 |
| Other income | | **563** | 269 |
| Wakala fees | 28 | **(38,867)** | (36,866) |
| Mudarib's fees | 28 | **(208)** | (107) |
| **Deficit for the year attributable to policyholders** | | **(40,266)** | (9,502) |

The accompanying notes 1 to 43 form an integral part of these financial statements.

| | Notes | 2022 AED'000 | 2021 AED'000 |
|---|---|---|---|
| **Attributable to shareholders** | | | |
| Investment income – net | 27 | **13,624** | 17,401 |
| Wakala fees from policyholders | 28 | **38,867** | 36,866 |
| Mudarib's fees | 28 | **208** | 107 |
| Other income | | **1,956** | 6 |
| Policy acquisition cost | | **(16,652)** | (12,421) |
| General and administrative expenses | 29 | **(27,702)** | (26,019) |
| **Profit for the year before Qard Hassan** | | **10,301** | 15,940 |
| Provision for Qard Hassan to policyholders | | **(40,266)** | (9,502) |
| **(Loss)/profit for the year attributable to shareholders** | | **(29,965)** | 6,438 |
| **(Loss)/earnings per share** | 30 | **(0.19)** | 0.04 |

**Arabian Scandinavian Insurance Company (PLC) – Takaful – ASCANA Insurance**
**Statement of comprehensive income**
**For the year ended 31 December 2022**

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| **Attributable to shareholders** | | |
| (Loss)/profit for the year | **(29,965)** | 6,438 |
| **Other comprehensive income** | | |
| *Items that will not be reclassified subsequently to profit or loss* | | |
| Net unrealised loss on financial assets at fair value through other comprehensive income (note 10) | **(5,112)** | (319) |
| **Total comprehensive (loss)/income for the year attributable to shareholders** | **(35,077)** | 6,119 |

The accompanying notes 1 to 43 form an integral part of these financial statements.

**Arabian Scandinavian Insurance Company (PLC) – Takaful – ASCANA Insurance**
**Statement of changes in equity**
**For the year ended 31 December 2022**

| | Share capital AED'000 | Statutory reserve AED'000 | Voluntary reserve AED'000 | Investments revaluation reserve - FVTOCI AED'000 | Reinsurance reserves AED'000 | Retained earnings AED'000 | Total AED'000 |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2021 | 154,000 | 66,509 | 50,064 | 68 | 154 | 48,237 | 319,032 |
| Profit for the year | - | - | - | - | - | 6,438 | 6,438 |
| Other comprehensive loss for the year | - | - | - | (319) | - | - | (319) |
| Total comprehensive (loss)/income for the year | - | - | - | (319) | - | 6,438 | 6,119 |
| Transfer to reserve | - | 10,491 | (50,064) | - | - | 39,573 | - |
| Dividend paid | - | - | - | - | - | (15,400) | (15,400) |
| Transfer to reinsurance reserve (note 23) | - | - | - | - | 155 | (155) | - |
| Balance at 31 December 2021 | 154,000 | 77,000 | - | (251) | 309 | 78,693 | 309,751 |
| Loss for the year | - | - | - | - | - | (29,965) | (29,965) |
| Other comprehensive loss for the year | - | - | - | (5,112) | - | - | (5,112) |
| **Total comprehensive loss for the year** | - | - | - | (5,112) | - | (29,965) | (35,077) |
| Dividend paid | - | - | - | - | - | (23,100) | (23,100) |
| Transfer to reinsurance reserve (note 23) | - | - | - | - | 170 | (170) | - |
| **Balance at 31 December 2022** | **154,000** | **77,000** | - | **(5,363)** | **479** | **25,458** | **251,574** |

The accompanying notes 1 to 43 form an integral part of these financial statements.

## Arabian Scandinavian Insurance Company (PLC) – Takaful – ASCANA Insurance
## Statement of cash flows
## For the year ended 31 December 2022

| | Notes | 2022 AED'000 | 2021 AED'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| (Loss)/profit for the year | | **(29,965)** | 6,438 |
| Adjustments for: | | | |
| Depreciation of property and equipment | 14 | **925** | 748 |
| Amortisation of intangible assets | 15 | **218** | 188 |
| Gain on sale of property and equipment | | **(1)** | - |
| Fair value gain on investment properties | 13 | **(1,926)** | (4,177) |
| Unrealised loss/(gain) on other financial assets | 10 | **201** | (2,950) |
| Realised gain on sale of other financial assets at FVTPL | | **(1)** | (952) |
| Dividend income from financial assets at FVTPL and FVTOCI | | **(1,171)** | (134) |
| Provision for expected credit losses | | **2,918** | 542 |
| Reversal of provision for expected credit losses | | **-** | (550) |
| Provision for employees' end of service benefits | 19 | **261** | 223 |
| Rental income – net | 13 | **(8,140)** | (7,637) |
| Funding cost on lease liability | | **36** | 54 |
| Profit on sukuk and wakala deposits | | **(4,004)** | (2,703) |
| **Operating cash flows before changes in operating assets and liabilities** | | **(40,649)** | (10,910) |
| Change in retakaful contract assets | | **(869)** | 6,301 |
| Change in takaful and retakaful receivables | | **2,680** | (9,892) |
| Change in due from related parties | | **(420)** | 5,906 |
| Change in prepayments and other receivables | | **238** | 3,203 |
| Change in deferred policy acquisition costs | | **341** | (3,706) |
| Change in takaful contract liabilities | | **13,304** | 4,418 |
| Change in takaful and retakaful payables | | **17,026** | (3,184) |
| Change in other liabilities | | **(1,144)** | 4,105 |
| Change in deferred discount | | **703** | 484 |
| Change in amounts due to related parties | | **5** | 3 |
| **Cash used in operations** | | **(8,785)** | (3,272) |
| Employee's end of service benefits paid | 19 | **(153)** | (429) |
| **Net cash used in operating activities** | | **(8,938)** | (3,701) |
| **Cash flows from investing activities** | | | |
| Purchase of property and equipment | 14 | **(528)** | (369) |
| Purchase of intangible assets | 15 | **(312)** | (183) |
| Proceeds from sale of property and equipment | | **1** | - |
| Purchase of other financial assets | | **(19,054)** | (41,210) |
| Proceeds from sale of other financial assets | | **10,447** | 6,513 |
| Rental income received | | **9,008** | 7,637 |
| Profit received on sukuk and wakala deposits | | **3,623** | 2,703 |
| Dividend received | | **1,171** | 134 |
| Decrease/(increase) in wakala deposits with maturity over 3 months | | **9,824** | (15,333) |
| **Net cash generated from/(used in) investing activities** | | **14,180** | (40,108) |

The accompanying notes 1 to 43 form an integral part of these financial statements.

| | Notes | 2022 AED'000 | 2021 AED'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Payment of lease liability | | **(526)** | (523) |
| Dividend paid | 41 | **(23,100)** | (15,400) |
| **Cash used in financing activities** | | **(23,626)** | (15,923) |
| **Net decrease in cash and cash equivalents** | | **(18,384)** | (59,732) |
| Cash and cash equivalents at the beginning of the year | | **89,406** | 149,138 |
| **Cash and cash equivalents at the end of the year** | 32 | **71,022** | 89,406 |

## 1 Legal status and activities

Arabian Scandinavian Insurance Company PLC - Takaful - ASCANA Insurance (the "Company") is a public shareholding company and was registered in 1992.

The Company is engaged in insurance and reinsurance of all classes of business in accordance with the provisions of the United Arab Emirates ("UAE") Federal Law No. 6 of 2007, concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations.

The Shareholders Extraordinary General Assembly Meeting held on 19 March 2014 approved conversion of the Company's business from conventional insurance to Takaful insurance. The Board of Directors appointed a Fatwa and Sharia'a Supervisory Board for overseeing the compliance with Sharia'a.

The Company started issuing short term takaful contracts from 1 February 2015 in connection with life and non-life takaful such as motor, marine, fire, engineering, medical and general accident risks (collectively known as general takaful) and the name of the Company was changed to Arabian Scandinavian Insurance Company PLC - Takaful ASCANA Insurance. The Company only operates in UAE, through its Dubai and Abu Dhabi offices.

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015 (as amended). The Company is incompliance with applicable provisions of the UAE Federal Decree Law No. 32 of 2021 as at the date of these financial statements.

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a 9% federal corporate tax rate effective for fiscal years commencing on or after 1 June 2023. There is no impact of this announcement on the financial statements of the Company for the year ended 31 December 2022.

The address of the Company's registered office is P.O. Box 1993, Dubai, United Arab Emirates.

## 2 Statement of compliance with IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) promulgated by International Accounting Standards Board (IASB) and interpretations thereof issued by the International Financial Reporting Interpretation Committee and in compliance with the applicable requirements of U.A.E Federal Law No. 32 of 2021, relating to commercial companies, and of UAE Federal Law No. 6 of 2007, concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations. These financial statements are prepared in UAE Dirhams ("AED") being the economic, functional and reporting currency, rounded to the nearest thousand.

### New standards and interpretations effective after 1 January 2022

The following relevant standards, interpretations and amendments to existing standards were issued by the IASB:

| Standard number | Title | Effective date |
|---|---|---|
| IFRS 3 | Reference to the Conceptual Framework (Amendments to IFRS 3) | 1 January 2022 |
| IAS 16 | Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16) | 1 January 2022 |
| IAS 37 | Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37) | 1 January 2022 |
| IFRS 1, IFRS 9, IFRS 16 and IAS 41 | Annual Improvements to IFRS Standards 2018–2020 | 1 January 2022 |

These standards have been adopted by the Company and did not have a material impact on these financial statements.

## 2 Statement of compliance with IFRS (continued)

### Standards issued but not yet effective

The impact of the new standards, interpretations and amendments 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 standards, if applicable, when they become effective.

IFRS 17 (FAS 42 and FAS 43) Insurance Contracts (1 January 2023): Once effective IFRS 17 (FAS 42 and FAS 43) will replace IFRS 4 the current insurance contracts standard and it is expected to significantly change the way the Company measures and reports its policyholder side of insurance contracts. The overall objective of the new standard is to provide an accounting model for insurance contracts that is more useful and consistent for users. IFRS 17 (FAS 42 and FAS 43) applies to policyholder side of insurance contracts (including reinsurance contracts) an entity issues, policyholder side of reinsurance contracts an entity holds and investment contracts with discretionary participation features an entity issues provided it also issues insurance contracts.

### IFRS 17 (FAS 42 and FAS 43) Insurance Contracts (effective for accounting period beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied)

The scope of IFRS 17 (FAS 42 and FAS 43) for the Company is materially consistent with that of IFRS 4. Investment contracts will be measured under IFRS 9. IFRS 17 (FAS 42 and FAS 43) requires that contracts are divided into groups for the purposes of recognition and measurement. Portfolios of contracts are identified by grouping together contracts which have similar risks and are managed together. These groups are then further divided into groups based on their expected profitability.

Contracts which are onerous at inception cannot be grouped with contracts which are profitable at inception. Contracts which are issued more than one year apart are not permitted to be included within the same group, although there is some relief from this requirement for business in-force at the date of transition under the transitional arrangements.

The standard introduces three measurement approaches, of which one, the general model and the premium allocation approach, are applicable to the Company's business. The main features of these models are the measurement of an insurance contract as the present value of expected future cash flows including wakala, plus an explicit risk adjustment, remeasured at each reporting period using current assumptions, and a contractual service margin ('CSM')/residual margin. The CSM is the surplus for the policyholder fund.

The risk adjustment represents the compensation the Company requires for bearing the uncertainty about the amount and timing of cash flows that arise from non-financial risk as the obligations under the insurance contract are fulfilled.

The CSM represents the unearned surplus of a group of policyholder side of insurance contracts and is recognised in surplus or loss as the insurance service is provided to the customer using coverage units. Coverage units are a measurement of the quantum of service provided across the life of the contract and are used to measure the service provided in the reporting period and release a corresponding amount of surplus to the income statement. If a group of contracts becomes loss-making after inception the loss is recognised immediately in the income statement and the deficit needs to be covered by Qard-al-Hassan

Under the general model the CSM is adjusted for non-economic assumption changes relating to future periods. IFRS 17 (FAS 42 and FAS 43) requires the standard to be applied retrospectively. Where this is assessed as impracticable the standard allows the application of a simplified retrospective approach or a fair value approach to determine the contractual service margin. The measurement principles set out in IFRS 17 (FAS 42 and FAS 43) will significantly change the way in which the Company measures its insurance contracts and associated reinsurance contracts.

## 2 Statement of compliance with IFRS (continued)

### Standards issued but not yet effective (continued)

**IFRS 17 (FAS 42 and FAS 43) Insurance Contracts (effective for accounting period beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied) (continued)**

These changes will impact the pattern in which surplus emerges when compared to IFRS 4 and add complexity to valuation processes, data requirements and assumption setting. The introduction of IFRS 17 (FAS 42 and FAS 43) will simplify the presentation of the statement of financial position. It requires the presentation of groups of insurance (or reinsurance) contracts that are in an asset position separately from those in a liability position. The presentation of the income statement will change more significantly with IFRS 17 (FAS 42 and FAS 43) setting out how components of the profitability of contracts are disaggregated into an insurance service result and insurance finance income/expenses. IFRS 17 (FAS 42 and FAS 43) also requires extensive disclosures on the amounts recognised from policyholder side of insurance contracts and the nature and extent of risks arising from them.

Premium allocation approach (PPA): The Premium allocation approach is an optional simplified measurement model in IFRS 17 (FAS 42 and FAS 43) that is available for policyholder side of insurance and reinsurance contracts that meet the eligibility criteria.

The Company expects that it will apply the PAA to majority of the contracts in the in Non-family takaful because the following criteria are expected to be met at inception.

- Policyholder side of insurance contracts and loss-occurring reinsurance contracts: The coverage period of each contract in the Company is one year or less.

Risk-attaching reinsurance contracts: The Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies described above.

Under IFRS 17 (FAS 42 and FAS 43), the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the Company. Compared with the current accounting, the Company expects that for certain contracts the IFRS 17 (FAS 42 and FAS 43) contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17 (FAS 42 and FAS 43).

Wakala charges cash flows arise from the activities of selling and starting a group of contracts that are attributable to the portfolio of contracts to which the Company belongs. Under IFRS 17 (FAS 42 and FAS 43) wakala fee cash flows are allocated to groups of contracts using systematic and rational methods based on the total premiums for each group.

## 2 Statement of compliance with IFRS (continued)

### Standards issued but not yet effective (continued)

### IFRS 17 (FAS 42 and FAS 43) Insurance Contracts (effective for accounting period beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied) (continued)

### Impact assessment – Non-Life Insurance

Although the PAA is similar to the Company's current accounting treatment when measuring liabilities for remaining coverage, the following changes are expected in the accounting for Non-family takaful contracts.

| Changes from IFRS 4 | Impact on equity on transition to IFRS 17 (FAS 42 and FAS 43) |
|---|---|
| Under IFRS 17 (FAS 42 and FAS 43), the Company will discount the future cash flows when measuring liabilities for incurred claims, unless they are expected to occur in one year or less from the date on which the claims are incurred. The Company does not currently discount such future cash flows. | Increase |
| IFRS 17 (FAS 42 and FAS 43) requires the fulfilment cash flows to include a risk adjustment for non-financial risk. This is not explicitly allowed for currently. | Decrease |
| The Company's accounting policy under IFRS 17 (FAS 42 and FAS 43) to expense eligible insurance Wakala cash flows when they are incurred differs from the current practice under which these amounts are recognised separately as deferred acquisition costs. | Decrease |

The Company implementation project continued through 2022 with a focus on finalising methodologies and developing the operational capabilities required to implement the standard including data, systems and business processes. The current focus is on embedding the operational capabilities and determining the transition balance sheet and comparatives required for 2023 reporting.

Since the implementation project is currently ongoing, management believes that it is impractical to determine the amount of the effect of IFRS 17 (FAS 42 and FAS 43) in the current period.

## 3 Summary of significant accounting policies

### Accounting convention

These financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement bases are described in more detail in the accounting policies.

### Product classification

Takaful contracts are those contracts where a group of policyholders (the policyholders) mutually guarantee one another against prescribed uncertain future events of loss or damage, where the Company acts as a Wakil (agent) on their behalf in managing the Islamic Takaful insurance operations in consideration for a Wakala fee. The Takaful amounts (contributions) paid net of the Wakala fee are considered as funds available for Mudarba, where the Company acts as Mudarib, investing some of these funds in consideration of a pre-agreed share of the realised profit or loss, (Mudarib fee) if any. The policyholders further donate their contribution to those other policyholders who suffer a prescribed event of loss or damage, payable per the policies of the Company, in its capacity as an agent.

In case of deficit in policyholders operation, such deficit is funded by the shareholders as a Qard Hasan (profit free loan).

## 3 Summary of significant accounting policies (continued)

### Surplus/deficit in policyholders' fund

If the surplus in the policyholders' fund at the end of a year is sufficiently large, a percentage of the surplus shall be distributed between policyholders that have not made a claim, in proportion to their risk contributions to the fund after accounting for reserves. The distributions will be approved by the Company's Fatwa and Shari'a Supervisory Board. Any remaining surplus after the distribution will remain in the policyholders' fund.

A deficiency in policyholders' fund is made good by a profit free loan (Qard Hasan) from the shareholders' fund. This Qard Hasan is to be repaid from future surpluses arising from takaful operations on a priority basis. This Qard Hasan is tested for impairment annually and the portion of the Qard Hasan that is considered impaired is charged to the statement of income.

On liquidation of the fund, the accumulated surplus in the policyholders' fund, if any, after meeting all obligations (including repayment of the outstanding amount of Qard Hasan), will be dealt with after consulting with the Company's Fatwa and Shari'a Supervisory Board. In case of an accumulated deficit, any Qard Hasan outstanding at the time of liquidation will not be repayable by the policyholders' fund and the shareholders' fund will forego such outstanding amount.

Any deficit in the policyholders' fund, except for deficits arising from a decline in the fair value of securities, is financed by the shareholders through a Qard Hasan (loan without any profit). The Company maintains a full provision against the Qard Hasan.

### Property and equipment

Property and equipment are carried at cost less any accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of income.

The useful life considered in the calculation of depreciation of all the assets is 4 years.

### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of income in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

## 3 Summary of significant accounting policies (continued)

### Investment properties (continued)

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Fair value is determined by open market values based on valuations performed by independent surveyors.

### Leases

The Company recognises a right-to-use asset and a lease liability at the lease commencement date.

The right-to-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 as initial direct costs incurred. The right-to-use is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use or the end of the lease term. The estimated useful life of the right-to-use asset is determined on the same basis as those of property and equipment. In addition, the right-to-use 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 funding rate. Generally, the Company uses its incremental funding rates as the discount rate.

The lease liability is measured at amortised cost using the effective funding cost method. It is remeasured when there is a change in the 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, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

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

The Company presents right-to-use assets that do not meet the definition of investment property in 'Property and equipment' and the lease liabilities as a separate item in the statement of financial position.

### Revenue recognition

#### *Gross Takaful contributions*

Gross takaful contributions comprise the total contributions receivable for the whole period of cover provided by Takaful contracts entered into during the accounting period and are recognised on the date on which the Takaful policy incepts. Contributions include any adjustments arising in the accounting period for contributions receivable in respect of Takaful contracts executed in prior accounting periods. Contributions collected by intermediaries but not yet received, are assessed based on estimates from Takaful operations or past experience and are included in Takaful contributions.

Unearned contributions are those proportions of contributions written in a year that relate to period of risk after the reporting date. Unearned contribution is calculated in accordance with Federal Law No.6 of 2007. The proportion attributable to subsequent year is deferred as a provision for unearned contributions.

## 3 Summary of significant accounting policies (continued)

### Revenue recognition (continued)

***Discounts earned***
Discounts earned are recognised at the time policies are written. Discount earned on outwards retakaful contracts are deferred and amortised on a straight line basis over the term of the expected premiums payable.

***Wakala fees***
The Company manages the takaful operations on behalf of the policyholders for a wakala fee which is recognised on an accrual basis. A similar amount is shown as expense statement of income attributable to policyholders.

***Profit income***
Profit income is recognised on an accrual basis taking into account effective funding cost rates on the instrument, on a time proportionate basis when it becomes receivable.

***Rental income***
Rental income from investment property is recognised on a straight-line basis over the term of the lease.

***Dividend income***
Dividend income is recognised when the right to receive payment is established.

### Retakaful contribution

Gross retakaful contribution written comprise the total contribution payable for the whole cover provided by contracts entered into during the period and are recognised on the inception date of the policy. Contributions include any adjustments arising in the accounting period in respect of retakaful contracts incepting in prior accounting periods. Unearned retakaful contributions are those proportions of contribution written in a year that relate to periods of risk after the reporting date. Unearned retakaful contributions are deferred over the term of the underlying direct Takaful policies for risks-attaching contracts and over the term of the retakaful contract for losses occurring contracts.

Gross retakaful contribution on life are recognised as an expense on the earlier of the date when contribution are payable or when the policy becomes effective.

The Company cedes Takaful risk in the normal course of business for all of its businesses. Retakaful assets represent balances due from retakaful companies. Recoverable amounts are estimated in a manner consistent with the outstanding claims provision and are in accordance with the retakaful contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the retakaful can be measured reliably. The impairment loss is recorded in the statement of income.

Ceded retakaful arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes retakaful risk in the normal course of business for takaful contracts where applicable. Contributions and claims on assumed retakaful are recognised as income and expenses in the same manner as they would be if the retakaful were considered direct business, taking into account the product classification of the reinsured business. Retakaful liabilities represent balances due to retakaful companies. Amounts payable are estimated in a manner consistent with the associated retakaful contract. Contributions and claims are presented on a gross basis for both ceded and assumed retakaful.

Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

## 3 Summary of significant accounting policies (continued)

### Claims

Claims incurred comprise actual claims and other related costs paid and incurred in the year, and movement in outstanding claims. Claim handling costs are recognised at the time of registering the claims.

On account of uncertainties involved in non-motor claim recoveries, salvage and subrogation rights are recognised only at the time of actual recovery. For motor claim recoveries, salvage is accounted for at the time of registering the claims.

Provision for outstanding claims represents the estimated settlement values of all claims notified, but not settled at the statement of financial position date on the basis of individual case estimates.

The reinsurers' portion towards the above outstanding claims is classified as retakaful contract assets and shown as current assets in the statement of financial position.

### Provision for IBNR

Provision for Incurred But Not Reported ("IBNR") claims is made at the statement of financial position date based on an actuarial estimate obtained from an independent actuary in accordance with the financial regulations for takaful companies issued by the Central Bank of UAE.

### Provision for ULAE

Provision for Unallocated Loss Adjustment Expenses (ULAE) which cannot be allocated to specific claims, is made at the statement of financial position date based on actuarial estimates obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Central Bank of UAE.

### Liability adequacy test

All recognised takaful contract liabilities including provision for outstanding claims are subject to liability adequacy test at each reporting date. This involves comparison of current estimates of all contractual cash flows attached to these liabilities with their carrying amounts. Estimates of contractual cash flows include expected claim handling costs and recoveries from third parties. Any deficiency in carrying amounts is charged to the income statement by establishing a provision for losses arising from liability adequacy test.

### Unearned premium reserve

Unearned Premium Reserve (UPR) represents that portion of premiums earned, gross of retakaful, which relates to the period of takaful subsequent to the statement of financial position date and is mainly computed on linear method based on the outstanding period from the date of statement of financial position up to the date of the maturity of the policy based on actuarial estimates obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Central Bank of UAE.

### Retakaful premium

Ceded retakaful premiums are accounted for in the same accounting periods in which the premiums for the related direct takaful are recorded and the unearned portion is calculated on linear basis in accordance with retakaful arrangements in place.

### Retakaful assets

Amounts recoverable under retakaful contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

## 3 Summary of significant accounting policies (continued)

### Financial instruments

***Recognition, initial measurement and derecognition***

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs. Regular way purchases and sales of financial assets are recognised on the date on which the Company commits to purchase or sell the asset i.e. the trade date. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished.

***Classification and subsequent measurement of financial assets***

For the purposes of subsequent measurement, the Company classifies its financial assets into the following categories:

**i) Financial assets at amortised cost**

Financial assets at amortised cost are those financial assets for which:

- the Company's business model is to hold them in order to collect contractual cash flows; and
- the contractual terms give rise on specific dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

After initial recognition these are measured at amortised cost using the effective funding cost method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

These are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Financial assets at amortised cost comprise statutory deposits, cash and cash equivalents, due from related parties and most other receivables.

**ii) Financial assets at fair value through other comprehensive income ('FVTOCI')**

Investments in equity securities are classified as FVTOCI. At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity investments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Gain or loss arising from change in fair value of investments at FVTOCI is recognised in other comprehensive income and reported within the fair value reserve for investments at FVTOCI within equity. When the asset is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity reserve to income statement, but is reclassified to retained earnings.

**iii) Financial assets at fair value through profit and loss ('FVTPL')**

Investments in equity instruments are classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in statement of income.

Dividend income on investments in equity instruments at FVTPL is recognised in statement of income when the Company's right to receive the dividends is established.

## 3 Summary of significant accounting policies (continued)

### Financial instruments (continued)

#### *Fair value measurement*

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted prices at the close of business on the statement of financial position date. Investments in unquoted securities are measured at fair value, considering observable market inputs and unobservable financial data of investees.

#### *Classification and subsequent measurement of financial liabilities*

Financial liabilities comprise amounts due to related parties and most other payables.
Financial liabilities are measured subsequently at amortised cost using the effective funding cost method.

#### *Impairment and uncollectability of financial assets*

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- financing commitments issued.

The Company measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL are measured.

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

ECL are probability-weighted estimates of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn financing commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

#### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### Employee benefits

#### *Short-term employee benefits*

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and bonuses) is recognised in the period in which the service is rendered.

## 3 Summary of significant accounting policies (continued)

### Employee benefits (continued)

***Provision for employees' end of service benefits***

A provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the UAE Labour Law and is reported as separate line item under non-current liabilities. The entitlement to end of service benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period as specified in the UAE Labour Law. The expected costs of these benefits are accrued over the period of employment.

### Foreign currency transactions

Transactions in foreign currencies are translated to AED at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to AED at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

### Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each statement of financial position date or whenever there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment losses are recognised in the income statement. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

### Short term operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, current accounts and fixed deposits which have original maturities of less than 3 months and are free from lien.

### Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably.

Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

## 3 Summary of significant accounting policies (continued)

### Provisions, contingent liabilities and contingent assets (continued)

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

### Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Other details for reserves are mentioned in notes 21, 22, 23 and 24 to the financial statements.

Retained earnings include all current and prior period retained profits or losses.

Dividend payable to equity shareholders is included in other liabilities only when the dividend has been approved in a general assembly meeting prior to the reporting date.

### Segment reporting

Under IFRS 8 "Operating Segments", reported segments' profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker. The measurement policies used by the Company for segment reporting under IFRS 8 are the same as those used in its financial statements.

## 4 Critical accounting estimates and judgements in applying accounting policies

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

*Outstanding claims, IBNR, ULAE and UPR*

The estimation of the ultimate liability (outstanding claims, IBNR and ULAE) arising from claims and UPR made under takaful contracts is the Company's most critical accounting estimate. These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in the income statement. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends (including actuarial calculations), is an appropriate basis for predicting future events.

*Fair value judgement of investment property*

Fair value of investment property is estimated by two independent professional valuers, considering the rental yield (income approach). This estimate was made considering market rent and average rental yield. Fair value was dependent on market factors and availability of information.

## 4 Critical accounting estimates and judgements in applying accounting policies (continued)

*Fair value of unquoted securities*

Fair value of unquoted securities has been determined by the management based on Net Assets Value Technique using observable market data of comparable public entities, certain discount factors and unobservable financial data of respective non-public investees. Actual results may substantially be different.

*Impairment losses on insurance receivables*

Management reviews the provision for impairment at each reporting date by assessing the recoverability of takaful and retakaful receivables. For non-takaful receivables the recoverability is assessed, and provisions are created in compliance with the simplified approach under the IFRS 9 methodology.

## 5 Cash and bank balances

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| Cash on hand | **19** | 83 |
| Bank balances: | | |
| Wakala deposits | **82,812** | 115,461 |
| Current accounts | **33,700** | 29,195 |
| | **116,531** | 144,739 |
| Attributable to: | | |
| Policyholders | **36,630** | 43,694 |
| Shareholders | **79,901** | 101,045 |
| | **116,531** | 144,739 |

The profit rates on the Wakala deposits with banks range from 0.60% to 5.10% (2021: 0.65 % to 0.80%).

Wakala deposits amounting to AED 46 million (2021: AED 55 million) have maturity more than three months.

All cash and bank balances are maintained within U.A.E.

## 6 Takaful and retakaful receivables

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| Takaful receivable | **24,206** | 28,754 |
| Receivables from takaful companies | **4,631** | 3,036 |
| Receivables from retakaful companies | **4,195** | 3,922 |
| | **33,032** | 35,712 |
| Less: Expected credit losses | **(5,134)** | (2,916) |
| | **27,898** | 32,796 |
| Inside UAE: | | |
| Takaful receivables | **24,206** | 28,754 |
| Receivables from takaful companies | **4,631** | 3,036 |
| Receivables from retakaful companies | **450** | 182 |
| | **29,287** | 31,972 |
| Less: Expected credit losses | **(5,134)** | (2,916) |
| | **24,153** | 29,056 |

## 6 Takaful and retakaful receivables (continued)

| Outside UAE: | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| Receivables from retakaful companies | **3,745** | 3,740 |

The Company has adopted a policy of dealing with credit worthy counter parties. Adequate credit assessment is made before accepting a takaful contract from any counter party. The average credit period on takaful receivable is 90 days. The takaful receivables outstanding between 90 days and 180 days are monitored by the Company for recoverability. The takaful receivables outstanding greater than 180 days are provided for based on estimated irrecoverable amounts determined by reference to past default experience in addition to specific provision made on identified customers. In year 2021, the Company has updated its credit policy for takaful receivables related to the Medical line of business to include quarterly instalments payment plan.

| **Movement in the expected credit losses** | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| Balance at the beginning of the year | **2,916** | 2,744 |
| Recognised during the year | **2,218** | 228 |
| Write-off during the year | **-** | (56) |
| Balance at the end of the year | **5,134** | 2,916 |

## 7 Takaful contract liabilities and retakaful contract assets

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| **Gross** | | |
| Takaful contract liabilities: | | |
| Unearned contribution | **66,134** | 65,073 |
| Claims reported unsettled | **20,693** | 17,870 |
| Claims incurred but not reported | **8,545** | 9,286 |
| Unallocated loss adjustments expense reserve | **1,279** | 1,816 |
| Additional unexpired risk reserve | **15,465** | 4,767 |
| Total takaful contract liabilities, gross | **112,116** | 98,812 |
| **Recoverable from retakaful** | | |
| Retakaful contract assets: | | |
| Unearned contribution | **11,742** | 10,982 |
| Claims reported unsettled | **9,185** | 11,524 |
| Claims incurred but not reported | **4,069** | 3,808 |
| Additional unexpired risk reserve | **3,246** | 1,059 |
| Total retakaful share of takaful contract liabilities | **28,242** | 27,373 |
| **Net** | | |
| Unearned contribution | **54,392** | 54,091 |
| Claims reported unsettled | **11,508** | 6,346 |
| Claims incurred but not reported | **4,476** | 5,478 |
| Unallocated loss adjustments expense reserve | **1,279** | 1,816 |
| Additional unexpired risk reserve | **12,219** | 3,708 |
| | **83,874** | 71,439 |

## 8 Prepayments and other receivables

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| Amounts due from broker | **1,105** | 2,724 |
| Accrued profit | **1,089** | 708 |
| Prepaid expenses | **1,047** | 367 |
| Rent receivable (net)* | **480** | 1,348 |
| Advances and deposits | **306** | 367 |
| Other receivables | **651** | 589 |
| | **4,678** | 6,103 |
| Attributable to: | | |
| Policyholders | **1,140** | 1,738 |
| Shareholders | **3,538** | 4,365 |
| | **4,678** | 6,103 |

*The rent receivable is net of expected credit losses of AED 700,000 (2021: AED nil).

## 9 Related parties

At the reporting date, amounts due from/to related parties were as follows:

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| **Amounts due from related parties:** | | |
| *Related parties due to common directorship* | | |
| Al Redha Insurance Brokers (LLC), Dubai | **903** | 432 |
| Others | **85** | 136 |
| | **988** | 568 |
| **Amounts due to related parties:** | | |
| *Related parties due to common ownership* | | |
| Others | **27** | 22 |

All amounts due from related parties are attributable to policy holders.

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| **Movement in the expected credit losses** | | |
| Balance at the beginning of the year | **-** | 180 |
| Recognised during the year | **-** | 314 |
| Reversed during the year | **-** | (494) |
| Balance at the end of the year | **-** | - |

**Amounts due to related parties attributable to:**

| | 2022 | 2021 |
|---|---|---|
| Policyholders | **4** | 8 |
| Shareholders | **23** | 14 |
| | **27** | 22 |

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Investment property amounting to AED 6.0 million (2021: AED 6.0 million) is registered in the name of related party (refer to note 13).

## 9 Related parties (continued)

During the year, the Company entered into the following transactions with related parties:

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| **Transactions with related parties:** | | |
| Contribution written for related parties | **1,716** | 2,267 |
| Management expenses (net) | **1,626** | 868 |
| Contribution written through a related party broker | **7,369** | 4,237 |
| Policy acquisition cost paid | **1,173** | 753 |
| Claims paid | **20** | 7,298 |

Key management personnel remuneration:

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| Short-term benefits | **1,155** | 1,003 |
| Long-term benefits | **75** | 308 |
| Board of directors' remuneration | **700** | 1,900 |

## 10 Other financial assets

The Company's other financial assets at the end of reporting year are detailed below:

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| **Other financial assets measured at fair value through other comprehensive income (FVTOCI)** | | |
| Unquoted U.A.E. equity securities (a) | **1,939** | 1,939 |
| Quoted U.A.E. Sukuk (b) | **56,946** | 52,013 |
| Unquoted outside UAE | **9,559** | 4,025 |
| | **68,444** | 57,977 |
| **Attributable to:** | | |
| Policyholders | **9,060** | 3,765 |
| Shareholders | **59,384** | 54,212 |
| | **68,444** | 57,977 |
| **Other financial assets measured at fair value through profit and loss (FVTPL)** | | |
| Quoted U.A.E. equity securities (c) | **3,538** | 10,710 |
| Unquoted U.A.E. equity securities (a) | **515** | 515 |
| | **4,053** | 11,225 |

All other financial assets measured at fair value through profit and loss (FVTPL) are attributable to Shareholders.

(a) The Company holds investments in unquoted equity securities of three entities as at 31 December 2022 (2021: three entities). Unobservable financial data used in determining the fair values of these unquoted securities has been extracted from their latest available audited financial statements for the year ended 31 December 2021 (2021: financial statements for the year ended 31 December 2020).

## 10 Other financial assets (continued)

(b) Fair values have been determined by reference to quoted prices at the reporting date. During the year, the Company purchased quoted sukuk amounting to AED 10.04 million (2021: AED 27 million).

(c) Fair values have been determined by reference to quoted prices at the reporting date. During the year, the Company purchased quoted equity securities amounting to AED 3.48 million (2021: AED 9.42 million) while sold quoted securities amounting to AED 10.45 million (2021: AED 5.56 million).

The movement in other financial assets are as follows:

| | FVTOCI | | FVTPL | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **AED'000** | AED'000 | **AED'000** | AED'000 |
| Fair value, at the beginning of the year | **57,977** | 26,505 | **11,225** | 4,417 |
| Purchased during the year | **15,579** | 31,791 | **3,475** | 9,419 |
| Sold during the year | **-** | - | **(10,446)** | (5,561) |
| Change in fair value | **(5,112)** | (319) | **(201)** | 2,950 |
| **Fair value, at the end of the year** | **68,444** | 57,977 | **4,053** | 11,225 |

## 11 Statutory deposits

| | 2022 | 2021 |
|---|---|---|
| | **AED'000** | AED'000 |
| Held with a local bank in Dubai, UAE | **10,000** | 10,000 |

Statutory deposit represents a Wakala deposit under lien against the guarantees issued in favour of Central Bank of U.A.E. in accordance with Article 42 of United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007.

## 12 Due from policyholders/due to shareholders

The balance consists of the net of Wakala fees balances that are due to the shareholders from the policyholders amounting to AED 29.52 million (2021: AED 27.29 million).

## 13 Investment properties

| | Land | Other real estate | Total |
|---|---|---|---|
| | **AED'000** | **AED'000** | **AED'000** |
| 2022 | | | |
| At 1 January | **9,363** | **149,352** | **158,715** |
| Change in fair value during the year (note 27) | **137** | **1,789** | **1,926** |
| **At 31 December** | **9,500** | **151,141** | **160,641** |
| 2021 | | | |
| At 1 January | 9,473 | 145,065 | 154,538 |
| Change in fair value during the year (note 27) | (110) | 4,287 | 4,177 |
| At 31 December | 9,363 | 149,352 | 158,715 |

On 31 December 2022, Gulf Trust Real Estate Valuation Services and Arab Loss Adjusters L.L.C, independent and experienced professional valuers estimated the fair value of investment property at AED 160.71 million and AED 160.58 million respectively (On 31 December 2021, Pioneer Surveyors and Technical & Loss adjusting co., independent and experienced professional valuers estimated the fair value of investment property at AED 158.24 million and AED 159.18 million respectively).

## 13 Investment properties (continued)

Company recognises the average of fair value from both valuers. The valuers hold relevant professional qualifications and experience. Investment property is held for capital appreciation and rental purposes.

Investment property amounting to AED 6 million (2021: AED 6 million) is registered in the name of heirs of Mohammad Amin Al Kazim (related party) held for the beneficial interest of the Company.

All investment properties are located in U.A.E.

The property rental income earned by the Company from its investment properties, which are leased under operating leases on an annual basis and the direct operating expenses arising in the management of the investment properties are as follows:

| | 2022<br>AED'000 | 2021<br>AED'000 |
|---|---|---|
| Rental income | **9,591** | 8,841 |
| Direct operating expenses | **(1,451)** | (1,204) |
| Net income from investment properties | **8,140** | 7,637 |

## 14 Property and equipment

| 2022 | Furniture and fixtures AED'000 | Motor vehicles AED'000 | Right-to-use assets AED'000 | Total AED'000 |
|---|---|---|---|---|
| ***Cost*** | | | | |
| At 1 January | **5,233** | **272** | **2,946** | **8,451** |
| Additions during the year | **465** | **63** | **-** | **528** |
| Disposal during the year | **-** | **(65)** | | **(65)** |
| **At 31 December** | **5,698** | **270** | **2,946** | **8,914** |
| ***Accumulated depreciation*** | | | | |
| At 1 January | **4,538** | **119** | **1,459** | **6,116** |
| Charge for the year | **314** | **115** | **496** | **925** |
| Disposal during the year | **-** | **(65)** | **-** | **(65)** |
| **At 31 December** | **4,852** | **169** | **1,955** | **6,976** |
| **Carrying value** | | | | |
| **At 31 December 2022** | **846** | **101** | **991** | **1,938** |
| 2021 | | | | |
| *Cost* | | | | |
| At 1 January | 4,864 | 272 | 1,583 | 6,719 |
| Additions during the year | 369 | - | 1,363 | 1,732 |
| At 31 December | 5,233 | 272 | 2,946 | 8,451 |
| *Accumulated depreciation* | | | | |
| At 1 January | 4,254 | 57 | 1,057 | 5,368 |
| Charge for the year | 284 | 62 | 402 | 748 |
| At 31 December | 4,538 | 119 | 1,459 | 6,116 |
| Carrying value | | | | |
| At 31 December 2021 | 695 | 153 | 1,487 | 2,335 |

At 31 December 2022, the cost of fully depreciated property and equipment that was still in use amounted to AED 4.145 million (2021: AED 3.967 million).

## 15 Intangible assets

| | 2022<br>AED'000 | 2021<br>AED'000 |
|---|---|---|
| Software: | | |
| *Cost* | | |
| At 1 January | **815** | 632 |
| Additions during the year | **312** | 183 |
| **At 31 December** | **1,127** | 815 |
| *Accumulated amortisation* | | |
| At 1 January | **334** | 146 |
| Charge for the year | **218** | 188 |
| **At 31 December** | **552** | 334 |
| **Carrying value at 31 December** | **575** | 481 |

## 16 Takaful and retakaful payables

| | 2022<br>AED'000 | 2021<br>AED'000 |
|---|---|---|
| Payable arising from takaful activities | **26,407** | 8,790 |
| Due to takaful companies | **11,348** | 7,255 |
| Due to retakaful companies | **10,568** | 15,252 |
| | **48,323** | 31,297 |

The average credit period is 90 days. The Company has financial risk management policies in place to ensure that all payables are paid within credit time frame.

## 17 Other liabilities

| | 2022<br>AED'000 | 2021<br>AED'000 |
|---|---|---|
| Premium reserve withheld | **6,527** | 5,257 |
| Accrued expenses | **2,996** | 3,914 |
| Deferred rental income | **1,065** | 1,284 |
| Lease liability | **854** | 1,344 |
| Other | **4,110** | 5,387 |
| | **15,552** | 17,186 |
| Attributable to: | | |
| Policyholders | **8,152** | 7,463 |
| Shareholders | **7,400** | 9,723 |
| | **15,552** | 17,186 |

## 18 Qard Hasan

| | 2022<br>AED'000 | 2021<br>AED'000 |
|---|---|---|
| **(i) Deficit in policyholders' fund:** | | |
| As at 1 January | **(47,902)** | (38,400) |
| Deficit during the year | **(40,266)** | (9,502) |
| As at 31 December | **(88,168)** | (47,902) |

## 18 Qard Hasan (continued)

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| **(ii) Qard Hasan from shareholders** | | |
| As at 1 January | **47,902** | 38,400 |
| Addition during the year | **40,266** | 9,502 |
| As at 31 December | **88,168** | 47,902 |

The shareholders have funded the deficit in the policyholders' fund in accordance with the Company's policy through a Qard Hasan (profit free loan with no repayment terms). During the current year the policyholders fund reported a deficit amounting to AED 40.27 million (2021: Deficit of AED 9.50 million).

## 19 Provision for employees' end of service indemnity

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| Balance at the beginning of the year | **2,278** | 2,484 |
| Charged during the year | **261** | 223 |
| Paid during the year | **(153)** | (429) |
| Balance at the end of the year | **2,386** | 2,278 |

## 20 Share capital

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| Authorised and issued and fully paid: | | |
| 154,000,000 ordinary shares of AED 1 each (2021: 154,000,000) | **154,000** | 154,000 |

## 21 Statutory reserve

In accordance with the Company's Articles of Association and Article 241 of the Federal Law No. 32 of 2021, a minimum of 10% of the Company's annual net profits must be transferred to a non-distributable legal reserve. As per the Company's Articles of Association, such transfers are required until the balance in the legal reserve equals 50% of the Company's paid-up share capital. No transfer to legal reserve has been made during the year as it has already reached 50% of the paid-up share capital (2021: Nil).

## 22 Voluntary reserve

The Company had set up the voluntary reserve by transferring 10% of annual profit as per the clause in the earlier Articles of Association which required at least 10% of the Company's annual profit to be transferred to voluntary reserve until it is suspended by an Ordinary General Meeting upon recommendations of the Board of Directors or when the reserve reaches 50% of the paid up capital of Company and this reserve can be utilised for purposes determined by the General meeting up on recommendation of the Board of Directors.

During 2016, the Company had amended its Articles of Association and the clause related to voluntary reserve states that a voluntary purpose reserve can be created upon a recommendation of the Board of Directors and this reserve cannot be utilised for any other purpose unless approved by the General meeting.
At the Annual General Meeting held on 7 April 2021, the shareholders approved transfer of AED 10.49 million from the voluntary reserve to statutory reserve and the remaining balance to retained earnings.

## 23 Reinsurance reserve

In accordance with Central Bank of the United Arab Emirates' Board of Directors' Decision No. 23, Article 34, an amount of AED 170,000 (Year 2021: AED 155,000) based on the reinsurance share of premium at a rate of 0.5% was transferred from retained earnings to reinsurance reserve. The reserve is not available for distribution and will not be disposed of without prior approval from Central Bank of the UAE.

## 24 Investments revaluation reserve - FVTOCI

This reserve records gains and losses arising from changes in fair value of other financial assets measured at fair value through other comprehensive income (FVTOCI).

## 25 Net takaful contributions

| 2022 | Gross AED'000 | Retakaful share AED'000 | Net AED'000 |
|---|---|---|---|
| Takaful contracts: Gross contributions written | **129,558** | **(34,102)** | **95,456** |
| Movement in unearned contributions and additional unexpired risk reserves | **(11,759)** | **2,947** | **(8,812)** |
| Takaful contributions revenue | **117,799** | **(31,155)** | **86,644** |
| **2021** | | | |
| Takaful contracts: Gross contributions written | 122,888 | (31,003) | 91,885 |
| Movement in unearned contributions and additional unexpired risk reserves | (18,365) | 3,921 | (14,444) |
| Takaful contributions revenue | 104,523 | (27,082) | 77,441 |

## 26 Claims incurred

| 2022 | Gross AED'000 | Retakaful share AED'000 | Net AED'000 |
|---|---|---|---|
| Takaful claims incurred | **138,180** | **(46,037)** | **92,143** |
| Movement in provision for claims reported unsettled | **2,823** | **2,339** | **5,162** |
| Movement in provision for claims incurred but not reported | **(741)** | **(262)** | **(1,003)** |
| Movement in provision for unallocated loss adjustment expense | **(537)** | **-** | **(537)** |
| Claims recorded in the statement of income | **139,725** | **(43,960)** | **95,765** |
| **2021** | | | |
| Takaful claims incurred | 97,288 | (37,548) | 59,740 |
| Movement in provision for claims reported unsettled | (12,102) | 10,195 | (1,907) |
| Movement in provision for claims incurred but not reported | (2,096) | (29) | (2,125) |
| Movement in provision for unallocated loss adjustment expense | 251 | - | 251 |
| Claims recorded in the statement of income | 83,341 | (27,382) | 55,959 |

## 27 Investment income

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| Income from investment properties -net (note 13) | **8,140** | 7,637 |
| Fair value gain on investment properties (note 13) | **1,926** | 4,177 |
| Unrealised (loss)/gain on other financial assets at FVTPL (note 10) | **(201)** | 2,950 |
| Profit on sukuk | **2,359** | 1,497 |
| Profit on wakala deposit | **1,645** | 1,206 |
| Gain on disposal of financial investments at FVTPL | **1** | 952 |
| Dividends from other financial assets | **500** | 78 |
| Dividends from financial investments at FVTPL | **671** | 56 |
| Profit on sale of asset | **1** | - |
| Expenses allocated to investment | **(726)** | (796) |
| | **14,316** | 17,757 |
| Attributable to: | | |
| Policyholders | **692** | 356 |
| Shareholders | **13,624** | 17,401 |
| | **14,316** | 17,757 |

## 28 Wakala and Mudarib's fees

*Wakala fees*

Wakala fee for the year ended 31 December 2022 amounted to AED 38.87 million (2021: AED 36.87million) the fee is calculated at maximum of 30% of gross contribution of AED 129.56 million (2021: AED 122.89 million) without any deduction of policy acquisition cost. Wakala fee is charged to the statement of income when incurred.

*Mudarib's fees*

The shareholders also manage the policyholders' investment funds and charge Mudarib's fees. Mudarib's fees is charged at 30% of realised investment income.

## 29 General and administrative expenses

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| Staff cost | **13,471** | 12,865 |
| TPA and other related expenses | **3,932** | 3,689 |
| Expected credit losses | **2,918** | 542 |
| Legal and professional fees | **1,112** | 1,204 |
| Depreciation and amortisation | **1,086** | 987 |
| Policy registration fees | **912** | 1,729 |
| Board of directors' remuneration (note 9) | **700** | 1,900 |
| Insurance | **609** | 591 |
| Bank charges | **506** | 263 |
| End of service benefits and pension | **471** | 410 |
| Short term lease | **290** | 190 |
| Marketing expenses | **244** | 222 |
| Other expenses | **1,451** | 1,427 |
| | **27,702** | 26,019 |

## 30 Earnings per share

Earnings per share are calculated by dividing the profit for the year by the number of ordinary shares outstanding as of the end of the year as follows:

| | 2022 | 2021 |
|---|---|---|
| (Loss)/profit for the year (in AED'000) | **(29,965)** | 6,438 |
| Number of ordinary shares outstanding | **154,000,000** | 154,000,000 |
| Basic and diluted (loss)/earnings per share (in AED) | **(0.19)** | 0.04 |

Diluted earnings per share as of 31 December 2022 and 31 December 2021 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

## 31 Zakat

For the year ended 31 December 2022, Zakat amounting AED 0.0055 per share will not be borne by the Company on behalf of shareholders. (2021: AED 0.0164 per share).

## 32 Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents include cash and bank balances net of wakala deposits in banks with maturity over three months. Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| Cash and bank balances (note 5) | **116,531** | 144,739 |
| Wakala deposits with maturity over 3 months | **(45,509)** | (55,333) |
| | **71,022** | 89,406 |

## 33 Segmental information

For management purposes the Company is organised into two business segments; general takaful management and investment. The general takaful segment comprises the takaful business undertaken by the Company on behalf of Policyholders. Investment comprises investment and cash management for the Company's own account. No operating segments have been aggregated to form the above reportable operating segments.

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

Except for Wakala fees, and Qard Hassan, no other inter-segment transactions occurred during the year. If any other transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties.

## 33 Segmental information (continued)

The following table presents segment information for the years ended 31 December 2022 and 31 December 2021.

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | **Attributable to policyholders AED'000** | **Attributable to shareholders AED'000** | **Total AED'000** | Attributable to policyholders AED'000 | Attributable to shareholders AED'000 | Total AED'000 |
| ***Takaful*** | | | | | | |
| Total takaful income | **93,319** | **-** | **93,319** | 82,805 | - | 82,805 |
| Total takaful expenses | **(95,765)** | **-** | **(95,765)** | (55,959) | - | (55,959) |
| **Net takaful (loss)/income** | **(2,446)** | **-** | **(2,446)** | 26,846 | - | 26,846 |
| Wakala fees | **(38,867)** | **38,867** | **-** | (36,866) | 36,866 | - |
| Mudarib's fees | **(208)** | **208** | **-** | (107) | 107 | - |
| Investment income | **692** | **-** | **692** | 356 | - | 356 |
| Other income | **563** | **-** | **563** | 269 | - | 269 |
| | **(40,266)** | **39,075** | **(1,191)** | (9,502) | 36,973 | 27,471 |
| ***Investment*** | | | | | | |
| Investment income | **-** | **13,624** | **13,624** | - | 17,401 | 17,401 |
| Other income | **-** | **1,956** | **1,956** | - | 6 | 6 |
| Policy acquisition cost | **-** | **(16,652)** | **(16,652)** | - | (12,421) | (12,421) |
| Unallocated other income and expenses | **-** | **(27,702)** | **(27,702)** | - | (26,019) | (26,019) |
| **(Loss)/profit for the year** | **(40,266)** | **10,301** | **(29,965)** | (9,502) | 15,940 | 6,438 |

## 33 Segmental information (continued)

Other information

| | Takaful | | Investment | | Total | |
|---|---|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 | **2022** | 2021 |
| | **AED'000** | AED'000 | **AED'000** | AED'000 | **AED'000** | AED'000 |
| Segment assets | **112,941** | 119,258 | **349,551** | 369,668 | **462,492** | 488,926 |
| Segment liabilities | **201,109** | 167,160 | **9,809** | 12,015 | **210,918** | 179,175 |
| Capital expenditure | **-** | - | **840** | 552 | **840** | 552 |
| Depreciation and amortisation | **-** | - | **1,143** | 936 | **1,143** | 936 |

## 34 Capital risk management

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007. The Company manages its capital on a basis of its minimum regulatory capital position presented in the table below:
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

Section 2 of the Financial Regulations for Insurance Companies (the "Regulations") issued by the Central Bank of UAE identifies the required solvency margin to be held in addition to insurance liabilities. The solvency margin 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.

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.

| | **30 September 2022 (Unaudited) AED'000** |
|---|---:|
| Minimum Capital Requirement (MCR) | **100,000** |
| Solvency Capital Requirement (SCR) | **43,591** |
| Minimum Guarantee Fund (MGF) | **25,446** |
| Basic Own Funds | **138,914** |
| MCR Solvency Margin - Surplus | **38,914** |
| SCR Solvency Margin - Surplus | **95,323** |
| MGF Solvency Margin – Surplus | **113,468** |

In accordance with Circular number CBUAE/BIS/2023/729 of CBUAE dated 10 February 2023, the assets which are not in the Company's name should not be considered as admissible in regulatory statement of financial position. In the reported solvency figures as at 30 September 2022 as mentioned above, AED 6 million of assets are not in the name of the Company and owned by a related party (refer to note 13).

Based on the Central Bank of UAE regulatory requirements, the minimum regulatory capital required is AED 100 million (31 December 2021: AED 100 million) against which the paid up capital of the Company is AED 154 million (31 December 2021: AED 154 million).

The Company and its individually regulated operations have complied with all externally imposed capital requirements throughout the year. There have been no changes in the Company's management of capital during the year.

## 35 Financial instruments

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, retakaful assets and takaful liabilities. In particular, the key financial risk is that the in the long-term its investment proceeds are not sufficient to fund the obligations arising from its takaful contracts. The most important components of this financial risk are profit rate risk, equity price risk, foreign currency risk and credit risk.

These risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and financial liabilities are profit rate risk and equity price risk.

### *Significant accounting policies*

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

### *Categories of financial instruments*

| | 2022<br>AED'000 | 2021<br>AED'000 |
|---|---|---|
| **Financial assets** | | |
| Other financial assets measured at FVTOCI (note 10) | **68,444** | 57,977 |
| Other financial assets measured at FVTPL (note 10) | **4,053** | 11,225 |
| Statutory deposits | **10,000** | 10,000 |
| Takaful and retakaful receivables (note 6) | **27,898** | 32,796 |
| Other receivables | **3,631** | 5,736 |
| Amounts due from related parties (note 9) | **988** | 568 |
| Cash and bank balances (note 5) | **116,531** | 144,739 |
| **Total financial assets** | **231,545** | 263,041 |
| **Financial liabilities** | | |
| Takaful and retakaful payables (note 16) | **48,323** | 31,297 |
| Other liabilities | **7,960** | 10,645 |
| Amounts due to related parties (note 9) | **27** | 22 |
| **Total financial liabilities** | **56,310** | 41,964 |

Management considers that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

## 36 Risk management

### *Takaful risk*

The risk under any one takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of takaful contract, this risk is random and therefore unpredictable.

For a portfolio of takaful contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its takaful contracts is that the actual claims and benefit payments exceed the carrying amount of the takaful liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insured events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

## 36 Risk management (continued)

**Takaful risk (continued)**

Experience shows that the larger the portfolio of similar takaful contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its takaful underwriting strategy to diversify the type of takaful risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company manages risks through its 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, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

*Frequency and severity of claims*

The Company has the right not to renew individual policies, re-price the risk, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Takaful contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

Property takaful contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. Property takaful contracts are subdivided into four risk categories: fire, business interruption, weather damage and theft. The takaful risk arising from these contracts is not concentrated in any of the territories in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

The retakaful arrangements include excess and catastrophe coverage. The effect of such retakaful arrangements is that the Company should not suffer net takaful losses of a set limit of AED 250,000, AED 30,000 and AED 500,000 in any one policy for motor, medical and other non-motor respectively. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually every year and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

*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, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty compared to 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 takaful company 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. 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.

## 36 Risk management (continued)

### Takaful risk (continued)

*Sources of uncertainty in the estimation of future claim payments (continued)*

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 likely that the final outcome will prove to be different from the original liability established.

The amount of takaful claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Takaful contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of reporting period.

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 year.

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 premium rate changes, anticipated market experience and historical claims inflation. The initial estimate of the loss ratios used for the current year (before retakaful) are analysed below by type of risk where the insured operates for current and prior year contribution earned.

**Type of risk**

| | **2022** | 2021 |
|---|---|---|
| Motor | **143%** | 73% |
| Non-motor | **81%** | 72% |

*Process used to decide on assumptions*

The risks associated with these takaful contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual takaful contracts carried out at the reporting date to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries 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 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 groups of accident years within the same class of business.

*Concentration of risks*

The takaful risk arising from takaful contracts is concentrated mainly in the United Arab Emirates.

The table on next page sets out the concentration of contract liabilities by type of contract:

## 36 Risk management (continued)

**Takaful risk (continued)**

*Concentration of risks (continued)*

| **2022** | **Gross liabilities AED'000** | **Retakaful share of liabilities AED'000** | **Net liabilities AED'000** |
|---|---|---|---|
| Motor | **10,024** | **(2,552)** | **7,472** |
| Non-motor | **10,669** | **(6,633)** | **4,036** |
| **Total** | **20,693** | **(9,185)** | **11,508** |

| 2021 | Gross liabilities AED'000 | Reinsurance share of liabilities AED'000 | Net liabilities AED'000 |
|---|---|---|---|
| Motor | 7,228 | (4,290) | 2,938 |
| Non-motor | 10,642 | (7,234) | 3,408 |
| Total | 17,870 | (11,524) | 6,346 |

*Retakaful risk*

In common with other takaful companies, in order to minimise financial exposure arising from large takaful claims, the Company, in the normal course of business, enters into arrangement with other parties for retakaful purposes.

To minimise its exposure to significant losses from retakaful 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. Retakaful ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the retakaful agreements.

**Financial risk**

***Market risk***
The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, profit rates and equity price risk.

***Foreign currency risk***
There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams, other G.C.C. currencies or US Dollars to which the Dirham is fixed.

***Credit risk***
Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company.

## 36 Risk management (continued)

### Financial risk (continued)

*Credit risk (continued)*

Key areas where the Company is exposed to credit risk are:

- retakaful' share of takaful liabilities;
- amounts due from retakaful in respect of claims already paid;
- amounts due from takaful contract holders; and
- amounts due from takaful intermediaries.

The Company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Retakaful is used to manage takaful risk. This does not, however, discharge the Company's liability as primary policyholder. If a retakaful fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of retakaful company is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the management includes details of provisions for impairment on takaful receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for retakaful is carried out by the Company.

Takaful receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of takaful receivable.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristic, other than takaful receivables at the end of reporting period. The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 10% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks registered in the United Arab Emirates.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

The following table provides an age analysis of receivables arising from insurance.

| **Takaful receivable** | **2022**<br>**AED'000** | 2021<br>AED'000 |
|---|---|---|
| Neither past due nor impaired | **9,403** | 7,810 |
| *Past due* | | |
| Less than 90 days | **9,533** | 10,835 |
| 91 - 180 days | **4,818** | 7,038 |
| 181 - 270 days | **4,163** | 3,709 |
| 271 - 360 days | **884** | 2,181 |
| More than 360 days | **4,231** | 4,139 |
| | **33,032** | 35,712 |
| Past due and impaired | **(5,134)** | (2,916) |
| Total takaful receivable | **27,898** | 32,796 |

## 36 Risk management (continued)

**Financial risk (continued)**

***Liquidity risk***

Ultimate responsibility for liquidity risk management rests with management, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table on next page summarises the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements is given below:

| 2022 | Less than 90 days | 91-180 days | 181-365 days | Above 365 days | Total |
|---|---|---|---|---|---|
| | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 |
| **Financial assets** | | | | | |
| At FVTOCI | - | - | - | 68,444 | 68,444 |
| At fair value through profit or loss | - | 3,538 | - | 515 | 4,053 |
| Statutory deposits | - | - | - | 10,000 | 10,000 |
| Takaful and retakaful receivables | 9,488 | 9,503 | 7,531 | 1,376 | 27,898 |
| Other receivables | 3,532 | - | - | 99 | 3,631 |
| Amounts due from related parties | 54 | 8 | 926 | - | 988 |
| Cash and bank balances - profit bearing | 37,303 | 35,207 | 10,302 | - | 82,812 |
| Cash and bank balances - non-profit bearing | 30,605 | 3,114 | - | - | 33,719 |
| | 80,982 | 51,370 | 18,759 | 80,434 | 231,545 |
| **Financial liabilities** | | | | | |
| Takaful and retakaful payables | 13,838 | 15,380 | 14,962 | 4,143 | 48,323 |
| Other liabilities | 5,682 | - | - | 2,278 | 7,960 |
| Amounts due to related parties | 27 | - | - | - | 27 |
| | 19,547 | 15,380 | 14,962 | 6,421 | 56,310 |

## 36 Risk management (continued)

**Financial risk (continued)**

***Liquidity risk (continued)***

| 2021 | Less than 90 days | 91-180 days | 181-365 days | Above 365 days | Total |
|---|---|---|---|---|---|
| | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 |
| Financial assets | | | | | |
| At FVTOCI | - | - | - | 57,977 | 57,977 |
| At fair value through profit or loss | - | 10,710 | - | 515 | 11,225 |
| Statutory deposits | - | - | - | 10,000 | 10,000 |
| Takaful and retakaful receivables | 11,892 | 11,487 | 8,558 | 859 | 32,796 |
| Other receivables | 3,743 | 489 | 270 | 1,234 | 5,736 |
| Due from related parties | 285 | 104 | 179 | - | 568 |
| Cash and bank balances - profit bearing | - | 60,128 | 55,033 | 300 | 115,461 |
| Cash and bank balances - non-profit bearing | 29,278 | - | - | - | 29,278 |
| | 45,198 | 82,918 | 64,040 | 70,885 | 263,041 |
| Financial liabilities | | | | | |
| Takaful and retakaful payables | 10,383 | 10,465 | 7,757 | 2,692 | 31,297 |
| Other liabilities | 3,448 | 3,914 | - | 3,283 | 10,645 |
| Amounts due to related parties | 22 | - | - | - | 22 |
| | 13,853 | 14,379 | 7,757 | 5,975 | 41,964 |

***Equity price risk***

*Sensitivity analysis*

At the reporting date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the Company's statement of income/comprehensive income would have increased/decreased by AED 1.6 million (2021: AED 1.7 million).

*Method and assumptions for sensitivity analysis*

The sensitivity analysis has been done based on the exposure to equity price risk as at the end of the reporting period.

- As at the reporting date if equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on statement of income and other comprehensive income has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

## 37 Fair value measurements

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

*Fair value of financial instruments carried at amortised cost*

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

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

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

*Fair value measurements recognised in the statement of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

| | Fair value as at | | | | | |
|---|---|---|---|---|---|---|
| **Financial assets** | **2022 AED'000** | 2021 AED'000 | **Fair value hierarchy** | **Valuation techniques and key inputs** | **Significant unobservable input** | **Relationship of unobservable inputs to fair value** |
| **Financial assets at FVTOCI** | | | | | | |
| Unquoted equity securities | **11,498** | 5,964 | Level 3 | Net assets valuation method. | Net assets value | Higher the net assets value of investees, higher the fair value. |
| Quoted debt Securities | **56,946** | 52,013 | Level 1 | Quoted bid prices in an active market. | None | N/A |
| **Financial assets at FVTPL** | | | | | | |
| Quoted equity Securities | **3,538** | 10,710 | Level 1 | Quoted bid prices in an active market. | None | N/A |

## 37 Fair value measurements (continued)

| Financial assets | Fair value as at 2022 AED'000 | Fair value as at 2021 AED'000 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable input | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| **Financial assets at FVTPL (continued)** | | | | | | |
| Unquoted equity securities | **515** | 515 | Level 3 | Net assets valuation method. | Net assets value | Higher the net assets value of the investees, higher the fair value. |

There were no transfers between each of level during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

The movement in level 3 financial assets were due to change in fair value of investments classified as FVTOCI.

## 38 Contingent liabilities

| | 2022 AED'000 | 2021 AED'000 |
|---|---|---|
| Letters of guarantees | **10,421** | 10,364 |

The Company is subject to litigation in the normal course of its business. Although the ultimate outcome of these claims cannot presently be determined, adequate provisions have been made for any liability that may result, based on management's best estimates.

## 39 Fatwa and Shari'a Supervisory Board

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

According to the Company's Fatwa and Shari'a Supervisory Board, the Company is required to identify any income deemed to be derived from transactions not acceptable under Islamic Shari'a rules and principles, as interpreted by Fatwa and Shari'a Supervisory Board, 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.

## 40 Directors' remuneration

Board of Directors has not proposed remuneration for the year ended 31 December 2022.

For the year ended 31 December 2021, the shareholders approved a remuneration of AED 90,000 to each Board member for the year 2021.

## 41 Paid and proposed dividends

The Board has not proposed any dividend for the year ended 31 December 2022.

During the previous year, the Board of Directors has proposed 15% cash dividend at their meeting held on 2 March 2022. The proposal was approved by the Shareholders in the Annual General Meeting.

## 42 Comparatives

Comparative figures have been reclassified in order to conform to current period's presentation and improve the quality of information presented. However, there is no effect on previously reported total assets, total equity, total liabilities and profit for the year.

## 43 Post-reporting date events

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