

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

INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2021

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

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METHAQ TAKAFUL INSURANCE P.S.C.

Report of the Board of Directors for the year ended 31 December 2021

The Shareholders'

Peace be upon you

On behalf of the Board of Directors, we are pleased to present the financial results of Methaq Takaful Insurance PSC for the year ended 31 December 2021.

The Company has recognized a net loss of AED 7,556,730 for the year ended 31 December 2021 compared to a net profit of AED 8,229,177 for the year ended 31 December 2020.

Management has implemented their strategies in the year 2021 in respect of underwriting and claims management process according to the below results :

Brief of the statement of financial position:

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Total assets	759,922,078	711,114,745
Total liabilities	675,172,833	618,808,770
Total Shareholders' equity	84,749,245	92,305,975

Brief of the income statement:

Total revenues (gross contributions written)	301,587,179	282,081,395
(Loss) / profit for the year	(7,556,730)	8,229,117
(Loss) / earning per share	(0.050)	0.055

As for the Company's future plans for the year 2022, the Company has developed plan supported by a set of ambitious goals especially takaful portfolios and retakaful agreements, The company expects a significant improvement in performance and results for 2022.

Methaq has a very sound corporate governance in place and all the regulatory and legislative compliance is made timely, thereby reflecting a positive image of the Company .

METHAQ TAKAFUL INSURANCE P.S.C.

Report of the Board of Directors for the year ended 31 December 2021 (continued)

On behalf of the Board of Directors, we reiterate our commitment to the growth and development of the UAE and particularly to Abu Dhabi's 2030 vision under the leadership of His Highness Sheikh Khalifa bin Zayed Al Nahyan, the President of the UAE and the Ruler of Abu Dhabi and His Highness Sheikh Mohammed bin Rashid Al Maktoum, the Vice President, the Ruler of Dubai, and His Highness Sheikh Mohammed bin Zayed Al Nahyan, the Crown Prince and all the Rulers of the UAE.

We also take this opportunity to thank and appreciate the staff and the management of Methaq Takaful Insurance Company PSC for their continued efforts, hard work, and sincerity. We also express our sincere thanks to the Company's Shareholders and clients.

Khalaf Mohammad Al Nakkas
Chairman of the Board of Directors

18 March 2022



Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the financial statements of **Methaq Takaful Insurance P.S.C. - Abu Dhabi**, which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not present fairly the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

- The Company incurred a net loss of AED 7,556,730 during the year ended December 31, 2021, accumulated losses of AED 71,532,116 (2020: AED 46,255,386) which exceeded 47.69 % of the share capital and cash flows used in operating activities amounting to AED 7,944,489 (2020 : AED 20,501,336) as of that date. The management of the company didn't provide any forecasting technique and methodology those can be used to survive in the market.
- The investment fair value reserve showing deficit of AED 17,720,000 which was carried forward from year 2019. Current year company has transferred investment fair value deficit of AED 17,720,000 to retained earnings rather than restated their previous financial statements. This balance is related to Emirates Aqua Technologies Caviar Factory L.L.C., which is under liquidation and the operations have been halted, hence investment is highly unlikely to be recovered, As per IFRS 9 financial instrument losses on financial asset through other comprehensive income should be recognized in other comprehensive income to the extent that it is reversing a prior upward revaluation, and any remaining balance should be recorded in profit and loss account. The impairment loss on other comprehensive income recognized in investment fair value reserve should have been recognized in profit and loss rather than investment fair value reserve, this leads to overstatement of statement of profit & loss from years 2015 to 2019 and understatement of accumulated losses of AED 17,720,000.

Independent Auditor's Report to the shareholders of Methaq Takaful Insurance
P.S.C. for the year ended 31 December 2021 (continued)

We would like to draw attention to Note 7 of financial statements in which investments designated at fair value through other comprehensive income (FVTOCI) amounting to AED 17,000,000 as of 31 December 2021 (2020: AED 17,000,000) is under the name of Mr. Saleh Salem Saleh Nasar Al Ameri. As of that date, title deed is not transfer to the name of the company. We were unable to determine whether any adjustments to this amount were necessary.

- Investment properties are carried in the statement of financial position amounting to AED 172,905,500 for which the master developer did not transfer the titles to the name of the group, pending the settlement of title's transfers fees. The company took two valuation reports for each property with the difference and recognized in the financials on average basis. The valuations are based on proposed plan assumptions. we were unable to determine if the judgments applied and estimates made in the valuation of investment properties were appropriate.
- We have not received direct bank (Emirates Islamic Bank) confirmations as at 31 December 2021. We were unable to obtain sufficient appropriate audit evidence about the carrying amount AED 2,512,219 (Note 5) as at 31 December, 2021 by other audit procedures.
- The employees advances are carried in the statement of financial position at AED 852,097 out of which some employees were left the company's and their balance was AED 691,189 neither these balances are tested for impairment as per IFRS 9. We are unable to obtain sufficient appropriate audit evidence regarding the recoverability of the outstanding balance.
- The Company's has recognized Contributions and retakaful balances receivables amounting to AED 320,986,182 as Note 9 as at 31 December 2021 included due from policyholder AED 144,790,064 and due from insurance & reinsurance companies AED 176,196,118. The Company's financials indicate that, impairments of receivables as at 31st December 2020 was AED 44,012,402 which is not sufficient. From that date to onward receivables has not been tested for impairment as per IFRS 9 (ECL) that can create major impact on financials.
- In 4th Quarter, management didn't transfer excess of loss (XOL) premium as an expense from prepayments amounting to AED 1,076,279 in Note 10. Due to which assets are overstated and other Comprehensive losses are understated.
- One employee of the company, who were issued policies amounting to AED 11,538,532 against the security cheque amounting to AED 7,000,000 only. During the year employee left the company. We have not received sufficient and appropriated evidences regarding the recoverability of the outstanding balance, neither tested for impairment as per IFRS 9.
- Since 2013, Advances for investments amounting to AED 3,506,950 are reflecting in other assets (note 10). We have not received sufficient and appropriated evidences regarding for these transaction. We have not been able to satisfy ourselves by using other audit procedure, whether these advances are recoverable or not.

