

METHAQ TAKAFUL INSURANCE P.S.C.
UNITED ARAB EMIRATES

REVIEW REPORT AND INTERIM
FINANCIAL INFORMATION FOR THE PERIOD
FROM 1 JANUARY 2022 TO 30 SEPTEMBER 2022

METHAQ TAKAFUL INSURANCE P.S.C.
UNITED ARAB EMIRATES

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Report on Review and Interim Financial Information

The Shareholders'
Methaq Takaful Insurance P.S.C.
United Arab Emirates

Report on the Review of the Interim Financial Statements

Introduction

We have reviewed the accompanying interim financial statements of **Methaq Takaful Insurance P.S.C.**, as at 30 September 2022 which comprise the interim statement of financial position as at 30 September 2022 and the related interim statement of profit or loss, related interim statement of comprehensive income, related interim statement of changes in equity and interim statement of cash flows for the period from 1 January 2022 to 30 September 2022 and explanatory notes. Management is responsible for the preparation and presentation of these interim financial statements in accordance with International Financial Reporting Standard IAS 34 interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of interim Financial Information Performed by the Independent Auditor of the Company." A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

- The management of the Company transfer from accumulated loss amounting to AED 17,720,000 to investment fair value reserve as explained in Exhibit C to reduce accumulated loss of the Company.

Report on review of interim financial information to the shareholders of
Methaq Takaful Insurance P.S.C. for the
period from 1 January 2022 to 30 September 2022 (continued)

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the interim financial statements, which indicates that the Company incurred a net loss of AED 13,994,238 during the period ended 30 September 2022, accumulated losses of AED 67,806,354 (31 December 2021 : AED 71,532,116) as of that date. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern.

Qualified Conclusion

Based on review, except for the effects of the matter discussed in the basis for qualified conclusion paragraph, these interim financial statements presents fairly, in all material respects, the interim financial position of the company as at 30 September 2022, and of its interim financial performance and its interim cash flows for Nine months period then ended in accordance with the International Accounting Standards 34 - International Financial Reports.

Talal Abu Ghazaleh & Co. International



Firas Kilani

Licensed Auditor No. 632

10 November 2022



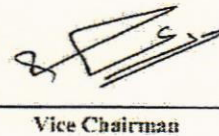
METHAQ TAKAFUL INSURANCE P.S.C.
UNITED ARAB EMIRATES

EXHIBIT A

INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022
(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	NOTE	30 September 2022 (Unaudited)	31 December 2021 (Audited)
ASSETS			
Takaful operating assets			
Retakaful share of unearned contributions		10,199,880	64,234,119
Prepaid expenses and other assets	10	7,124,477	5,167,477
Retakaful share of outstanding claims	8 (b)	147,496,621	167,075,899
Contributions and retakaful balances receivables	9 (a)	311,649,466	276,973,780
Bank term deposits	5 (b)	27,401	27,401
Cash and cash equivalents	5 (b)	4,118,049	3,140,526
Total takaful operating assets		480,615,894	516,619,202
Share holders' assets			
Property and equipment	11	1,580,777	2,135,027
Statutory deposit	6	6,000,000	6,000,000
Investments designated at fair value through profit and loss (FVTPL)	7 (a)	624,762	741,653
Investments designated at fair value through other comprehensive income (FVTOCI)	7 (a)	17,000,000	17,000,000
Deferred policy acquisition costs		41,752,435	37,687,658
Investments properties	12	172,905,500	172,905,500
Prepaid expenses and other assets	10	5,892,827	5,258,267
Bank term deposits	5 (b)	375,568	375,568
Cash and cash equivalents	5 (a)	2,502,808	1,199,203
Total shareholder's assets		248,634,677	243,302,876
TOTAL ASSETS		729,250,571	759,922,078


Chairman


Vice Chairman



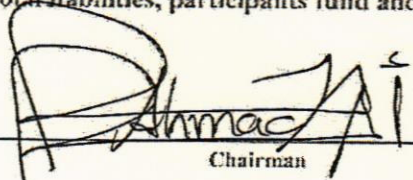
METHAQ TAKAFUL INSURANCE P.S.C.
UNITED ARAB EMIRATES

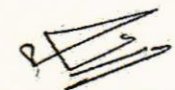
CONT. EXHIBIT A

INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	NOTE	30 September 2022 (Unaudited)	31 December 2021 (Audited)
<u>LIABILITIES, PARTICIPANTS' AND SHAREHOLDERS' EQUITY</u>			
<u>Takaful operating liabilities</u>			
Takaful payables		166,610,625	134,776,570
Outstanding claims	8 (a)	289,715,398	279,897,097
Retakaful payables		41,327,899	73,258,216
Unearned retakaful commission income		1,941,623	20,355,404
Unearned contributions		145,823,524	152,540,832
Total takaful operations liabilities		645,419,069	660,828,119
<u>Share holders' liabilities</u>			
Trade payables		1,221,530	1,650,259
Accrued expenses and other liabilities		7,113,154	7,164,504
End of service benefits obligation	13	3,498,942	3,401,539
Other payables		1,242,869	2,128,412
Total shareholders' liabilities		13,076,495	14,344,714
<u>Participants' fund</u>			
Deficit of general participants takaful fund	14	(184,830,356)	(195,888,577)
Loan from shareholders	14	184,830,356	195,888,577
Total shareholders' liabilities		---	---
<u>EQUITY</u>			
Share capital	15	150,000,000	150,000,000
Legal reserve		4,580,554	4,580,554
General reserve		1,700,807	1,700,807
Investment fair value reserve		(17,720,000)	---
Accumulated (losses)		(67,806,354)	(71,532,116)
Net equity - Exhibit C		70,755,007	84,749,245
Total liabilities, participants fund and equity		729,250,571	759,922,078


Chairman


Vice Chairman



THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THESE INTERIM FINANCIAL STATEMENTS

METHAQ TAKAFUL INSURANCE P.S.C.**UNITED ARAB EMIRATES****EXHIBIT B****INTERIM STATEMENT OF PROFIT OR LOSS FOR THE PERIOD****FROM 1 JANUARY 2022 TO 30 SEPTEMBER 2022**

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	NOTE	Nine months ended	
		30 September 2022	30 September 2021
		(Unaudited)	(Unaudited)
Gross contribution written	18 (d)	225,150,646	221,713,707
Retakaful contributions	18 (c)	(25,433,441)	(88,349,886)
Net takaful contributions		199,717,205	133,363,821
Change in net unearned contribution provision		(47,316,931)	(20,113,388)
Net takaful contributions earned		152,400,274	113,250,433
Commissions earned	18 (c)	18,050,123	33,866,502
Gross takaful contributions		170,450,397	147,116,935
Gross claims paid		(173,883,922)	(188,258,866)
Retakaful share of claims paid		102,482,119	91,713,356
Net claims paid		(71,401,803)	(96,545,510)
Changes in net claims recovery		36,541,078	----
Change in outstanding claims		(23,420,892)	(22,030,119)
Change in retakaful share of outstanding claims		(9,351,571)	15,196,454
Change in incurred but not reported claims reserve		12,939,468	11,528,752
Change in retakaful share of incurred but not reported claims reserve		(10,227,707)	(2,360,649)
Change in unexpired risk reserves		(122,257)	5,299,622
Change in allocated loss adjustment expense		785,380	(463,868)
Net claims incurred		(64,258,304)	(89,375,318)
Takaful income		106,192,093	57,741,617
Technical expenses		(16,391,975)	----
Bad debts written off		(17,041,897)	----
Takaful operating profit		72,758,221	57,741,617
Wakala fees		(61,700,000)	(55,833,901)
Surplus of takaful results for the period		11,058,221	1,907,716
Shareholders' investment and other income (net)		109,968	232,299
Wakalah fees from policyholders	16	61,700,000	55,833,901
Income from real estate (net)	12 (f)	230,978	357,339
Takaful expenses		(58,482,447)	(46,374,972)
Change in fair value of investments at fair value through profit or loss	7 (c)	(116,891)	105,215
Change in provision of loan to policyholders' fund		11,058,221	1,907,716
General and administrative expenses		(28,494,067)	(28,419,775)
Net (loss) for the period - Exhibit D		(13,994,238)	(16,358,277)
Basic and diluted earnings per share	17	(0.093)	(0.109)

THE ACCOMPANYING NOTES ARE AN

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METHAQ TAKAFUL INSURANCE P.S.C.
UNITED ARAB EMIRATES

EXHIBIT B

INTERIM STATEMENT OF PROFIT OR LOSS FOR THE PERIOD
FROM 1 JANUARY 2022 TO 30 SEPTEMBER 2022

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	<u>NOTE</u>	<u>Nine months ended</u>	
		<u>30 September 2022</u>	<u>30 September 2021</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>
(Loss) for the period		<u>(13,994,238)</u>	<u>(16,358,277)</u>
Total comprehensive (loss) for the period - Exhibit C		<u><u>(13,994,238)</u></u>	<u><u>(16,358,277)</u></u>

*THE ACCOMPANYING NOTES ARE AN INTEGRAL
INTEGRAL PART OF THESE INTERIM FINANCIAL STATEMENTS*

METHAQ TAKAFUL INSURANCE P.S.C.

UNITED ARAB EMIRATES

EXHIBIT C

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE PERIOD FROM 1 JANUARY 2022 TO 30 SEPTEMBER 2022 (AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	<u>Share capital</u>	<u>Legal reserve</u>	<u>General reserve</u>	<u>Investment fair value reserve</u>	<u>Accumulated (losses)</u>	<u>Total</u>
Equity at 1 January 2021 - (Audited)	150,000,000	4,580,554	1,700,807	(17,720,000)	(46,255,386)	92,305,975
(Loss) for the period - Exhibit B	----	----	----	----	(16,358,277)	(16,358,277)
Transfer to accumulated (loss)	----	(4,580,554)	(1,700,807)	17,720,000	(11,438,639)	----
Balance at 30 September 2021 - (Unaudited)	<u>150,000,000</u>	<u>----</u>	<u>----</u>	<u>----</u>	<u>(74,052,302)</u>	<u>75,947,698</u>
Equity at 1 January 2022 - (Audited)	150,000,000	4,580,554	1,700,807	----	(71,532,116)	84,749,245
(Loss) for the period - Exhibit B	----	----	----	----	(13,994,238)	(13,994,238)
Transfer to investment fair value reserve	----	----	----	(17,720,000)	17,720,000	----
Equity at 30 September 2022 - Exhibit A (Unaudited)	<u>150,000,000</u>	<u>4,580,554</u>	<u>1,700,807</u>	<u>(17,720,000)</u>	<u>(67,806,354)</u>	<u>70,755,007</u>

THE ACCOMPANYING NOTES ARE AN
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METHAQ TAKAFUL INSURANCE P.S.C.
UNITED ARAB EMIRATES

EXHIBIT D

INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD
FROM 1 JANUARY 2022 TO 30 SEPTEMBER 2022

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	Nine months ended	
	30 September 2022	30 September 2021
	(Unaudited)	(Unaudited)
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
(Loss) for the period - Exhibit B	(13,994,238)	(16,358,277)
Excess of takaful results for the period	11,058,221	1,907,716
<u>Adjustment to reconcile net income to net cash provided by operating activities</u>		
Depreciation of property and equipment	566,304	702,500
Movement of unearned contributions (net)	47,316,931	20,113,388
Net fair value gain on investment designated at FVTPL	116,891	(105,215)
Investment and other income	(109,968)	(232,298)
End of service benefits obligation	1,428,966	551,694
Recovery for loan policyholders fund	(11,058,221)	(1,907,716)
Operating profit before working capital changes	35,324,886	4,671,792
<u>Changes in the components of working capital:</u>		
(Increase) in prepaid and other assets (net)	(2,591,560)	(2,963,897)
(Increase) in contribution and re-takaful balances receivables	(34,675,686)	(5,568,817)
(Increase)/ decrease in differed policy acquisition costs	(4,064,777)	467,887
Decrease / (increase) in outstanding claims (net)	29,397,579	(18,423,449)
Increase in takaful payables	31,834,055	54,159,890
(Decrease) in retakaful payables	(31,930,317)	(22,557,884)
(Decrease) in trade payables	(428,729)	(446,794)
(Decrease) in accrued expenses and other liabilities	(936,893)	(4,564,654)
(Decrease) in unearned re-takaful commission income	(18,413,781)	(9,863,640)
Cash / (loss) from operations	3,514,777	(5,089,566)
Settlement of end of service benefit obligation	(1,331,563)	(264,580)
<i>Net cash flows from / (used in) operating activities</i>	<u>2,183,214</u>	<u>(5,354,146)</u>

**THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THESE INTERIM FINANCIAL STATEMENTS**

METHAQ TAKAFUL INSURANCE P.S.C.
UNITED ARAB EMIRATES

CONT. EXHIBIT D

INTERIM STATEMENT OF CASH FLOWS FOR THE PERIOD
FROM 1 JANUARY 2022 TO 30 SEPTEMBER 2022

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

	Nine months ended	
	<u>30 September 2022</u>	<u>30 September 2021</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Decrease in bank fixed deposits	----	2,630,000
Purchase of property and equipment	(12,054)	(1,949,559)
Investment and other income	109,968	232,298
<i>Net cash flows from / (used in) investing activities</i>	<u>97,914</u>	<u>912,739</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES :</u>		
Decrease in term deposits	----	27,401
<i>Net cash flows from financing activities</i>	----	27,401
NET CASH FLOWS GENERATED / (USED) DURING THE PERIOD	<u>2,281,128</u>	<u>(4,414,006)</u>
Cash and cash equivalents at beginning of the period	<u>4,339,729</u>	<u>11,340,514</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD - Note 5	<u><u>6,620,857</u></u>	<u><u>6,926,508</u></u>

**THE ACCOMPANYING NOTES ARE AN
INTEGRAL PART OF THESE INTERIM FINANCIAL STATEMENTS**

METHAQ TAKAFUL INSURANCE P.S.C.
UNITED ARAB EMIRATES

NOTES TO INTERIM FINANCIAL STATEMENTS

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

1. STATUS AND ACTIVITIES

- a) **Methaq Takaful Insurance P.S.C.** (the “Company”) is a public shareholding company registered with the Department of Economic Development - Abu Dhabi - United Arab Emirates. The Company are incorporated in the Emirate of Abu Dhabi on 24 March 2008 with a trade license number 1142419.
- b) The Company’s principal activity are accidents and civil responsibility insurance, fire insurance, land, marine and air transportation dangers insurance, reinsurance, health insurance and onshore and offshore oil and gas fields and facilities services.
- c) The Company operates through its head office in Abu Dhabi and branch offices in Dubai. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 32774, Abu Dhabi, United Arab Emirates.
- d) The Company’s ordinary shares are listed on Abu Dhabi Securities Exchange.

2. STANDARDS, INTERPRETATIONS ISSUED AND EFFECTIVE FOR THE CURRENT YEAR

The Company has adopted all the applicable new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the period beginning on 1 January 2022.

- IFRS-16 – Covid – 19 related Rent Concession:

In May 2020, the IASB issued Covid-19 Rent Concessions (Amendment to IFRS -16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19, introducing a practical expedient to IFRS-16. The practical expedient permits a lessee to elect not to assess whether Covid-19 related Rent Concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change applying IFRS -16 if the change were not a lease modification.

However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

METHAQ TAKAFUL INSURANCE P.S.C.
UNITED ARAB EMIRATES

NOTES TO INTERIM FINANCIAL STATEMENTS
(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

- Amendments to IFRS 9, 7,4,16 and IAS 39 - Interest Rate Benchmark reforms – Phase 2:
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:
 - A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.
 - Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
 - Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no impact on the financial statements of the Company. The Company intends to use the practical expedients in future periods if they become applicable.

Standards, interpretations and amendments in issue not yet effective :

IFRS 16 – Amendment	Covid- 19 related Rent Concessions- beyond September 30, 2021.	1 January 2022
IAS 1 – Amendment	Classification of Liabilities as Current or Non-current.	1 January 2022
IAS 16 – Amendment	Property, plant and equipment: Proceeds before indented use.	1 January 2022
IFRS 3 – Amendment	Reference to the Conceptual Frame work.	1 January 2022
IAS 37 – Amendment	Onerous Contract – Cost of fulfilling	1 January 2022
IFRS standards 2018-2020	Annual Improvements.	1 January 2022
IFRS- 17 – New	Insurance Contracts.	1 January 2023
IAS 1- Amendment & IFRS practice statement 2	Disclosure of Accounting Policies.	1 January 2023
IAS 8- Amendment	Definition of Accounting Estimate.	1 January 2023
IAS 12- Amendment	Deferred tax related assets & liabilities arising from single transactions.	1 January 2023

The management anticipates that the adoption of the above standards and interpretations in future periods will have no material impact on the interim financial statements of the Company. If applicable, the Company intends to adopt these new and amended standards and interpretations when they become effective.

METHAQ TAKAFUL INSURANCE P.S.C.
UNITED ARAB EMIRATES

NOTES TO INTERIM FINANCIAL STATEMENTS

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

3. GOING CONCERN

- a) During the reporting period, the Company didn't submit its corrective plan to insurance authority. The management didn't make any corrective plan to reduce its underwriting activities in different lines of business until it concludes on corrective measures, which will be based on technical recommendations suggested by management.

The Company might not be able to meet its financial obligations for the coming 12 months if it does not generate sufficient cash flows through the operating activities and the disposal of additional assets.

- b) The Financial Regulations for Insurance Companies (the "Regulations") issued by the IA sets specified limits for assets distribution and allocation. Holding inadmissible investments or non-compliance with the set limits affects the Company's ability to meet the Regulations' solvency requirements. The deadlines for compliance with the Regulations requirements vary between end of January 2021 and end of January 2022. Compliance with these requirements requires significant restructuring of the Company's investments portfolio based on different milestones within the current year, with full implementation.

The Company incurred a net loss of AED 13,994,238 during the period ended 30 September 2022, accumulated losses of AED 67,806,354 (31 December 2021 : AED 71,532,116) as of that date. These events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as going concern. However, the consolidated interim financial statements are prepared on the assumption that the Company is a going concern and will interim continue in operation for the foreseeable future with the financial support of shareholders.

These conditions indicate the existence of multiple material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern and therefore that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

In the absence of the Company's ability to achieve management's planned measures, the going concern basis would be invalid and adjustments would have to be made to reduce the values of the assets as presented in the statement of financial position to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current assets and liabilities.

METHAQ TAKAFUL INSURANCE P.S.C.
UNITED ARAB EMIRATES

NOTES TO INTERIM FINANCIAL STATEMENTS

(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company is consistent with those applied in prior years except for the new and amended IFRS's effective as of 1 January 2022 as detailed in Note 2 which did not have material impact on the interim financial statements of the Company. The significant accounting policies adopted by the Company in the preparation of the interim financial statements are as follows:-

a. *Interim Financial Statements Preparation Framework*

The interim financial statements have been prepared in accordance with International Financial Reporting Standards.

b. *Basis of presentation*

As at 30 September 2022, the Company accumulated losses amounted to AED 67,806,354 (31 December 2021: AED 71,532,116) which represents 45.20% (31 December 2021 : 47.69%) of the share capital of the Company.

The interim financial statements are prepared in accordance with the historical cost principle.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services, while 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

c. *Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are either financial assets or financial liabilities.

METHAQ TAKAFUL INSURANCE P.S.C.
UNITED ARAB EMIRATES

NOTES TO INTERIM FINANCIAL STATEMENTS
(AMOUNTS ARE EXPRESSED IN U.A.E. DIRHAMS)

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter year, to the net carrying amount on initial recognition.

d. *Financial assets*

Any asset that is: cash, an equity instrument of another entity, or a debt instrument of another entity (a contractual right to receive cash or another financial asset from another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity, or a contract that will or may be settled in the entity's own equity instruments).

The Company does not have debt instruments that qualify for measurement at fair value through other comprehensive income nor at fair value through profit or loss. Moreover the Company's financial assets does not have any equity instrument financial assets.

Initial measurement

Financial assets are recognized when the Company becomes party to the contractual provisions of the instruments. At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

i) *Cash and cash equivalents*

Cash and cash equivalents includes cash on hand, cash at banks - current accounts, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

ii) *Bank fixed deposits*

Bank fixed deposits are measured at amortized cost using the effective interest method.

iii) *Takaful and retakaful receivables*

Takaful and retakaful that have fixed or determinable payments that are not quoted in an active market are classified a loans and receivables. Loans and receivables are measured at amortised cost using the effective rate or return method, less any impairment. Return income is recognized by applying the effective rate of return, except for short term receivables when the recognition of return income would be immaterial.

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Definition

Takaful contracts are those contract when the Company (the operator) has accepted takaful rate on behalf of takaful funds from another party (the policyholders) by agreeing to compensate the policyholders if any specified uncertain future event (the insured event) adversely affects the policyholders.

Recognition and measurement

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

These contracts are casually and property takaful contracts.

Casualty takaful contracts protect the policyholders against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

Property takaful contracts mainly compensate the policyholders for damage suffered to their properties or for the value of property lost. Policyholders who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

For all these takaful contracts, contributions are recognized as revenue (earned contributions) proportionally over the period of coverage. The portion of contributions received on in force contracts that relates to unexpired risks at the end of the reporting period date is reported as the unearned contribution liability.

Claim and loss adjustment expenses are charged to the interim statement of profit or loss (attributable to the policyholders) as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

Retakaful contract assets

Retakaful contract assets include ratakaful share of outstanding claims (including share of claims incurred by not reported - IBNR) and retakaful share of unearned contribution.

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Contracts entered into by the Company for retakaful under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements of takaful contracts are classified as retakaful contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

Takaful contracts entered into by the Company under which the contract holder is involved in takaful activities are included with takaful contracts. The benefits to which the Company is entitled under its retakaful contracts held are recognized as retakaful contract assets. The Company assesses its retakaful contract assets for impairment on a regular basis. If there is objective evidence that the retakaful contract asset is impaired, the Company reduces the carrying amount of the retakaful contract assets to its recoverable amount and derecognizes that impairment loss in the statement of profit or loss. Amounts recoverable from or due to retakaful holders are measured consistently with the amounts associated with the retakaful contracts and in accordance with the terms of each retakaful contract.

Takaful contract liabilities

Takaful contract liabilities include outstanding claims (OSLR), claims incurred but not reported ("IBNR"), unearned contribution reserve (UCR) and provision for allocated, unexpired risk reserve (UPR) and unallocated loss adjustment expenses (ALAE/UAE).

Takaful contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the interim statement of financial position date, in addition to claims incurred but not reported.

The unearned contribution reserve considered in the Takaful contract liabilities comprises the estimated proportion of the gross contribution written which relates to the period of Takaful subsequent to the reporting period date. Unearned contributions are calculated on a time proportion basis over the effective period of the policy. The proportion attributable to the subsequent period is deferred as unearned contributions reserve. The Company provides unearned contributing reserve based on actual terms of the policy.

The liability relating to IBNR and ALAE/ULAE reserve is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

The takaful portion towards the above outstanding claims, claims incurred but not reported and unearned contributions reserve is classified as retakaful share of outstanding claims and retakaful share of unearned contributions in the interim financial statements.

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Salvage and subrogation reimbursements

Emirates of salvage and subrogation reimbursements are considered as an allowance in the measurements of the takaful liability for claims.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of retakaful contract liabilities net to related deferred policy acquisition costs. In performing these tests, current test estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the interim statement of profit or loss initially by writing off the deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

Receivables and payables related to takaful contracts

Receivables and payables recognised when due. These include amounts due to and from agents, brokers and takaful contract holders.

If there is objective evidence that the takaful receivable is impaired, the Company reduces the carrying amount of the takaful receivable accordingly and recognizes that impairment loss in the interim statement of profit or loss.

iv) *Financial assets at fair value through profit or loss (FVTPL)*

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Directly attributable transaction costs are recognized in profit and loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognized in profit or loss.

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

FVTOCI financial assets may include equity instruments that are not held principally for the purpose of selling in the near future or debt instruments with fixed or determinable payments and fixed maturity dates that the Company has no positive intent and ability to hold to maturity.

FVTOCI financial assets are stated at fair value for listed securities and at cost for unlisted securities. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in the interim statement of comprehensive income.

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The cumulative gain or loss previously recognized in the investments revaluation reserve is included in the statement of comprehensive income upon the disposal of investment. Dividends on FVTOCI equity instruments are recognized in profit or loss when the Company's right to receive payments is established.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. This requires considerable judgement about how the changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. This model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Derecognition

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognized in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

With the exception of FVTOCI equity instruments, if, in a subsequent year, the amount of the impairment loss decreases due to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of FVTOCI equity securities, any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

e. *Property and equipment*

Property and equipment held for use in the supply of goods or services, or for administrative purposes, are initially recognized at their cost being their purchase price plus any other costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

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After initial recognition, the property and equipment are carried in the interim statement of financial position, at their cost less any accumulated depreciation and any accumulated impairment. The depreciation charge for each year is recognized in the interim statement of profit or loss. Depreciation is calculated on a straight line basis, which reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Company over the estimated useful lives of the assets. The useful lives of the assets are estimated as follows:

<u>Category</u>	<u>Useful life</u>
Furniture, fixtures and office equipment	5 years
Computer equipment and accessories	3 years

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.

The carrying values of property and equipment are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairments losses are calculated in accordance with Note 4 (g).

On the subsequent derecognition (sale or retirement) of the property and equipment, the resultant gain or loss, being the difference between the net disposal proceeds, if any, and the carrying amount, is included in the interim statement of profit or loss.

f. *Investment properties*

Investment property (land or building) is property: (a) held by the Company to earn rentals, (b) for capital appreciation rather than for use in production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business, and/or for undetermined use. Investment property is measured initially at its cost, including transaction costs and revalued annually by independent evaluators.

After initial recognition, investment property is carried, in the interim statement of financial position, at its cost less any accumulated depreciation and any accumulated impairment. Land is not depreciated. Buildings depreciation charge for each year is recognized in the interim statement of profit or loss. Depreciation is calculated on a straight line basis, which reflects the pattern in which the buildings' future economic benefits are expected to be consumed by the group over their estimated useful life of 10 years.

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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.

The carrying values of investment properties are reviewed for impairment when events or changes in the circumstances indicate the carrying value may not be recoverable. If any such indication of impairment exists, impairments losses are calculated in accordance with Note 4 (g).

g. Impairment of tangible assets

At each interim statement of financial position date, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, being the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of asset's fair value less costs to sell and the value in use. The asset's fair value is the amount for which that asset could be exchanged between knowledgeable, willing parties in arm's length transaction. The value in use is the present value of the future cash flows expected to be derived from the asset. An impairment loss is recognized immediately in the interim statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but the increased carrying amount due to reversal should not be more than what the depreciated historical cost would have been if the impairment had not been recognized in prior years. A reversal of an impairment loss is recognized immediately in the interim statement of profit or loss unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

h. Financial liabilities

Initial recognition and measurement

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized, and through the amortization process.

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Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

i. *End of service benefits obligation*

- Provision for employees' end-of-service benefits is calculated in accordance with the Federal Labour Laws of United Arab Emirates. The Company measures its obligations under employees' benefits as described in IAS 19 using actuarial valuation method unless the differences between actuarial valuation and actual liability and service cost is immaterial.
- Pension funds for UAE nationals has been computed as per rates approved by Abu Dhabi Retirement Pension and Benefits Fund (Law No. 2 of 2000).

j. *Provisions*

Provisions are present obligations (legal or constructive) resulted from past events, the settlement of the obligations is probable and the amount of those obligations can be estimated reliably. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the interim statement of financial position date, that is, the amount that the Company would rationally pay to settle the obligation at the interim statement of financial position date or to transfer it to a third party.

Provisions reviewed and adjusted at each interim statement of financial position date. If outflows, to settle the provisions, are no longer probable, reverse of the provision is recorded as income. Provisions are only used for the purpose for which they were originally recognized.

k. *Legal reserve*

Pursuant to the Company's Articles of Association, 10% of net profit for the year to be withheld annually and retained in the legal reserve account. The deduction shall be suspended when the balance in this reserve account amounts to at least 50% of the Company's capital and is not available for distribution for shareholders'.

l. *General reserve*

In accordance with the Article 64 of the Company article of association 10% of net profit for the year is to be transfer to a general reserve. No transfer was made during year as the Company in accumulated losses position.

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m. *Revenue recognition*

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Company satisfies a performance obligation by rendering the promised service to the customer, which is when the customer enjoys the benefits from the service. The Company's performance obligations are satisfied at a point in time. The amount of revenue recognized is the amount allocated to the satisfied performance obligations.

Gross and retakaful contribution

Contribution from gross and retakaful contracts is measured under revenue recognition criteria stated under takaful contracts in these interim financial statements.

Dividend income

Dividend income from investments is recognized when the shareholders' rights to received payment have been established.

Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms on ongoing leases and is recorded in the interim statement of profit or loss.

Other income

Other income is accrued on a time basis, by reference to the principal outstanding and at the effective rate of return applicable.

Other income / expense retakaful

Retakaful income is recognized when retakaful is entered into and retakaful expenses are recognized when the policies are issued.

Commission revenue

Commission revenue is recognized when the customer has finalized contracts with its clients and the right to receive the commission is established.

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n. *Foreign currencies*

Company's functional currency. In preparing the interim financial statements, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each interim statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the interim statement of financial position date (closing rate). Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous interim financial statements shall be recognized in the interim statement of profit or loss in the period / year in which they arise.

o. *Contingent liabilities*

Contingent liabilities are possible obligations depending on whether some uncertain future events occur, or they are present obligations but payments are not probable or the amounts cannot be measured reliably.

p. *Critical accounting judgments and key sources of estimation uncertainty*

In the application of the Company's accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

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i) *Unearned contribution reserve*

The provision for unearned contribution represents that portion of contribution received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and contribution are charged, and is brought to account as contribution income over the term of the contract in accordance with the pattern of takaful service provided under the contract.

ii) *Fair value of unquoted equity investments*

External valuers were involved for valuation of significant investment properties. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

iii) *Impairment of contributions and retakaful balances receivables*

An estimate of the collectible amount of takaful and other receivables is made when collection of the full amount is no longer probable. This determination of whether the takaful and other receivables are impaired entails the Company in evaluating the credit and liquidity position of the policyholders and the takaful companies, historical recovery rates including detailed investigations carried out and feedback received from the legal department. Impairment of takaful and other receivables as at 30 September 2022 amounted to AED 49,209,208 (31 December 2021: AED 49,209,208).

iv) *The ultimate liability arising from claims made under takaful contracts*

The estimation of ultimate liability arising from the claims made under takaful contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported at the end of the reporting period and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of the reporting period. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision. Gross provision for IBNR as at 30 September 2022 amounted to AED 289,715,398 (31 December 2021 : AED 279,897,097) as detailed in Note 8.

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5. CASH AND CASH EQUIVALENTS

a) i) This item consists of the following:

	<u>30 September 2022</u>	<u>31 December 2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Cash and bank balances	6,620,857	4,339,729
Total - Exhibit D	<u>6,620,857</u>	<u>4,339,729</u>
ii) Takaful and operations assets - Exhibit A	4,118,049	3,140,526
Shareholders' assets - Exhibit A	2,502,808	1,199,203
Total - Note 5 (a) (i)	<u>6,620,857</u>	<u>4,339,729</u>

b) i) Term deposits represent deposits held with Islamic financial institutions in the UAE, are denominated in UAE dirhams and carry profit at the prevailing market rates ranging from 2.5% to 2.8% per annum (31 December 2021: 2.5% to 2.8%).

	<u>30 September 2022</u>	<u>31 December 2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
ii) Takaful and operations assets - Exhibit A	27,401	27,401
Shareholders' assets - Exhibit A	375,568	375,568
Total	<u>402,969</u>	<u>402,969</u>

6. STATUTORY DEPOSIT

In accordance with the requirement of Federal Law No. 6 of 2007, concerning Insurance Companies and Agents, the Company maintains a bank deposit amounting to AED 6,000,000 as of 30 September 2022 which cannot be utilized without the consent of the UAE Insurance Regulatory Authority.

7. INVESTMENTS IN FINANCIAL ASSETS

a) This item consists of the following:

	<u>30 September 2022</u>	<u>31 December 2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Investment designated of fair value through other comprehensive income (FVTOCI) - Note 7 (b) - Exhibit A	17,000,000	17,000,000
Investment designated at a fair value through profit or loss (FVTPL) - Note 7 (c) - Exhibit A	624,762	741,653
Total	<u>17,624,762</u>	<u>17,741,653</u>

b) INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)

Changes in investments designated at fair value through other comprehensive income (FVTOCI) for the period / year are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Fair value at 1 January	17,000,000	17,000,000
Fair value at 30 September / 31 December - Note 7 (a)	<u>17,000,000</u>	<u>17,000,000</u>

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c) **INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)**

Changes in investments designated at fair value through profit or loss (FVTPL) for the period / year are as follows:

	<u>30 September 2022</u> (Unaudited)	<u>31 December 2021</u> (Audited)
Fair value at 1 January	741,653	713,552
(Decrease) / increase in fair value taken to profit or loss	(116,891)	28,101
Fair value as at 30 September / 31 December - Note 7 (a)	624,762	741,653

d) the geographical distribution for the investments in financial assets is as follows:

	<u>30 September 2022</u> (Unaudited)	<u>31 December 2021</u> (Audited)
Within UAE	17,624,762	17,741,653
Total - Note 7 (b & c)	17,624,762	17,741,653

8. **TAKAFUL CONTRACT LIABILITIES AND RE-TAKAFUL CONTRACT ASSETS**

a) This item consists of the following:

	<u>30 September 2022</u> (Unaudited)	<u>31 December 2021</u> (Audited)
Gross outstanding claims		
Outstanding claims	135,301,456	111,880,564
Incurred but not reported reserve	137,114,584	150,054,052
Unallocated loss adjustment expense reserve	5,634,936	6,420,316
Unexpired risk reserve	11,664,422	11,542,165
Total - Exhibit A	289,715,398	279,897,097

b) **Retakaful share of outstanding claims**

	<u>30 September 2022</u> (Unaudited)	<u>31 December 2021</u> (Audited)
Outstanding claims	51,190,699	60,542,270
Incurred but not reported reserve	96,305,922	106,533,629
Total - Exhibit A	147,496,621	167,075,899

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c) Net technical provision	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Outstanding claims	84,110,757	51,338,294
Incurred but not reported reserve	40,808,662	43,520,423
Unallocated loss adjustment expense reserve	5,634,936	6,420,316
Unexpired risk reserve	11,664,422	11,542,165
Total	142,218,777	112,821,198

9. CONTRIBUTIONS AND RETAKAFUL BALANCES RECEIVABLE		
a) This item consists of the following:	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Due from policyholder	156,947,981	144,790,064
Due from insurance and reinsurance companies	198,713,887	176,196,118
Due from related parties - Note 21	5,196,806	5,196,806
Total - Note 9 (d)	360,858,674	326,182,988
Impairment of takaful & retakaful contract receivable - Note 9(b)	(44,012,402)	(44,012,402)
Impairment of related party receivable - Note 9(c)	(5,196,806)	(5,196,806)
Balance at 30 September / 31 December - Exhibit A	311,649,466	276,973,780

b) <i>Impairment of takaful & retakaful contract receivable</i>		
This item consists of the following:	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Balance at 1 January	(44,012,402)	(44,012,402)
Balance at 30 September / 31 December - Note 9 (a)	(44,012,402)	(44,012,402)

c) <i>Impairment of related parties - receivables</i>		
This item consists of the following:	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
Balance at 1 January	(5,196,806)	(5,196,806)
Balance at 30 September / 31 December - Note 9 (a)	(5,196,806)	(5,196,806)

d) Ageing of takaful and retakaful receivables are as follows:	30 September 2022	31 December 2021
	(Unaudited)	(Audited)
1 - 90 days	73,197,978	83,158,583
91 - 180 days	43,253,028	7,002,220
181 - 360 days	14,123,529	35,488,922
Above 360 days	230,284,139	200,533,263
Balance at 30 September / 31 December - Note 9 (a)	360,858,674	326,182,988

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10. PREPAID EXPENSES AND OTHER ASSETS

a) i) This item consists of the following:

	<u>30 September 2022</u>	<u>31 December 2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Advances towards formation of companies	822,178	822,178
Prepaid expenses	4,940,886	3,148,014
Accrued profits from investment deposits	127,430	93,773
Refundable deposits	2,846,399	2,834,374
Advances for investments	3,506,950	3,506,950
Other receivable and advances to suppliers	6,996,679	6,243,673
Total	19,240,522	16,648,962
Impairment of advances and other receivables - Note 10 (b)	(6,223,218)	(6,223,218)
Net - Exhibit A	13,017,304	10,425,744

ii) This item consists of the following:

	<u>30 September 2022</u>	<u>31 December 2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Takaful operations assets - Exhibit A	7,124,477	5,167,477
Shareholders' assets - Exhibit A	5,892,827	5,258,267
Total	13,017,304	10,425,744

b) Impairment of advances and other receivables

This item consists of the following:

	<u>30 September 2022</u>	<u>31 December 2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Balance at 1 January	(6,223,218)	(6,223,218)
Balance at 30 September / 31 December - Note 10 (a)	(6,223,218)	(6,223,218)

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11. PROPERTY AND EQUIPMENT

The details of cost, accumulated depreciation and respective carrying amounts of various categories of property and equipment are as follows:

<u>COST</u>	<u>Furniture, fixtures and office equipment</u>	<u>Computer equipment and accessories</u>	<u>Total</u>
At 1 January 2022 (Audited)	8,016,582	4,734,565	12,751,147
Additions	----	12,054	12,054
At 30 September 2022 (Unaudited)	8,016,582	4,746,619	12,763,201
<u>ACCUMULATED DEPRECIATION</u>			
At 1 January 2022 (Audited)	(6,125,841)	(4,490,279)	(10,616,120)
Charge for the period	(405,762)	(160,542)	(566,304)
At 30 September 2022 (Unaudited)	(6,531,603)	(4,650,821)	(11,182,424)
<u>NET BOOK VALUE</u>			
At 31 December 2022 - Exhibit A (Audited)	1,890,741	244,286	2,135,027
At 30 September 2022 - Exhibit A (Unaudited)	1,484,979	95,798	1,580,777

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12. INVESTMENTS PROPERTIES

- | | <u>Buildings</u> | <u>Total</u> |
|--|-------------------------|---------------------|
| a) This item consists of the following : | | |
| At 1 January 2022 (Audited) | 172,905,500 | 172,905,500 |
| Balance'30 September 2022 (Unaudited) - | | |
| Exhibit A | 172,905,500 | 172,905,500 |
- b) A building, located in Abu Dhabi, purchased in 2010 and held for long term rental yields.
- c) Investment properties are stated at fair value which represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The fair value of the investment properties at 31 December 2021 are determined by independent values using the income and comparable methods. Management believes that fair value has not changed significantly during the year.
- d) The fair value were determined based on capitalization of net income method, where the market rentals of all lettable units of the properties in the neighborhood. The capitalization rate adopted is made by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted based on factor specific to the respective properties. In estimating the fair value of the properties, the highest and best use of the properties in current use.
- e) The investment properties are classified as level 3. There were no transfers between level 1 and 2 or to level 3 during current and previous year.
- f) The rental income for the period amounted to AED 333,786 (31 December 2021 : AED 585,551) and building expenses 30 September 2022 amounted to AED 102,808 (31 December 2021 : AED 108,823)

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13. END OF SERVICE BENEFITS OBLIGATION

The details of movement in the accounts during the period / year are as follows:

	<u>30 September 2022</u>	<u>31 December 2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Balance at 1 January	3,401,539	3,090,479
Charge during the period / year	1,428,966	997,177
Settlements	(1,331,563)	(686,117)
Balance at 30 September / 31 December - Exhibit A	3,498,942	3,401,539

14. LOAN FROM SHAREHOLDERS

a) This item consists of the following:

	<u>30 September 2022</u>	<u>31 December 2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Policyholders' fund		
At 1 January	195,888,577	184,613,960
(Surplus) / Deficit for the period / year	(11,058,221)	11,274,617
Balance at 30 September / 31 December - Exhibit A	184,830,356	195,888,577
Loan from shareholders to policyholders		
At 1 January	195,888,577	184,613,960
Net movement during the period / year	(11,058,221)	11,274,617
Total	184,830,356	195,888,577
Allowance for loan to policyholders	(184,830,356)	(195,888,577)
Balance at 30 September / 31 December - Exhibit A	----	----

b) The deficit in the policyholders' fund is financed by the shareholders through a Qard Hassan Loan. The shareholders have funded the deficit in the policyholders' fund in accordance with the Company's policy through a Qard Hassan (free of finance charge) of AED 184,830,356 as of 30 September 2022 (2021 : AED 195,888,577) with no repayment terms. During the period, Qard Hassan with a nominal value of AED 11,058,221 (31 December 2021 : 11,274,617) was recovered and the recovery of the same amount was recognised to the interim statement of profit or loss attributable to shareholders.

- Although recoverability of the remaining loan balance is uncertain, management expects to recover it from future profits from takaful operations.

15. SHARE CAPITAL

This item consists of the following:

	<u>30 September 2022</u>	<u>31 December 2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Authorized, issued and fully paid		
150,000,000 shares of AED 1 each	150,000,000	150,000,000

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16. MUDAREB SHARE AND WAKALAH FEES

- a) The shareholders manage the takaful operations for the policyholders and charge the following range of percentages of gross takaful contributions as Wakalh fees:

	<u>30 September 2022</u> (Unaudited)	<u>30 September 2021</u> (Audited)
Motor	30%	30%
Medical	15%	15%
All other takaful classes	30%	30%

- b) The shareholders manage the policyholders' investment fund and charge 10% (30 September 2022 : 10%) of investment income earned by policyholders' investment fund as Mudareb share. Investment income earned by policyholders' investment fund as well as Mudareb share amounted to AED nil (30 September 2021 : nil).

17. BASIC AND DILUTED EARNINGS PER SHARE

- a) Basic earnings per share is calculated by dividing the net (loss) for the period by the weighted average number of shares outstanding during the period as follows:

	<u>Nine months ended</u>	
	<u>30 September 2022</u> (Unaudited)	<u>30 September 2021</u> (Unaudited)
(Loss) for the period - Exhibit B	<u>(13,994,238)</u>	<u>(16,358,277)</u>
Ordinary shares in issued	<u>150,000,000</u>	<u>150,000,000</u>
Basic and diluted earnings per share	<u>(0.093)</u>	<u>(0.109)</u>

- b) The Company has not issued any instruments which would have a dilutive impact on impact on earnings per share when converted or exercised.

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18. SEGMENT INFORMATION

- a) Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. All operating segments used by management meet the definition of a reportable segment under IFRS 8.

For operating purposes, the Company is organized into two business segments:

Underwriting of general takaful business - incorporating all classes of general takaful , fire, marine, motor, general accident and medical.

Investments - incorporating investments in UAE marketable equity securities, term deposits with banks, overseas managed portfolios and other securities.

Primary segment information - business segment

The following is an analysis of the Company's revenue and results by operating segment:

	30 September 2022 (unaudited)			30 September 2021 (unaudited)		
	Policy holders	Shareholders	Total	Policy holders	Shareholders	Total
Net underwriting income	72,758,221	----	72,758,221	57,741,617	----	57,741,617
Wakaf fees	(61,700,000)	61,700,000	----	(55,833,901)	55,833,901	----
Total	11,058,221	61,700,000	72,758,221	1,907,716	55,833,901	57,741,617
Shareholders' investment and other income (net)	----	109,968	109,968	----	232,299	232,299
Rental income from investment property (net)	----	230,978	230,978	----	357,339	357,339
Change in fair value of investment at fair value through profit or loss	----	(116,891)	(116,891)	----	105,215	105,215
Takaful expenses	----	(58,482,447)	(58,482,447)	----	(46,374,972)	(46,374,972)
General and administrative expenses	----	(28,494,067)	(28,494,067)	----	(28,419,775)	(28,419,775)
(Loss) for the period	11,058,221	(25,052,459)	(13,994,238)	1,907,716	(18,265,993)	(16,358,277)

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b) Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the year.

The accounting policies of the reportable segments are the same as the Company's accounting policies used in the previous years, except for adoption of new and amended standards as mentioned in Note 3.

The following is analysis of the Company's assets and liabilities by operating segment:-

	30 September 2022 (unaudited)		31 December 2021 (audited)	
	Policy holders	Shareholders	Policy holders	Shareholders
Total assets	480,615,894	248,634,677	516,619,202	243,302,876
Total liabilities	645,419,069	13,076,495	660,828,119	14,344,714
Capital expenditure	---	12,054	---	1,965,533
		12,054		1,965,533

There are no transactions between the business segments.

c) Secondary segment information - revenue from underwriting departments:

The following is an analysis of the Company's revenue classified by major underwriting departments

	30 September 2022 (unaudited)		
	Motor	Medical	Others
Gross takaful contributions revenue	184,107,622	38,970,547	2,072,477
Retakaful contributions - Exhibit B	(2,603,337)	(21,364,337)	(1,465,767)
Net earned contributions	181,504,285	17,606,210	606,710
Retakaful commission income	16,138,935	1,636,957	274,231
Change in net unearned contribution provision	(53,873,336)	5,904,212	652,193
Total takaful income	143,769,884	25,147,379	1,533,134
Gross claims incurred	(148,510,717)	(24,506,417)	(866,788)
Retakaful share of claims incurred	82,759,433	19,187,780	534,906
Changes in net claims incurred	6,512,303	(10,674)	641,870
Net claims incurred	(59,238,981)	(5,329,311)	309,988
Technical expenses and bad debt written off	(31,755,767)	(1,673,944)	(4,161)
Total takaful expenses	(90,994,748)	(7,003,255)	305,827
Net takaful income for the period - Exhibit B	52,775,136	18,144,124	1,838,961

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	30 September 2021 (unaudited)		
	Motor	Medical	Others
Gross takaful contributions revenue	178,863,399	39,931,486	2,918,822
Retakaful contributions - Exhibit B	(67,303,674)	(18,720,683)	(2,325,529)
Net earned contributions	111,559,725	21,210,803	593,293
Retakaful commission income	31,555,295	1,862,646	448,561
Change in net unearned contribution provision	(20,113,388)	----	----
Total takaful income	123,001,632	23,073,449	1,041,854
Gross claims incurred	(164,024,744)	(21,817,636)	(2,416,486)
Retakaful share of claims incurred	80,102,685	10,269,895	1,340,776
Changes in net claims incurred	7,170,192	----	----
Net claims incurred	(76,751,867)	(11,547,741)	(1,075,710)
Total takaful expenses	(76,751,867)	(11,547,741)	(1,075,710)
Net takaful income for the period - Exhibit B	46,249,765	11,525,708	(33,856)

d) Secondary segment information - revenue from underwriting departments.

The following is an analysis of the Company's revenue classified by major underwriting departments :

	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)
Motor	184,107,622	163,436,008
Medical	38,970,547	54,812,534
Miscellaneous accidents	1,012,874	1,378,624
Fire	788,038	1,149,869
Engineering	79,249	709,102
Marine and aviation	192,316	227,570
Total - Exhibit B	225,150,646	221,713,707

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19. CONTINGENT LIABILITIES

This item consists of the following:

	<u>30 September 2022</u> (Unaudited)	<u>31 December 2021</u> (Audited)
Letters of guarantee	8,950,180	8,950,180

20. RISK MANAGEMENT

The Company monitors and manages the financial risks relating to its business and operations. These risks include takaful risk, capital risk, credit risk, interest rate risk, market risk, foreign currency risk and liquidity risk.

The Company seeks to minimize the effects of these risks by diversifying the sources of its capital. It maintains timely reports about its risk management function and monitors risks and policies implemented to mitigate risk exposures.

a) *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 an 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 estimated amount of the takaful liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. takaful events are random and the actual number and amount of claims and benefits will vary from period to period from the estimate established using statistical techniques.

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.

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b) *Capital risk*

The Company's objectives when managing capital are :

- To comply with the insurance capital requirements required by UAE Federal Law No. 6 of 2007 concerning the formation of Insurance Authority of UAE.
- 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.
- To provide an adequate return to shareholders by pricing takaful contracts commensurately with the level of risk.

In UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company in relation to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year. The Company is subject to local insurance solvency regulations with which it has complied with during the period.

The table below summarizes the minimum regulatory capital of the Company and the total capital held.

	<u>30 September 2022</u> <u>(Unaudited)</u>	<u>31 December 2021</u> <u>(Audited)</u>
Total shareholders' equity	<u>150,000,000</u>	<u>150,000,000</u>
Minimum regulatory capital	<u>100,000,000</u>	<u>100,000,000</u>

c) *Credit risk*

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

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

- Re-takafulers' share of takaful liabilities.
- Amounts due from re-takafulers' in respect of claims already paid.
- Amounts due from takaful contract holders.
- Amounts due from takaful intermediaries (Note 8).
- Amounts due from banks for its balances and fixed deposits (Note 5).

The Company has adopted a policy of only 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.

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Re-takaful is used to manage takaful risk. This does not, however, discharge the Company's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the Company remains liable for the payment to the policy holder. The creditworthiness of re-insurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

The Company maintains record 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 Company includes details of provisions for impairment on takaful receivables and subsequent write offs . Exposures to individual policy holders and Company's of policy holders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policy holders, or homogenous Company's of policy holders, a financial analysis equivalent to that conducted for re-insurers is carried out by the Company.

The carrying amount of financial assets recorded in the interim financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk for such receivables and liquid funds.

d) *Interest rate risk*

The Company is exposed to interest rate risk resultant from its banking facilities and bank fixed deposit. Management try (to the extent possible) to manage interest rate risk through maintaining an appropriate mix between fixed and floating interest rates balances at the start of the financial year.

e) *Market risk*

Market prices risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issue or factors affecting all instruments traded in the market.

The Company is exposed to market risk with respect to its investments in financial assets available for sale, investments designated at fair value through profit or loss and investments properties.

f) *Foreign currency risk*

The Company undertakes certain transactions denominated in foreign currencies, which imposes sort of risk due to fluctuations in exchange rates during the year. The UAE Dirham is effectively pegged to the US Dollar, thus foreign currency risk occurs only in respect of other currencies. The Company maintains policies and procedures to manage the exchange rate risk exposure.

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g) *Liquidity risk*

The Company's board of directors adopted an appropriate liquidity risk management framework as the responsibility of liquidity risk management rests with them.

The following table shows the maturity dates of Company's financial assets and liabilities as at 30 September 2022 (Unaudited).

	<u>Less</u> than 1 year	<u>More</u> than 1 year	<u>Total</u>
<u>Financial assets</u>			
Cash and cash equivalents	6,620,857	----	6,620,857
Term deposits	402,969	----	402,969
Statutory deposits	----	6,000,000	6,000,000
Retakaful share of unearned contributions	10,199,880	----	10,199,880
Investments designated at fair value through other comprehensive income (FVTOCI)	17,000,000	----	17,000,000
Investments designated at fair value through profit or loss (FVTPL)	624,762	----	624,762
Contributions and retakaful balances receivables	311,649,466	----	311,649,466
Deferred acquisition costs	41,752,435	----	41,752,435
Retakaful share of outstanding claims	147,496,621	----	147,496,621
Total	<u>535,746,990</u>	<u>6,000,000</u>	<u>541,746,990</u>
<u>Financial liabilities</u>			
Takaful payables	166,610,625	----	166,610,625
Outstanding claims	289,715,398	----	289,715,398
Retakaful payables	41,327,899	----	41,327,899
Accrued expenses and other liabilities	7,113,154	----	7,113,154
Trade payables	1,221,530	----	1,221,530
Unearned retakaful commission income	1,941,623	----	1,941,623
Unearned contributions	145,823,524	----	145,823,524
Other payables	1,242,869	----	1,242,869
End of service benefits obligation	----	3,498,942	3,498,942
Total	<u>654,996,622</u>	<u>3,498,942</u>	<u>658,495,564</u>

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The following table shows the maturity dates of Company's financial assets and liabilities as at 31 December 2021(Audited).

<u>Financial assets</u>	<u>Less</u> <u>than 1 year</u>	<u>More</u> <u>than 1 year</u>	<u>Total</u>
Cash and cash equivalents	4,339,729	----	4,339,729
Term deposits	402,969	----	402,969
Statutory deposits	----	6,000,000	6,000,000
Retakaful share of unearned contributions	64,234,119	----	64,234,119
Investments designated at fair value through other comprehensive income (FVTOCI)	17,000,000	----	17,000,000
Investments designated at fair value through profit and loss (FVTPL)	741,653	----	741,653
Contributions and retakaful balances receivables	276,973,780	----	276,973,780
Deferred acquisition costs	37,687,658	----	37,687,658
Retakaful share of outstanding claims	167,075,899	----	167,075,899
Total	568,455,807	6,000,000	574,455,807
<u>Financial liabilities</u>			
Takaful payables	134,776,570	----	134,776,570
Outstanding claims	279,897,097	----	279,897,097
Retakaful payables	73,258,216	----	73,258,216
Accrued expenses and other liabilities	7,164,504	----	7,164,504
Trade payables	1,650,259	----	1,650,259
Unearned retakaful commission income	20,355,404	----	20,355,404
Unearned contributions	152,540,832	----	152,540,832
Other payable	2,128,412	----	2,128,412
End of service benefits obligation	----	3,401,539	3,401,539
Total	671,771,294	3,401,539	675,172,833

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21. RELATED PARTIES

This item consists of the following:

	<u>30 September 2022</u>	<u>31 December 2021</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>
Emirates Aqua Technologies Caviar Factory	2,340,533	2,340,533
Bin Salem Group	2,856,273	2,856,273
Total - Note 9 (a)	5,196,806	5,196,806
Impairment of related parties receivables - Note 9 (c)	(5,196,806)	(5,196,806)
Total - Note 9 (a)	----	----

22. GENERAL

The figures in the interim financial statements are rounded to the nearest Dirham of United Arab Emirates.

23. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The interim financial statements were approved by the Board of Directors and authorized for issue. On their board meeting dated 10 November 2022.