

**ABU DHABI NATIONAL
TAKAFUL COMPANY P.S.C.**

**Reports and financial statements
for the year ended 31 December 2023**

ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C.

**Reports and financial statements
for the year ended 31 December 2023**

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**Directors' report
for the year ended 31 December 2023**

Dear Shareholders, peace be upon you,

It gives us pleasure to present to you the annual report on the company's activities and its audited financial statements for the year ended 31 December 2023, along with the Fatwa & Sharia'a Supervisory Board, independent auditor reports and a detailed corporate governance report complying with the corporate governance code of UAE Securities and Commodities Authority.

Summary of the company's performance and financial position for the financial year 2023:

- The total gross contributions reached AED 735 million as compared to AED 447 million for the last year.
- Net investment income and other income reached AED 55.5 million compared to AED 32.8 million for the last year.
- Shareholders net profit for the year ending 31 December 2023 is AED 103 million compared to AED 66.7 million for the prior year and earnings per share is AED 0.98 compared to AED 0.64 for the last year.
- Total Assets reached AED 1.27 billion compared to AED 1.05 billion at the end of prior year.
- Total cash, bank balances and deposits reached AED 556 million compared to AED 504 million at the end of prior year.
- Shareholder's equity on 31 December 2023 reached AED 449.5 million compared to AED 413.4 million end of prior year.

Valued Shareholders,

On this occasion, and on your behalf we extend profound gratitude and great appreciation to His Highness Sheikh Mohammed Bin Zayed Al Nahyan, President of UAE May Allah, the Almighty preserve him for his kind patronage to the Islamic insurance industry.

We would like also to express our sincere thanks and appreciation to the Fatwa & Sharia'a Supervisory Board members for their guidance to ensure that we fully abide by the glorious principles of Islamic Sharia'a, Insurance Authority division of Central Bank of United Arab Emirates as well as other concerned parties for their support and cooperation provided to us.

We also seize this opportunity to laud the efforts made by company staff members for their dedication and commitment for the sake of the company success and servicing our policyholders.

Furthermore, we extend our heartfelt thanks to our valued shareholders and other stakeholders inside and outside the UAE for their unlimited support to Abu Dhabi National Takaful Co. PSC.

Finally, we ask the Almighty Allah, to bless our activities and guide us to the right path.


Khamis Buharoon
Chairman of Board of Directors

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INDEPENDENT AUDITOR'S REPORT

**The Shareholders of
Abu Dhabi National Takaful Company P.S.C.
Abu Dhabi
United Arab Emirates**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Abu Dhabi National Takaful Company P.S.C.** (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting 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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of Company's financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C. (continued)**

Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|--|--|
| <p><i>Adoption of IFRS 17 Insurance Contracts</i></p> <p>The Company adopted IFRS 17 Insurance Contracts with effect from 1 January 2023, which resulted in changes to the measurement of takaful contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to takaful contracts.</p> <p>IFRS 17 is a new and complex accounting standard that requires management to apply significant judgement in its application to the Company’s takaful contracts. The Company issues a wide range of takaful contracts and consequently a large number of judgements and estimates need to be applied and made respectively.</p> <p>The Company applied the full retrospective approach for transition unless this was impracticable. In these instances, the modified retrospective approach or the fair value transition approach was followed for certain groups of takaful contracts since the Company assessed historical information available and determined that all reasonable and supportable information necessary for applying the full retrospective approach was not available for these contracts which were issued prior to the transition date. The Company used these approaches to determine the adjustments to the comparative information at the transition date of 1 January 2022 and has recorded the impact within retained earnings as disclosed in note 2.3 to the financial statements.</p> <p>The adoption of this standard has had a significant impact on the reported financial position and performance of the Company, including key performance indicators.</p> <p>The adoption of IFRS 17 has also had a consequential change in processes, systems and controls. Due to the complexity and the significant judgements applied and estimates made in determining the impact of IFRS 17, this is considered to be a key audit matter.</p> | <p>In relation to the implementation and impact of the adoption of IFRS 17, with the assistance of IFRS 17 and actuarial specialists, we have carried out audit procedures which included:</p> <ul style="list-style-type: none"> • We obtained an understanding of the impact of the Company’s adoption of IFRS 17 and identified internal controls, including entity level controls, adopted by the Company for the accounting process and system under the new accounting standard; • We assessed the key controls pertaining to the application of IFRS 17 to determine if they had been appropriately designed and implemented; • We utilized our specialists and subject matter experts to challenge management’s interpretation of IFRS 17 and its application to the Company’s takaful contracts; • We assessed the key technical accounting decisions, judgments, assumptions and accounting policy elections made in applying the requirements of IFRS 17 to determine if they were in compliance with the requirements of this standard; • We reperformed the mathematical accuracy of the supporting calculations and adjustments used to determine the impact on the Company’s opening equity position as at 1 January 2022 and agreed the results of those calculations to the amounts reported in the financial statements; • We tested the completeness of takaful contract data by testing the reconciliations of the Company’s takaful contract assets and liabilities to takaful contracts disclosed in the 2022 financial statements; and; • We assessed the disclosures in the financial statements relating to this matter against the requirements of IFRSs; |

INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C. (continued)

Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p><i>Valuation of takaful contract liabilities, takaful contract assets, re-takaful contract assets and re-takaful contract liabilities</i></p> <p>As at 31 December 2023, takaful contract liabilities, takaful contract assets, re-takaful contract assets and re-takaful contract liabilities amounted to AED 619 million, AED 1 million, AED 186 million and AED 21 million respectively, as detailed in notes 12 and 13 to the financial statements.</p> <p>A key element of the valuation of takaful contract liabilities, re-takaful contract assets and re-takaful contract liabilities is the Present value of future cash flows (“PVFCFs”). The PVFCFs is included in the liability for remaining coverage (“LRC”) and the liability for incurred claims (“LIC”) for contracts not measured under the Premium Allocation Approach (“PAA”) and the LIC for contracts measured under the PAA. As at 31 December 2023 this amounted to a net liability of AED 388 million for takaful contracts issued and a net asset of AED 147 million for re-takaful contracts held.</p> <p>The determination of the PVFCFs represents the Company’s expectations regarding future cash outflows minus cash inflows that will arise as the entity fulfils takaful contracts and involves actuarial models and several assumptions made by management. Its accuracy is dependent on the input data being correct and requires management to apply significant judgements, make significant estimates and use actuarial models. The risk of error arises as a result of inappropriate choice of actuarial methodologies, techniques and assumptions. Management used an external actuary to assist them in the aforementioned determination.</p> | <p>Our audit procedures included, inter alia, the following:</p> <ul style="list-style-type: none"> • Assessing the key controls related to the integrity of the data used in the process of valuation of the PVFCFs to determine if they had been appropriately designed and implemented; • Evaluating and testing the data used in the process of valuation of the PVFCFs; • Testing samples of claims case reserves by comparing the estimated amount of the case reserve to appropriate documentation, such as reports from loss adjusters, confirmations obtained from lawyers, re-takaful contracts etc; • Evaluating the objectivity, skills, qualifications and competence of the independent external actuary and reviewing the terms of the actuary’s engagement with the Company to determine if the scope of his work was sufficient for audit purposes. <p>In addition, with the assistance of our internal actuarial specialists, we:</p> <ul style="list-style-type: none"> • Determined if the calculation methods and the model used were appropriate; • Assessed the following key assumptions: <ul style="list-style-type: none"> - loss ratios; - claims development factors; - mortality rates; - lapse rates; and - discount rates; • Determined if the estimates applied in the current and prior year were consistent; • Developed a point estimate or range based on our understanding of the Company’s business, and evaluated the differences between management’s point estimate and our point estimate or range; |

INDEPENDENT AUDITOR’S REPORT
TO THE SHAREHOLDERS OF ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C. (continued)

Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p><i>Valuation of takaful contract liabilities, takaful contract assets, re-takaful contract assets and re-takaful contract liabilities (continued)</i></p> <p>We considered the valuation of PVFCFs as a key audit matter due to the significant judgements applied and the associated uncertainties in the estimates made by management.</p> <p><i>Valuation of unquoted investments</i></p> <p>The Company has investments in unquoted equities and funds with a carrying value of AED 180 million as at 31 December 2023. These instruments are classified as financial assets at fair value through other comprehensive income.</p> <p>As disclosed in note 8 to the financial statements, the valuation of investments in unquoted equities uses inputs other than observable market data and therefore are inherently subjective. It also requires significant judgement to be applied by management in determining the appropriate valuation methodology and the use of various assumptions, for example future cash flows, discount rates, market risk adjustment etc.</p> <p>Management determines the fair value of these investments by internal valuations or by involving external experts (“management experts”) to provide independent valuations of the investments based on valuation techniques stipulated within IFRSs.</p> <p>Given the inherent subjectivity and judgment required in the valuation of unquoted investments, which are classified under level 3 of the fair value hierarchy, we determined this to be a key audit matter.</p> | <p>We also assessed the disclosures in the financial statement relating to this matter against the requirements of IFRS Accounting Standards.</p> <p>We established an audit approach which included both testing the design of internal controls over investments and substantive audit procedures. Our audit procedures in respect of this matter included, but were not limited to, the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of the process adopted by management to determine the fair value of unquoted securities and assessed the design and implementation of controls over the valuation of unquoted securities. • Agreed the valuations performed by management to the amount reported in the financial statements. • Assessed the valuation methodology and estimates used in the valuations by consulting with our internal valuation specialists. • Agreed the inputs into the valuation to supporting documentation on a sample basis, where applicable. • Reperformed the arithmetical accuracy of the valuations. • Assessed the competency, objectivity and capabilities of management’s experts and for a sample of valuations, evaluated the adequacy and appropriateness of their work with the assistance of our valuation experts. • Reviewed the engagement letter with management’s experts to determine if their scope was sufficient for audit purposes. • Assessed the disclosures in the financial statements relating to this matter against the requirements of IFRSs. |

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C. (continued)**

Other Information

The Board of Directors and management is responsible for the other information, which comprises the Directors' Report which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the articles of association of the Company, United Arab Emirates (U.A.E.) Federal Law No. 32 of 2021, Federal Decree Law No. 48 of 2023 regarding the regulation of Insurance activities, Central Bank of the UAE Board of Directors' Decision No. (25) of 2014 pertinent to the Financial Regulations for Insurance Companies, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C. (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 disclosure 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 to 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 and regulations preclude 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ABU DHABI NATIONAL TAKAFUL COMPANY P.S.C. (continued)**

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. 32 of 2021, we report that for the year ended 31 December 2023:

- i) we have obtained all the information 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 is consistent with the books of account of the Company;
- v) as disclosed in Note 8 to the financial statements, the Company has investment in securities as at 31 December 2023;
- vi) Note 16 to the financial statements discloses material related party transactions and balances, and the terms under which they were conducted;
- vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has, during the financial year ended 31 December 2023, contravened any of the applicable provisions of the UAE Federal Law No. 32 of 2021, or its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2023; and
- viii) Note 30 to the financial statements discloses the social contributions made during the financial year ended 31 December 2023.

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

Furthermore, as required by the CBUAE Insurance Reporting Requirements for 2023, note 8 to the financial statements discloses information about certain financial assets that are held by custodians for and on behalf of the Company through investment agreements.

Deloitte & Touche (M.E.)



Signed by:
Nurani Subramanian Sundar
Registration No. 5540
12 March 2024
Abu Dhabi, United Arab Emirates

**Statement of financial position
as at 31 December 2023**

| | Notes | 31 December 2023 AED | 31 December 2022 (restated) AED | 1 January 2022 (restated) AED |
|--|-------|----------------------------|--|--|
| ASSETS | | | | |
| Takaful operations assets | | | | |
| Financial assets measured at fair value through other comprehensive income | | - | - | 13,352,921 |
| Re-takaful contract assets | 13 | 185,582,217 | 134,710,415 | 150,108,353 |
| Takaful contract assets | 12 | 1,208,981 | - | - |
| Prepaid expenses and other assets | | 44,193,000 | 35,254,832 | 20,736,311 |
| Unit linked investments at fair value through profit or loss | | 1,576,487 | - | - |
| Term deposits | 5 | 461,359,871 | 351,382,204 | 318,095,203 |
| Cash and bank balances | 5 | 27,728,110 | 22,426,436 | 59,953,280 |
| Total takaful operations assets | | 721,648,666 | 543,773,887 | 562,246,068 |
| Shareholders' assets | | | | |
| Property and equipment | 6 | 20,882,342 | 22,300,419 | 22,440,515 |
| Statutory deposit | 7 | 10,000,000 | 10,000,000 | 10,000,000 |
| Financial assets measured at fair value through profit or loss | | - | - | 135,765,710 |
| Financial assets measured at fair value through other comprehensive income | 8 | 352,579,538 | 315,880,256 | 225,741,671 |
| Financial assets measured at amortized cost | 9 | 10,283,000 | - | - |
| Investments properties | 10 | 53,535,000 | 17,850,000 | 16,815,000 |
| Investment in commodities | 11 | 15,597,187 | - | - |
| Prepaid expenses and other assets | | 13,816,682 | 9,629,130 | 13,034,499 |
| Term deposits | 5 | 59,317,243 | 109,014,546 | 60,148,778 |
| Cash and bank balances | 5 | 8,045,041 | 21,614,101 | 32,893,283 |
| Total shareholders' assets | | 544,056,033 | 506,288,452 | 516,839,456 |
| TOTAL ASSETS | | 1,265,704,699 | 1,050,062,339 | 1,079,085,524 |
| LIABILITIES, POLICYHOLDERS' FUND AND SHAREHOLDERS' EQUITY | | | | |
| Takaful operations liabilities | | | | |
| Takaful contract liabilities | 12 | 618,813,837 | 489,097,430 | 541,132,714 |
| Re-takaful contract liabilities | 13 | 20,596,543 | 35,794,480 | 333,424 |
| Accrued expenses and other liabilities | | 24,075,506 | 19,581,886 | 12,250,735 |
| Total takaful operations liabilities | | 663,485,886 | 544,473,796 | 553,716,873 |

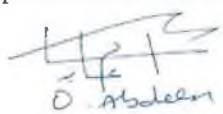
The accompanying notes form an integral part of these financial statements.

**Statement of financial position
as at 31 December 2023 (continued)**

| | Notes | 31 December 2023 AED | 31 December 2022 (restated) AED | 1 January 2022 (restated) AED |
|--|-------|----------------------------|--|--|
| Shareholders' liabilities | | | | |
| Accrued expenses and other liabilities | | 139,044,562 | 79,807,314 | 96,179,293 |
| Provision for end of service benefits | 14 | 13,722,727 | 12,349,183 | 10,856,237 |
| Total shareholders' liabilities | | 152,767,289 | 92,156,497 | 107,035,530 |
| Total liabilities | | 816,253,175 | 636,630,293 | 660,752,403 |
| Policyholders' fund | | | | |
| Deficit of family policyholders takaful fund | 15 | (16,769,788) | (26,997,664) | (40,127,497) |
| (Deficit)/surplus of general policyholders takaful fund | 15 | (1,220,609) | (3,329,190) | 28,384,105 |
| Loan (Qard Hasan) from shareholders | 15 | 17,990,397 | 30,326,854 | 40,127,497 |
| Investment revaluation reserve | | - | - | (234,958) |
| Total Policyholders' fund | | - | - | 28,149,147 |
| Shareholders' equity | | | | |
| Share capital | 18 | 105,000,000 | 105,000,000 | 100,000,000 |
| Legal reserve | 19 | 52,500,000 | 51,819,922 | 50,000,000 |
| General reserve | 20 | 42,500,000 | 42,500,000 | 42,500,000 |
| Re-takaful default reserve | 21 | 7,627,958 | 5,387,784 | 3,848,642 |
| Investment revaluation reserve | | (53,578,630) | (20,866,807) | 7,318,068 |
| Retained earnings | | 295,402,196 | 229,591,147 | 186,517,264 |
| Total shareholders' equity | | 449,451,524 | 413,432,046 | 390,183,974 |
| TOTAL LIABILITIES, POLICYHOLDERS' FUND AND SHAREHOLDERS' EQUITY | | 1,265,704,699 | 1,050,062,339 | 1,079,085,524 |

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements present fairly in all material respects the financial position, financial performance and cash flows of the Company.


Khamis Buharoon
Chairman of the Board of Directors


Osama Abdeen
Chief Executive Officer

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

**Statement of profit or loss
for the year ended 31 December 2023**

| | <i>Notes</i> | 2023 | 2022 |
|---|--------------|--------------------|---------------------|
| | | AED | (restated) AED |
| Attributable to policyholders | | | |
| Takaful revenue | 22 | 672,453,727 | 449,798,161 |
| Takaful service expense | 23 | (501,480,251) | (372,602,889) |
| Allocation of re-takaful contributions paid | 24 | (379,234,065) | (277,134,658) |
| Amounts recovered from re-takaful contracts | 24 | 214,773,894 | 174,342,285 |
| | | <hr/> | <hr/> |
| Takaful service result | | 6,513,305 | (25,597,101) |
| Investment income | 25 | 18,608,649 | 9,273,592 |
| Mudareb share | 29 | (6,513,027) | (3,245,757) |
| Takaful finance (expenses)/income for takaful contracts issued | 26 | (16,958,030) | 24,262,908 |
| Re-takaful finance income/(expense) for re-takaful contracts held | 27 | 13,529,978 | (21,892,567) |
| | | <hr/> | <hr/> |
| Net financial takaful result | | 8,667,570 | 8,398,176 |
| | | <hr/> | <hr/> |
| Other expenses, net | | (2,844,418) | (1,384,537) |
| | | <hr/> | <hr/> |
| Surplus/(deficit) of takaful result for the year | | 12,336,457 | (18,583,462) |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Attributable to shareholders | | | |
| Shareholders' investment and other income, net | 28 | 36,857,289 | 23,535,397 |
| Mudareb share from policyholders | 29 | 6,513,027 | 3,245,757 |
| Wakalah fees from policyholders | 29 | 169,589,291 | 109,654,916 |
| Takaful expense | | (64,181,799) | (26,793,000) |
| General and administrative expenses | 30 | (58,071,992) | (52,726,276) |
| Decrease in provision of loan (Qard Hasan) from shareholders | 15 | 12,336,457 | 9,800,643 |
| | | <hr/> | <hr/> |
| Profit for the year | 31 | 103,042,273 | 66,717,437 |
| | | <hr/> <hr/> | <hr/> <hr/> |
| Basic and diluted earnings per share | 32 | 0.98 | 0.64 |
| | | <hr/> <hr/> | <hr/> <hr/> |

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

**Statement of comprehensive income
for the year ended 31 December 2023**

| | 2023 AED | 2022 (restated) AED |
|--|---------------------------|---------------------------|
| Profit for the year | 103,042,273 | 66,717,437 |
| Other comprehensive income: | | |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | |
| Change in fair value of equity investments measured at fair value through other comprehensive income | (35,921,021) | (13,784,321) |
| Board of Director's remuneration | (6,448,826) | (1,637,930) |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | |
| Change in fair value of sukuk investments measured at fair value through other comprehensive income | 390,333 | (3,047,114) |
| Total other comprehensive loss for the year | (41,979,514) | (18,469,365) |
| Total comprehensive income for the year | 61,062,759 | 48,248,072 |

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

Abu Dhabi National Takaful Company P.S.C.
Statement of changes in shareholders' equity
for the year ended 31 December 2023

13

| | Share capital AED | Legal reserve AED | General reserve AED | Re-takaful default reserve | Investment revaluation reserve AED | Retained earnings AED | Total AED |
|---|-------------------------|-------------------------|---------------------------|----------------------------------|---|-----------------------------|--------------------|
| Balance at 31 December 2022 – as previously stated | 105,000,000 | 51,819,922 | 42,500,000 | 5,387,784 | (20,866,807) | 306,907,028 | 490,747,927 |
| Impact of adoption of IFRS 17 (note 2.3) | - | - | - | - | - | (75,951,063) | (75,951,063) |
| Impact of adoption of IFRS 9 – ECL model (note 2.3) | - | - | - | - | - | (1,364,818) | (1,364,818) |
| Balance at 1 January 2023 – as restated | 105,000,000 | 51,819,922 | 42,500,000 | 5,387,784 | (20,866,807) | 229,591,147 | 413,432,046 |
| Profit for the year | - | - | - | - | - | 103,042,273 | 103,042,273 |
| Other comprehensive loss for the year | - | - | - | - | (35,530,688) | (6,448,826) | (41,979,514) |
| Total comprehensive income for the year | - | - | - | - | (35,530,688) | 96,593,447 | 61,062,759 |
| Gain on disposal of financial assets classified at fair value through other comprehensive income | - | - | - | - | 2,818,865 | (862,146) | 1,956,719 |
| Transfer to legal reserve | - | 680,078 | - | - | - | (680,078) | - |
| Transfer to re-takaful default reserve | - | - | - | 2,240,174 | - | (2,240,174) | - |
| Dividends paid (note 17) | - | - | - | - | - | (27,000,000) | (27,000,000) |
| Balance at 31 December 2023 | 105,000,000 | 52,500,000 | 42,500,000 | 7,627,958 | (53,578,630) | 295,402,196 | 449,451,524 |
| Balance at 31 December 2021 – as previously reported | 100,000,000 | 50,000,000 | 42,500,000 | 3,848,642 | 7,318,068 | 312,351,362 | 516,018,072 |
| Impact of transition of IFRS 17 (note 2.3) | - | - | - | - | - | (124,570,781) | (124,570,781) |
| Impact of transition of IFRS 9 – ECL model (note 2.3) | - | - | - | - | - | (1,263,317) | (1,263,317) |
| Balance at 1 January 2022 – as restated | 100,000,000 | 50,000,000 | 42,500,000 | 3,848,642 | 7,318,068 | 186,517,264 | 390,183,974 |
| Profit for the year – as restated | - | - | - | - | - | 66,717,437 | 66,717,437 |
| Other comprehensive loss for the year | - | - | - | - | (16,831,435) | (1,637,930) | (18,469,365) |
| Total comprehensive income for the year | - | - | - | - | (16,831,435) | 65,079,507 | 48,248,072 |
| Gain on disposal of financial assets classified at fair value through other comprehensive income | - | - | - | - | (11,353,440) | 11,353,440 | - |
| Transfer to legal reserve | - | 1,819,922 | - | - | - | (1,819,922) | - |
| Transfer to re-takaful default reserve | - | - | - | 1,539,142 | - | (1,539,142) | - |
| Issuance of bonus shares | 5,000,000 | - | - | - | - | (5,000,000) | - |
| Dividends paid (note 17) | - | - | - | - | - | (25,000,000) | (25,000,000) |
| Balance at 31 December 2022 (restated) | 105,000,000 | 51,819,922 | 42,500,000 | 5,387,784 | (20,866,807) | 229,591,147 | 413,432,046 |

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

Statement of cash flows for the year ended 31 December 2023

| | 2023 | 2022 <i>(restated)</i> |
|---|----------------------|---------------------------|
| | AED | AED |
| OPERATING ACTIVITIES | | |
| Profit for the period | 103,042,273 | 66,717,437 |
| Adjustments for: | | |
| Depreciation of property and equipment | 2,111,583 | 1,900,490 |
| Investment and other income | (43,886,822) | (31,874,286) |
| Net movement in provision for end of service benefits | 1,373,544 | 1,492,946 |
| Movement in expected credit loss | (856,303) | 101,501 |
| Movement in fair value of investments properties | (10,644,400) | (1,035,000) |
| Movement in provision of loan (Qard Hasan) from shareholders | (12,336,457) | (9,800,643) |
| Surplus of general policy holders takaful fund | - | (28,384,105) |
| Gain on disposal of property and equipment | (78,413) | (1,204) |
| | <hr/> | <hr/> |
| Operating profit before movements in working capital | 38,725,005 | (882,864) |
| Increase in prepaid and other assets | (13,125,720) | (11,113,152) |
| Increase in re-takaful contract assets | (50,871,802) | 15,397,938 |
| Increase in takaful contract assets | (1,208,981) | - |
| Increase/(decrease) in takaful contract liabilities | 129,716,407 | (52,035,284) |
| (Decrease)/increase in re-takaful contract liabilities | (15,197,937) | 35,461,056 |
| Increase in provision of loan (Qard Hasan) from shareholders | 12,336,457 | 9,800,643 |
| Increase/(decrease) in accrued expenses and other liabilities | 58,919,972 | (5,146,763) |
| Directors' remuneration paid | (1,637,930) | (5,531,995) |
| | <hr/> | <hr/> |
| Net cash generated from/(used in) operating activities | 157,655,471 | (14,050,421) |
| | <hr/> | <hr/> |
| INVESTING ACTIVITIES | | |
| Net movement in investments | (95,297,135) | 42,282,068 |
| Movement in unit linked investments | (1,576,487) | - |
| Purchase of investment property | (25,040,600) | - |
| Proceeds from sale of property and equipment | 79,047 | 1,706 |
| Purchase of property and equipment | (694,140) | (1,760,896) |
| Investment and other income received | 43,886,822 | 31,874,286 |
| Movement in term deposits | (80,280,364) | (24,451,097) |
| | <hr/> | <hr/> |
| Net cash (used in)/generated from investing activities | (158,922,857) | 47,946,067 |
| | <hr/> | <hr/> |
| FINANCING ACTIVITY | | |
| Dividends paid | (27,000,000) | (25,000,000) |
| | <hr/> | <hr/> |
| Net cash used in financing activity | (27,000,000) | (25,000,000) |
| | <hr/> | <hr/> |
| (Decrease)/increase in cash and cash equivalents | (28,267,386) | 8,895,646 |
| Cash and cash equivalents at the beginning of the year | 109,040,537 | 100,144,891 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the year | 80,773,151 | 109,040,537 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

Notes to the financial statements for the year ended 31 December 2023

1 Corporate information

Abu Dhabi National Takaful Company PSC (the “Company”) is a public shareholding company which was incorporated in Abu Dhabi, United Arab Emirates (“UAE”) on 16 November 2003. The Company is registered in accordance with the Federal Law No. (32) of 2021. The Company is subject to the regulations of the U.A.E. Federal Decree-Law No. 48 of 2023 regarding the Regulation of Insurance Activities, and is registered in the Insurance Companies Register of the Central Bank of the UAE (“CBUAE”) (formerly, the UAE Insurance Authority (“IA”)). under registration number 071.

On 3 October 2022, the United Arab Emirates (UAE) Ministry of Finance (“MoF”) issued Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (“CT Law”) to implement a new CT regime in the UAE. The new CT regime is applicable for accounting periods beginning on or after 1 June 2023.

Generally, UAE businesses will be subject to a 9% CT rate, however a rate of 0% will be applied to taxable income not exceeding AED 375,000 or to certain types of entities, as prescribed by way of a Cabinet Decision.

The Company is currently assessing the impact of these laws and regulations and will apply the requirements as further guidance is provided by the relevant tax authorities.

The Company carries out takaful and retakaful activities of all classes in accordance with the provisions of the U.A.E. Federal Decree-Law No. 48 of 2023. The Company is domiciled and operates in the UAE and its registered address is P.O. Box 35335, Abu Dhabi, UAE.

2 Application of new and revised International Financial Reporting Standards (“IFRS”)

2.1 New and revised IFRS adopted in the financial statements

The following new and revised IFRS, which became effective for annual periods beginning on or after 1 January 2023, have been adopted in this financial statements. The application of these revised IFRSs, did not have any material impact on the amounts reported for the current and prior periods, except from the application of expected credit loss model under IFRS 9 and IFRS 17 which has replaced IFRS 4 and has fundamentally changed the measurement and presentation of takaful contracts (including re-takaful contracts held).

| <u>New and revised IFRSs</u> | <u>Effective for annual periods beginning or after</u> |
|---|--|
| IFRS 17 <i>Insurance Contracts</i> (note 2.3) | 1 January 2023 |
| Amendments to IAS 1 – Amendments to IFRS Practice Statement 2 Making Materiality Judgements Disclosure of Accounting Policies | 1 January 2023 |
| Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates | 1 January 2023 |
| Amendments to IAS 12 Income Taxes - International Tax Reform - Pillar Two Model Rules | 1 January 2023 |
| Amendments to IAS 12 – Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction | 1 January 2023 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

2 Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.2 New and revised IFRS in issue but not yet effective and not early adopted

| <u>New and revised IFRSs</u> | <u>Effective for annual periods beginning or after</u> |
|---|--|
| Amendments to IFRS 16 on lease liability in a sales and lease back | 1 January 2024 |
| Amendments to IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants | 1 January 2024 |
| Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current | 1 January 2024 |
| Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements | 1 January 2024 |
| Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Effective date deferred indefinitely. Adoption is still permitted. |

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company’s financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the financial statements of the Company in the period of initial application.

2.3 Changes in accounting policies

In these financial statements, the Company has applied IFRS 17 and IFRS 9 measurement for the first time. The nature of the changes in first time adoption of IFRS 17 and IFRS 9 can be summarized, as follows:

Changes to classification and measurement

IFRS 17 establishes specific principles for the recognition, measurement, presentation and disclosure of takaful contracts issued and re-takaful contracts held by the Company. The adoption of IFRS 17 did not change the classification of the Company’s takaful contracts.

The Company uses different measurement approaches, depending on the type of contracts, as follows:

| Nature of Contracts | Product classification | Measurement model |
|--|-------------------------------|--------------------------|
| Property and liability takaful | Takaful contracts | PAA |
| Medical takaful | Takaful contracts | PAA |
| Group family takaful | Takaful contracts | PAA |
| Credit family takaful – short term | Takaful contracts | PAA |
| Credit family takaful – long term | Takaful contracts | GMM |
| Individual family takaful – long term | Takaful contracts | GMM |
| Individual family takaful – unit linked | Takaful contracts | VFA |
| All re-takaful contracts held other than long term credit family takaful | Re-takaful contracts held | PAA |
| Long term credit family takaful | Re-takaful contracts held | GMM |
| Individual family takaful – long term | Re-takaful contracts held | GMM |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)****2 Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)****2.3 Changes in accounting policies (continued)****Changes to classification and measurement (continued)**

The key principles of IFRS 17 under the different measurement models, where applicable, are that the Company:

- Identifies takaful contracts as those under which the Company accepts significant takaful risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- Separates specified embedded derivatives, distinct investment components and distinct goods or services other than takaful contract services from takaful contracts and accounts for them in accordance with other standards;
- Divides the takaful and re-takaful contracts into groups it will recognise and measure;
- Recognises profit from a group of takaful contracts over each period the Company provides takaful contract services, as the Company is released from risk. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Company recognises the loss immediately;
- Recognises an asset for takaful acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of takaful contracts is recognised. Such an asset is derecognised when the takaful acquisition cash flows are included in the measurement of the related group of takaful contracts.

The premium allocation approach (PAA) simplifies the measurement of takaful contracts in comparison with the general measurement model (GMM) in IFRS 17. The measurement principles of the PAA differ from the ‘earned contribution approach’ used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects contribution received less amounts recognised in revenue for takaful services provided (takaful revenue for each period is the amount of expected contribution receipts for providing services in the period);
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the contribution due date and the related period of services are more than 12 months apart;
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision);
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) claims) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Company’s obligation to pay other incurred takaful expenses;

Measurement of the asset for remaining coverage (reflecting re-takaful contribution paid for re-takaful contracts held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

**Notes to the financial statements
for the year ended 31 December 2023 (continued)****2 Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)****2.3 Changes in accounting policies (continued)****Changes to classification and measurement (continued)**

Under the GMM and variable fee approach (VFA), the Company recognises and measures groups of takaful contracts at:

- i) A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information; and
- ii) An amount representing the unearned profit in the group of contracts (the contractual service margin or CSM)"

The VFA is a mandatory modification of the GMM regarding the treatment of the CSM in order to accommodate direct participating contracts.

The Company capitalises takaful acquisition cash flows for all takaful group of contracts. The Company allocates the acquisition cash flows to groups of takaful contracts issued using a systematic and rational basis. Takaful acquisition cash flows include those that are directly attributable to a group.

Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates portfolios of takaful and re-takaful contracts issued and re-takaful contracts held and presents separately, the carrying amount of:

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

The line item descriptions in the profit or loss have been changed significantly compared with prior year. Previously the Company reported the following main line items:

- Gross contribution written
- Net written contribution
- Commission earned
- Net changes in unearned contribution provision
- Net earned contribution
- Gross claims paid
- Net claims paid
- Change in incurred claim liabilities
- Net claims incurred
- Other underwriting income and expenses

Instead, IFRS 17 requires separate presentation of:

- Takaful revenue
- Takaful service expense
- Allocation of re-takaful contributions paid
- Amounts recovered from re-takaful contracts
- Takaful finance expenses/income for takaful contracts issued
- Re-takaful finance income/expense for re-takaful contracts held

**Notes to the financial statements
for the year ended 31 December 2023 (continued)****2 Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)****2.3 Changes in accounting policies (continued)****Transition impact**

On transition date, 1 January 2022, the Company:

- Applied the following approaches to identify, recognise and measure the groups of takaful contracts issued and re-takaful contracts held:
 - The full retrospective approach was used for groups of short-term takaful contracts issued and both long-term and short-term groups of re-takaful contracts held.
 - The full retrospective approach was used for groups of long-term Credit family takaful contracts issued unless this was impracticable, in which case either the modified retrospective approach or fair value approach was used.
- Derecognised any existing balances that would not exist had IFRS 17 always applied.
- Recognised any resulting net difference in policyholder fund.

The Company assessed historical information available and determined that all reasonable and supportable information necessary to apply the full retrospective approach was not available for those groups of contracts for which the modified retrospective and fair value approaches were used.

Modified Retrospective Approach

The objective of the modified retrospective approach is to achieve the closest possible outcome to the full retrospective approach maximising the use of available information. In applying the modified retrospective approach the Company has used the following permitted modification to determine the CSM:

- Estimated historical discount rates applied to cash flows in the period prior to 2016 using an observable market interest curve based on discount rate applicable for 2016.

Fair Value Approach

Under the fair value approach, the CSM at 1 January 2022 was determined as the difference between the fair value of a group of contracts at that date and the fulfilment cash flows at that date. In determining fair value, the Company applied the requirements of IFRS 13 Fair Value Measurement. Specifically, the fair value of the takaful contracts was measured as the sum of (a) the present value of the cash flows expected to be generated by the contracts, determined using a discounted cash flow technique; and (b) an additional margin.

Differences in the Company's approach to measuring fair value from the IFRS 17 requirements for measuring fulfilment cash flows gave rise to a CSM at 1 January 2022. In particular, in measuring fair value the Company included a margin comprising a risk premium to reflect what market participants would demand as compensation for the uncertainty inherent in the cash flows and a profit margin to reflect what market participants would require to assume the obligations to service the takaful contracts. In determining this margin, the Company considered certain risks that were not reflected in the fulfilment cash flows, that a market participant would consider. When applying the fair value transition approach the Company determined the discount rate at the transition date.

As mentioned above, the line item descriptions in the statement of profit or loss and other comprehensive income have changed significantly compared with prior period. The adoption of IFRS 17 has led to the restatement of the profit for the year ended 31 December 2022 from AED 18,199,220 to AED 66,717,437.

**Notes to the financial statements
for the year ended 31 December 2023 (continued)****2 Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)****2.3 Changes in accounting policies (continued)****Transition impact (continued)****IFRS 9 Financial Instruments****Measurement of the expected credit loss (“ECL”) allowance**

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

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

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

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

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

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

The Company has adopted the impairment requirements of IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2022, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

The adoption of the impairment requirements of IFRS 9 has resulted in changes in accounting policies for impairment of financial assets.

The Company recorded an impairment allowance at 1 January 2022 on financial assets at fair value through other comprehensive income amounting to AED 1,263,317 as a result of first time adoption of impairment requirements IFRS-9.

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

2 Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.3 Changes in accounting policies (continued)

Transition impact (continued)

The table below summarise the impact of initial application of IFRS 17 and IFRS 9 as at 31 December 2022:

| | As previously reported (audited) AED | Effect of application of IFRS 17/IFRS 9 AED | As restated AED |
|--|---|--|----------------------------|
| <i>Takaful operations assets</i> | | | |
| Retakaful share of unearned contributions | 276,904,971 | (276,904,971) | - |
| Retakaful share of outstanding claims | 129,484,313 | (129,484,313) | - |
| Contributions and retakaful balances receivables | 38,265,290 | (38,265,290) | - |
| Re-takaful contract assets | - | 134,710,415 | 134,710,415 |
| <i>Shareholders’ operations assets</i> | | | |
| Financial assets at fair value | 317,245,074 | (1,364,818) | 315,880,256 |
| Deferred policy acquisition costs | 17,203,623 | (17,203,623) | - |
| <i>Takaful operations liabilities</i> | | | |
| Takaful payables | 16,150,320 | (16,150,320) | - |
| Outstanding claims | 174,064,907 | (174,064,907) | - |
| Unearned contributions | 368,761,610 | (368,761,610) | - |
| Unearned retakaful commission income | 9,810,005 | (9,810,005) | - |
| Re-takaful payable | 296,257,018 | (296,257,018) | - |
| Accrued expenses and other liabilities | 8,597,810 | 10,984,076 | 19,581,886 |
| Takaful contract liabilities | - | 489,097,430 | 489,097,430 |
| Re-takaful contract liabilities | - | 35,794,480 | 35,794,480 |
| <i>Shareholders’ operations liabilities</i> | | | |
| Accrued expenses and other liabilities | 1,836,159 | 77,971,155 | 79,807,314 |
| <i>Policyholders’ fund</i> | | | |
| Deficit of General policyholders takaful fund | (32,818,253) | 29,489,063 | (3,329,190) |
| Deficit of family policyholders takaful fund | (16,732,317) | (10,265,347) | (26,997,664) |
| Loan (Qard Hasan) from shareholders | 49,550,570 | (19,223,716) | 30,326,854 |
| <i>Total shareholders’ equity</i> | | | |
| Retained earnings | 306,907,028 | (77,315,881) | 229,591,147 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

2 Application of new and revised International Financial Reporting Standards (“IFRS”) (continued)

2.3 Changes in accounting policies (continued)

Transition impact (continued)

The table below summarise the impact of initial application of IFRS 17 and IFRS 9 as at 1 January 2022:

| | As previously reported (audited) AED | Effect of application of IFRS 17/IFRS 9 AED | As restated AED |
|--|---|--|----------------------------|
| <i>Takaful operations assets</i> | | | |
| Retakaful share of unearned contributions | 274,002,126 | (274,002,126) | - |
| Retakaful share of outstanding claims | 127,776,349 | (127,776,349) | - |
| Contributions and retakaful balances receivables | 18,379,044 | (18,379,044) | - |
| Re-takaful contract assets | - | 150,108,353 | 150,108,353 |
| <i>Shareholders’ operations assets</i> | | | |
| Financial assets at fair value | 362,770,698 | (1,263,317) | 361,507,381 |
| Deferred policy acquisition costs | 7,445,788 | (7,445,788) | - |
| <i>Takaful operations liabilities</i> | | | |
| Takaful payables | 11,300,119 | (11,300,119) | - |
| Outstanding claims | 164,079,350 | (164,079,350) | - |
| Unearned contributions | 353,999,279 | (353,999,279) | - |
| Unearned retakaful commission income | 6,762,953 | (6,762,953) | - |
| Accrued expenses and other liabilities | 5,953,230 | 6,297,505 | 12,250,735 |
| Takaful contract liabilities | - | 541,132,714 | 541,132,714 |
| Re-takaful payables | 279,732,447 | (279,732,447) | - |
| Re-takaful contract liabilities | - | 333,424 | 333,424 |
| <i>Shareholders’ operations liabilities</i> | | | |
| Accrued expenses and other liabilities | 9,377,066 | 86,802,227 | 96,179,293 |
| <i>Policyholders’ fund</i> | | | |
| Deficit of General policyholders takaful fund | (5,482,687) | 5,482,687 | - |
| Surplus of General policyholders takaful fund | - | 28,384,105 | 28,384,105 |
| Loan (Qard Hasan) from shareholder | 9,804,731 | 30,322,766 | 40,127,497 |
| Deficit of family policyholders takaful fund | (4,322,044) | (35,805,453) | (40,127,497) |
| <i>Total shareholders’ equity</i> | | | |
| Retained earnings | 312,351,362 | (125,834,098) | 186,517,264 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)****3 Summary of significant accounting policies****3.1 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and applicable requirements of United Arab Emirates (UAE) Federal Decree Law No. 32 of 2021 and Federal Decree-Law No. 48 of 2023, concerning the formation of Insurance Authority of UAE, as well as the Insurance Authority Financial Regulations for insurance companies (the “Regulations”).

3.2 Basis of preparation

These financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values as at the end of each reporting date, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial statements are presented in UAE Dirhams (AED) being the functional and presentation currency of the Company.

3.3 Changes in accounting policies for takaful contracts issued and re-takaful contracts held*Takaful and re-takaful contracts issued classification*

The Company issues takaful contracts in the normal course of business, under which it accepts significant takaful risk from its policyholders. As a general guideline, the Company determines whether it has significant takaful risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. The Company also issues re-takaful contracts in the normal course of business to compensate other entities for claims arising from one or more takaful contracts issued by those entities.

Level of Aggregation

The Company identifies portfolios by aggregating takaful contracts that are subject to similar risks and managed together. In grouping takaful contracts into portfolios, the Company considers the similarity of risks rather than the specific labelling of product lines. The Company has determined that all contracts within each product line, as defined for management purposes, have similar risks. Therefore, when contracts are managed together, they represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which takaful contracts are initially recognised and measured. Such groups are not subsequently reconsidered.

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

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Changes in accounting policies for takaful contracts issued and re-takaful contracts held (continued)

Recognition

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

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

Combination of takaful contracts

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

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

Separating components from takaful and re-takaful contracts

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

Contract boundary

The measurement of a group of takaful contracts includes all future cash flows expected to arise within the boundary of each contract in the group.

Cash flows are within the boundary of a takaful contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the contributions, or in which the Company has a substantive obligation to provide the policyholder with takaful contract services. A substantive obligation to provide takaful contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
 - i. The Company has the practical ability to reassess the risks of the portfolio of takaful contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and
 - ii. The pricing of the contributions up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

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

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Changes in accounting policies for takaful contracts issued and re-takaful contracts held (continued)

Measurement

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

| | Measurement models the option is allowed to be applied | IFRS 17 options | Adopted approach |
|--|---|---|---|
| Takaful acquisition cash flows | PAA | Where the coverage period of each contract in the group at initial recognition is no more than one year, IFRS 17 allows an accounting policy choice of either expensing the takaful acquisition cashflows when incurred or amortizing them over the contract's coverage period. | Takaful acquisition cash flows are allocated to related groups of takaful contracts and amortised over the coverage period of the related group using a systematic and rational basis. |
| Liability for Remaining Coverage ("LRC") adjusted for financial risk and time value of money | PAA | Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related contribution due date is no more than a year, an entity is not required to make an adjustment for accretion of profit on the LRC. | For all contracts measured under the PAA, there is no adjustment to reflect the time value of money and the effect of financial risk as the contributions are expected to be received within one year of the coverage period. |
| Liability for Incurred Claims ("LIC") adjusted for time value of money | PAA | Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money. | The Company discounts the LIC for the time value of money. |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Changes in accounting policies for takaful contracts issued and re-takaful contracts held (continued)

Measurement (continued)

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

| | Measurement models the option is allowed to be applied | IFRS 17 options | Adopted approach |
|---|---|---|--|
| Takaful finance income and expenses | All | IFRS 17 provides an accounting policy choice to recognise the impact of changes in discount rates and other financial variables in profit or loss or in OCI. The accounting policy choice (the P&L or OCI option) is applied on a portfolio basis. | For all contracts within the scope of IFRS 17 the Company includes all takaful finance income or expenses for the period in profit or loss. |
| Disaggregation of risk adjustment | All | An insurer is not required to include the entire change in the risk adjustment for non-financial risk in the takaful service result. Instead, it can choose to split the amount between the takaful service result and takaful finance income or expenses. | The Company does not disaggregate changes in the risk adjustment for non-financial risk between takaful service result and takaful finance income or expenses. |
| Presentation of income / (expense) from re-takaful contracts held | All | IFRS 17 allows options in presenting income or expenses from re-takaful contracts held, other than takaful finance income or expenses. An alternative would be to gross up this single amount and present separately the amounts recovered from the reinsurer (as income) and an allocation of the contribution paid (as re-takaful expenses) in line items separate from takaful revenue and takaful service expenses. | The Company elected to present separately the amounts recovered from re-takaful contracts and an allocation of re-takaful contributions paid. |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Changes in accounting policies for takaful contracts issued and re-takaful contracts held (continued)

Measurement (continued)

Takaful contracts measured under the premium allocation approach - Initial and Subsequent Measurement

The Company applies the premium allocation approach to all the takaful contracts (other than long term credit family takaful and individual family takaful contracts) that it issues and re-takaful contracts (other than those covering long term credit family takaful and individual family takaful contracts) that it holds as;

- The coverage period of each contract in the group is one year or less, including takaful contract services arising from all contributions within the contract boundary; or
- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

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

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

- The contributions, if any, received at initial recognition
- Minus any takaful acquisition cash flows at that date,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for takaful acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of takaful contracts is recognised.

The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus contributions received in the period
- Minus takaful acquisition cash flows
- Plus any amounts relating to the amortisation of the takaful acquisition cash flows recognised as an expense in the reporting period for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as takaful revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Company and include an explicit adjustment for non-financial risk (the risk adjustment).

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Changes in accounting policies for takaful contracts issued and re-takaful contracts held (continued)

Measurement (continued)

Takaful contracts measured under the premium allocation approach - Initial and Subsequent Measurement (continued)

When facts and circumstances indicate that a group of contracts has become onerous, the Company performs a test for onerousness. If the amount of the fulfilment cash flows exceeds the carrying amount of the LRC, the Company recognises the amount of the difference as a loss in profit or loss and increases the LRC for the corresponding amount.

Takaful contracts measured other than PAA - Initial and Subsequent Measurement

The Company measures a group of contracts on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary and the contractual service margin representing the unearned profit in the contracts relating to services that will be provided under the contracts.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Company's objective in estimating future cash flows is to determine the expected value, or the probability weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating future cash flows, the Company includes all cash flows that are within the contract boundary including:

- Contributions and related cash flows
- Claims and benefits, including reported claims not yet paid and expected future claims
- Payments to policyholders resulting from embedded surrender value options
- An allocation of takaful acquisition cash flows attributable to the portfolio to which the contract belongs
- Claims handling costs
- Transaction-based taxes
- Other costs specifically chargeable to the policyholder under the terms of the contract

**Notes to the financial statements
for the year ended 31 December 2023 (continued)****3 Summary of significant accounting policies (continued)****3.3 Changes in accounting policies for takaful contracts issued and re-takaful contracts held (continued)**

Measurement (continued)

Takaful contracts measured other than PAA - Initial and Subsequent Measurement (continued)

The Company updates its estimates at the end of each reporting period using all newly available information, as well as historic evidence and information about trends. The Company determines its current expectations of probabilities of future events occurring at the end of the reporting period. In developing new estimates, the Company considers the most recent experience and earlier experience, as well as other information.

The measurement of fulfilment cash flows includes takaful acquisition cash flows which are allocated as a portion of contribution to profit or loss (through takaful revenue) over the period of the contract in a systematic and rational way on the basis of the passage of time.

The CSM at the end of the reporting period represents the profit in the group of takaful contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

For a group of takaful contracts the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group
- For contracts measured under the GMM, profit accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition
- The changes in fulfilment cash flows relating to future service, except to the extent that:
 - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or
 - Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage
- The effect of any currency exchange differences on the CSM
- The amount recognised as takaful revenue because of the transfer of takaful contract services in the period, determined by the allocation of the CSM remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

For direct participating contracts measured under the VFA, the Company adjusts the CSM for the change in the amount of the Company's share of the fair value of the underlying items and changes in fulfilment cash flows that relate to future services, except to the extent that:

- a decrease in the amount of the Company's share of the fair value of the underlying items, or an increase in the fulfilment cash flows that relate to future services, exceeds the carrying amount of the CSM, giving rise to a loss in profit or loss (included in takaful service expenses) and creating a loss component; or
- an increase in the amount of the Company's share of the fair value of the underlying items, or a decrease in the fulfilment cash flows that relate to future services, is allocated to the loss component, reversing losses previously recognised in profit or loss (included in takaful service expenses).

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Changes in accounting policies for takaful contracts issued and re-takaful contracts held (continued)

Measurement (continued)

The Company identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components are excluded from takaful revenue and takaful service expenses. Individual family unit linked contracts have explicit surrender values. The investment component excluded from takaful revenue and takaful service expenses is determined as the surrender value specified in the contractual terms less any surrender charges. All the other contracts issued by the Company do not contain investment components.

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- Experience adjustments that arise from the difference between the contribution receipts (and any related cash flows such as takaful acquisition cash flows) and the estimate, at the beginning of the period, of the amounts expected. Differences related to contributions received (or due) related to current or past services are recognised immediately in profit or loss while differences related to contributions received (or due) for future services are adjusted against the CSM
- Changes in estimates of the present value of future cash flows in the liability for remaining coverage. For contracts measured under the GMM these changes exclude those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss and other comprehensive income rather than adjusting the CSM)
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the start of the period plus any takaful finance income or expenses related to that expected payment before it becomes payable.
- Changes in the risk adjustment for non-financial risk that relate to future service.

For contracts measured under the VFA changes in fulfilment cash flows that relate to future services and adjust the CSM are measured at current discount rates and include the changes in the effect of the time value of money and financial risks that do not arise from underlying items.

Where, during the coverage period, a group of takaful contracts becomes onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

The Company measures the carrying amount of a group of takaful contracts at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the Company comprising the fulfilment cash flows related to past service allocated to the group at that date.

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

3 Summary of significant accounting policies (continued)

3.3 Changes in accounting policies for takaful contracts issued and re-takaful contracts held (continued)

Measurement (continued)

Re-takaful contracts held

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

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

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

A group of re-takaful contracts held is recognised as follows:

- If the re-takaful contracts provide proportionate coverage, the date the Company initially recognizes any underlying takaful contracts (onerous or not).
- In all other cases, at the beginning of the coverage period of the group of re-takaful contracts. However, if the Company recognises an onerous group of underlying takaful contracts on an earlier date and the related re-takaful contract was entered into before that earlier date, then the group of re-takaful contracts is recognised on that earlier date.

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

A substantive right to receive services from the reinsurer shall end when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage

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

**Notes to the financial statements
for the year ended 31 December 2023 (continued)****3 Summary of significant accounting policies (continued)****3.3 Changes in accounting policies for takaful contracts issued and re-takaful contracts held (continued)***Measurement (continued)**Re-takaful contracts held (continued)*

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

Modification and derecognition

The Company derecognises takaful contracts when:

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

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

Takaful acquisition cash flows

The Company includes takaful acquisition cash flows in the measurement of a group of takaful contracts if they are directly attributable to either the individual contracts in a group, the group itself or the portfolio of takaful contracts to which the group belongs. These are essentially the Wakala Charges levied on each policy at time of inception.

Discount rates

The Company uses the bottom-up approach for the groups of contracts measured under PAA, GMM and VFA to derive the discount rates.

**Notes to the financial statements
for the year ended 31 December 2023 (continued)****3 Summary of significant accounting policies (continued)****3.3 Changes in accounting policies for takaful contracts issued and re-takaful contracts held (continued)***Measurement (continued)**Risk adjustment for non-financial risk*

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

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach in the range of 60th to 70th percentile, adjusted for diversification. That is, the Company has assessed its indifference to uncertainty for all groups of contracts (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent in the range of 60th to 70th percentile confidence level, adjusted for diversification, less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

The selection of Risk Adjustment percentile is linked to inherent volatility of underlying risk. For relatively stable lines (Motor and Medical), a 60th percentile has been chosen while for other lines a more conservative 70th percentile has been chosen.

Contractual service margin (CSM)

The CSM is a component of the asset or liability for the group of takaful contracts that represents the unearned profit the Company will recognise as it provides services in the future. An amount of the CSM for a group of takaful contracts is recognised in profit or loss as takaful revenue in each period to reflect the takaful contract services provided under the group of takaful contracts in that period. The amount is determined by:

- Identifying the coverage units in the group
- Allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the takaful contract services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future

The number of coverage units in a group is the quantity of takaful contract services provided by the contracts in the group, determined by considering the quantity of the benefits provided and the expected coverage period. The coverage unit for the long-term credit family takaful is the expected claim cost. The coverage units for Unit-Linked portfolio are the expected sum at risk plus the cash value.

The total coverage units of each group of takaful contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For re-takaful contracts issued, the number of coverage units in a group reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in force. The quantity of benefit is the maximum probable loss. The remaining coverage units are reassessed at the end of each reporting period to reflect the expected pattern of service and the expectations of lapses and cancellations of contracts. The remaining coverage is allocated based on probability weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

Notes to the financial statements for the year ended 31 December 2023 (continued)

3 Summary of significant accounting policies (continued)

3.4 Revenue recognition

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive 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 income statement.

Other income

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

3.5 Foreign currencies

Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retransferred at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the statement of income in the period in which they arise.

3.6 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses, if any. The cost of property and equipment is their purchase cost, together with any incidental expenses of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of income during the financial period in which they are incurred.

Depreciation is calculated so as to write off the cost of property and equipment on a straight-line basis over their expected useful economic lives.

The principal annual rates used for this purpose are:

| | |
|--|-------------|
| Building | 3.33% |
| Furniture, fixtures and office equipment | 20% |
| Computer equipment and accessories | 20 - 33.33% |
| Motor vehicles | 25% |

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 gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of income.

Notes to the financial statements for the year ended 31 December 2023 (continued)

3 Summary of significant accounting policies (continued)

3.7 Investment properties

Investment properties are held for the generation of income or capital appreciation and are initially measured at cost, including transaction costs. 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 income statement in the year 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. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use.

3.8 Impairment of tangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. 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). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of income, 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 (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of income, 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.

3.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the financial statements for the year ended 31 December 2023 (continued)

3 Summary of significant accounting policies (continued)

3.10 Employee benefits

An accrual is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the reporting period.

Provision is also made for end of service benefits due to non-UAE national employees in accordance with the Company's policy, which is at least equal to the benefits payable in accordance with UAE Labour Law, for their period of service up to the end of the reporting period.

Pension contributions are made in respect of UAE national employees to the Abu Dhabi Pension Authority, calculated in accordance with Government regulations, such contributions are charged to the statement of income during the employees' period of service.

3.11 Financial assets

Classification and measurement

The Company has the following financial assets: cash and cash equivalents, contributions and retakaful balances receivables, investments at fair value through other comprehensive income and investments at fair value through profit or loss. The classification depends on the nature of the financial asset and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalent include cash on hand and deposits held at call with banks with original maturities of three months or less.

Investments at fair value through other comprehensive income (equity instruments)

Investments at fair value through other comprehensive income (equity instruments) are initially recorded at cost and subsequently measured at fair value. Subsequent changes in fair value and gains or losses arising on disposal are recognised in other comprehensive income and dividend income is credited to statement of income when the right to receive the dividend is established.

Investments at fair value through other comprehensive income (debt instruments)

Investments at fair value through other comprehensive income (debt instruments) are initially recorded at cost and subsequently measured at fair value. profit, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Investments at fair value through profit or loss

Investments at fair value through profit or loss are initially recorded at cost and subsequently measured at fair value. Subsequent changes in fair value and gains or losses arising on disposal are recognised in statement of income, profit from debt securities is recognized in statement of income and dividend income is credited to statement of income when the right to receive the dividend is established.

Notes to the financial statements for the year ended 31 December 2023 (continued)

3 Summary of significant account policies (continued)

3.11 Financial assets (continued)

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset.

Impairment of financial assets

The Company applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVOCI. Assets migrate through the three stages based on the change in credit quality since initial recognition.

a) Overview

The Company is recording the allowance for expected credit losses for debt financial assets not held at FVTPL. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company categorizes its FVOCI assets into stages as described below:

Stage 1: When financial instruments are first recognised, the Company recognises an allowance based on 12 month ECLs. Stage 1 also include financial instruments where the credit risk has improved and the has been reclassified from Stage 2.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the life time ECLs. Stage 2 also include instruments, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and treated, along with the profits calculated. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition. Purchased or originated credit impaired assets are financial assets that are credit impaired on initial recognition and are recorded at fair value at original recognition and profit is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

Notes to the financial statements for the year ended 31 December 2023 (continued)

3 Summary of significant account policies (continued)

3.11 Financial assets (continued)

Impairment of financial assets (continued)

a) Overview (continued)

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The accounts which are restructured due to credit reasons in past 12 months will be classified under stage 2.

b) The calculation of ECLs

The Company calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon.
- The Exposure at Default ("EAD ") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that are expected to receive, including from the realisation of any collateral.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1: The 12 month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial asset considered credit-impaired, the Company recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Notes to the financial statements for the year ended 31 December 2023 (continued)

3 Summary of significant account policies (continued)

3.11 Financial assets (continued)

Impairment of financial assets (continued)

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

c) Forward looking information

The Company, for forward looking information, relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

3.12 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Other liabilities and accruals

Other liabilities and accruals are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective rate of return, with the expense recognised on an effective yield basis.

The effective rate of return is a method of calculating the amortised cost of a financial liability and of allocating the expense over the relevant period. The effective rate of return is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

**Notes to the financial statements
for the year ended 31 December 2023 (continued)****3 Summary of significant account policies (continued)****3.12 Financial liabilities and equity instruments (continued)**Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired.

3.13 Investment in commodities

Investment in commodities, which are commodities held to for capital appreciation, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment in commodities is measured at fair value. Gains or losses arising from changes in the fair value of investment commodities are included in profit or loss in the period in which they arise.

An investment commodity is derecognised upon disposal. Any gain or loss arising on derecognition of the commodity (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the commodity is derecognised.

3.14 Deficit in policyholders' fund

Deficit in the policyholders' fund is financed by the shareholders through a profit free loan "Qard Hasan". The Company maintains a full provision against such loans.

3.15 Dividends distribution

Dividends distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

4 Critical accounting judgments and key sources of estimation uncertainty

While applying the accounting policies as stated in Note 3, management of the Company has made certain judgements, estimates and assumptions 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. Revision to accounting estimates are recognised in the period of the revision 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 significant judgements and estimates made by management, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are:

**Notes to the financial statements
for the year ended 31 December 2023 (continued)****4 Critical accounting judgments and key sources of estimation uncertainty (continued)***Fair value of investment properties:*

External valuers may be involved for valuation of significant assets, such as 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.

The management, in conjunction with the Company's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Fair value of unquoted equity investments:

Fair valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments, net asset base of investee or other valuation models.

Assessment of significance of takaful risk:

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

Risk adjustment

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach in the range of 60th to 70th percentile, adjusted for diversification. That is, the Company has assessed its indifference to uncertainty for all groups of contracts (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent in the range of 60th to 70th percentile confidence level, adjusted for diversification, less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles. The Company has changed its risk adjustment from 65th to 75th percentile to 60th to 70th percentile during the year as it is in line with the Company risk appetite and best market practice.

The selection of Risk Adjustment percentile is linked to inherent volatility of underlying risk. For relatively stable lines (Motor and Medical), a 60th percentile has been chosen while for other lines a more conservative 70th percentile has been chosen.

Onerous groups

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

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Time value of money

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

Under the bottom-up approach, the discount rate is determined as the risk-free yield and adjusted with a liquidity risk premium. The Company used the following yield curves to discount cash flows:

| 2023 | Currency | 1 year | 5 year | 10 year | 20 year | 30 year |
|-----------------------------|-----------------|---------------|---------------|----------------|----------------|----------------|
| Contracts under VFA | AED | 5.00% | 5.00% | 5.00% | 5.00% | 5.00% |
| Contracts under GMM and PAA | AED | 5.95% | 4.69% | 4.64% | 4.65% | 4.42% |

| 2022 | Currency | 1 year | 5 year | 10 year | 20 year | 30 year |
|-----------------------------|-----------------|---------------|---------------|----------------|----------------|----------------|
| Contracts under GMM and PAA | AED | 6.44% | 5.32% | 5.12% | 5.00% | 4.64% |

Liability for incurred claims for contracts measured under the PAA

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

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims. The Company also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Measurement of future cash flows for contracts not measured under the PAA

The measurement of a group of takaful contracts includes all the future cash flows arising within the contract boundary. In determining which cash flows fall within a contract boundary, the Company considers its substantive rights and obligations arising from the terms of the contract, and also from applicable law and regulation. Cash flows are considered to be outside of the contract boundary if the Company has the practical ability to reprice existing contracts to reflect their reassessed risks and if the contract's pricing for coverage up to the date of reassessment considers only the risks till that next reassessment date.

**Notes to the financial statements
for the year ended 31 December 2023 (continued)****4 Critical accounting judgments and key sources of estimation uncertainty (continued)***Measurement of future cash flows for contracts not measured under the PAA (continued)*

The following assumptions were used when estimating future cash flows:

- Mortality rates

Mortality risks are inherent in most lines of business. The assumptions are set based on the internal experience of the Company when there are sufficient volumes of data to support a credible investigation. When internal experience is not sufficient, the assumptions are set with reference to industry experience and commonly used tables.

- Lapse and surrender rates

Lapse and surrenders assumptions relate to the rate by which policyholders cancel/surrender their policies. The assumptions are set in line with recent Company experience, by adjusting for expected improvements/deteriorations where necessary.

Transition

The Company assessed all information available and determined that it would be impracticable to apply the full retrospective approach for all groups of long-term Credit family takaful contracts. As such, for certain groups of long-term Credit family takaful contracts, the Company has applied the fair value approach to determine the CSM at the transition date.

Applying the fair value approach, the Company determined the CSM to be the difference between the fair value of a group of takaful contracts, measured in accordance with IFRS 13 'Fair Value Measurement' (IFRS 13), and its fulfilment cashflows at the transition date.

Under IFRS 13 the fair value of a takaful liability is the price that a market participant would be willing to pay to assume the obligation and the remaining risks of the in-force contracts as at the transition date. In the absence of recent market transactions for similar contracts, a present value technique was used to value groups of contracts.

In estimating the fair value of groups of takaful contracts, the following considerations were applied:

- only future cash flows within the boundaries of the takaful contracts were included in the fair value estimation;
- assumptions about expected future cash flows and risk allowances were adjusted for the market participant's view, as required by IFRS 13; and
- profit margins were included to reflect what a market participant would require for accepting obligations under takaful contracts, beyond the risk adjustment for non-financial risk.

The Company used significant judgement to determine adjustments required to reflect the market participant's view.

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

5 Cash and cash equivalents

| | 31 December 2023 AED | 31 December 2022 AED |
|--|-------------------------------------|----------------------------|
| Takaful operations assets | | |
| Cash and bank balances | 27,728,110 | 22,426,436 |
| Term deposits | 461,359,871 | 351,382,204 |
| | 489,087,981 | 373,808,640 |
| Less: term deposits with original maturity of more than three months | (435,359,871) | (301,382,204) |
| Cash and cash equivalents | 53,728,110 | 72,426,436 |
| Shareholders' assets | | |
| Cash and bank balances | 8,045,041 | 21,614,101 |
| Term deposits | 59,317,243 | 109,014,546 |
| | 67,362,284 | 130,628,647 |
| Less: term deposits with original maturity of more than three months | (40,317,243) | (94,014,546) |
| Cash and cash equivalents | 27,045,041 | 36,614,101 |
| Takaful operations assets | 53,728,110 | 72,426,436 |
| Shareholders' assets | 27,045,041 | 36,614,101 |
| | 80,773,151 | 109,040,537 |

Term deposits represent deposits held with Islamic financial institutions in the UAE, are denominated in UAE dirhams and carry expected profit at the prevailing market rates ranging from 4.1% to 7% per annum (31 December 2022: 0.75% to 6% per annum).

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

6 Property and equipment

| | Building AED | Furniture, fixtures and equipment AED | Computer equipment and accessories AED | Motor vehicles AED | Total AED |
|---|-------------------------|--|---|-----------------------------------|----------------------|
| Cost | | | | | |
| At 1 January 2023 | 25,196,436 | 9,670,875 | 8,936,923 | 1,440,628 | 45,244,862 |
| Additions | - | 141,051 | 383,001 | 170,088 | 694,140 |
| Disposals | - | (58,715) | (77,135) | (390,000) | (525,850) |
| | 25,196,436 | 9,753,211 | 9,242,789 | 1,220,716 | 45,413,152 |
| Accumulated depreciation | | | | | |
| At 1 January 2023 | 6,376,363 | 8,585,460 | 6,937,619 | 1,045,001 | 22,944,443 |
| Charge for the year | 839,344 | 402,341 | 707,162 | 162,736 | 2,111,583 |
| Disposals | - | (58,246) | (76,971) | (389,999) | (525,216) |
| | 7,215,707 | 8,929,555 | 7,567,810 | 817,738 | 24,530,810 |
| Net carrying amount 31 December 2023 | 17,980,729 | 823,656 | 1,674,979 | 402,978 | 20,882,342 |
| Cost | | | | | |
| At 1 January 2022 | 25,196,436 | 8,998,508 | 10,290,039 | 1,065,400 | 45,550,383 |
| Additions | - | 897,244 | 488,424 | 375,228 | 1,760,896 |
| Disposals | - | (224,877) | (1,841,540) | - | (2,066,417) |
| | 25,196,436 | 9,670,875 | 8,936,923 | 1,440,628 | 45,244,862 |
| Accumulated depreciation | | | | | |
| At 1 January 2022 | 5,537,019 | 8,500,326 | 8,143,748 | 928,775 | 23,109,868 |
| Charge for the year | 839,344 | 309,864 | 635,056 | 116,226 | 1,900,490 |
| Disposals | - | (224,730) | (1,841,185) | - | (2,065,915) |
| | 6,376,363 | 8,585,460 | 6,937,619 | 1,045,001 | 22,944,443 |
| Net carrying amount 31 December 2022 | 18,820,073 | 1,085,415 | 1,999,304 | 395,627 | 22,300,419 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

7 Statutory deposit

In accordance with the requirements of the Federal Law No. (48) of 2023, the Company maintains a bank deposit of AED 10,000,000 which cannot be utilised without the consent of the UAE Central Bank. The statutory deposit is held with a commercial bank in the UAE, a related party (note 16).

8 Financial assets measured at fair value through other comprehensive income

| | 31 December 2023 AED | 31 December 2022 AED |
|--|-------------------------------------|----------------------------|
| Financial assets measured at fair value through other comprehensive income | 352,579,538 | 315,880,256 |
| | 31 December 2023 AED | 31 December 2022 AED |
| <u>Shareholders' assets</u> | | |
| Quoted securities | | |
| - <i>Equity securities</i> | 87,013,507 | 76,754,857 |
| - <i>Sukuks</i> | 86,260,040 | 45,431,120 |
| Expected credit losses on Sukuk | (508,515) | (1,364,818) |
| <i>Total quoted securities for shareholders assets</i> | 172,765,032 | 120,821,159 |
| Unquoted securities | | |
| - <i>Unlisted equities</i> | 179,814,506 | 195,059,097 |
| <i>Total unquoted securities for shareholders assets</i> | 179,814,506 | 195,059,097 |
| Total quoted and unquoted securities for shareholders assets | 352,579,538 | 315,880,256 |

Movement in expected credit loss are as follows:

| | 2023 AED | 2022 AED |
|---------------------------|---------------------|-------------|
| Opening balance | 1,364,818 | 1,263,317 |
| Charged during the year | - | 101,501 |
| Reversals during the year | (856,303) | - |
| Closing balance | 508,515 | 1,364,818 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

8 Financial assets measured at fair value through other comprehensive income (continued)

| | 31 December 2023 AED | 31 December 2022 AED |
|---------------------|-------------------------------------|----------------------------|
| Quoted securities | 172,765,032 | 120,821,159 |
| Unquoted securities | 179,814,506 | 195,059,097 |
| | 352,579,538 | 315,880,256 |

Investments include AED 197.4 million (2022: AED 121.3 million) registered in the name of custodians who are holding these investments on behalf of the Company through investment agreements.

Unquoted equity securities are valued primarily based on net assets of the investees unless recent transactions provide evidence of the current fair value. The Company classified these as level 3 investments.

The geographical concentration of investments is as follows:

| | 31 December 2023 AED | 31 December 2022 AED |
|-------------------|-------------------------------------|----------------------------|
| Within UAE | 164,891,912 | 95,584,472 |
| Outside UAE | 187,687,626 | 220,295,784 |
| | 352,579,538 | 315,880,256 |
| Total investments | 352,579,538 | 315,880,256 |

The movement in investments are as follows:

| | 2023 AED | 2022 AED |
|--|---------------------|--------------|
| Opening balance | 315,880,256 | 225,741,671 |
| Addition during the year, net | 69,411,105 | 118,323,460 |
| Gain/(loss) on disposal of investments | 2,818,865 | (11,353,440) |
| Unrealized loss | (35,530,688) | (16,831,435) |
| Closing balance | 352,579,538 | 315,880,256 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

9 Financial assets measured at amortized cost

| | 31 December 2023 AED | 31 December 2022 AED |
|---|-------------------------------------|----------------------------|
| <u>Shareholders' assets</u> | | |
| Unquoted securities | | |
| - <i>Murabaha placement</i> | 10,283,000 | - |
| | <hr/> | <hr/> |
| Total securities for shareholders assets | 10,283,000 | - |
| | <hr/> | <hr/> |

The geographical concentration of investments is as follows:

| | 31 December 2023 AED | 31 December 2022 AED |
|-------------------|-------------------------------------|----------------------------|
| Within UAE | - | - |
| Outside UAE | 10,283,000 | - |
| | <hr/> | <hr/> |
| | 10,283,000 | - |
| | <hr/> | <hr/> |
| Total investments | 10,283,000 | - |
| | <hr/> | <hr/> |

The movement in investments are as follows:

| | 2023 AED | 2022 AED |
|--------------------------|---------------------|-------------|
| Opening balance | - | - |
| Addition during the year | 10,283,000 | - |
| | <hr/> | <hr/> |
| Closing balance | 10,283,000 | - |
| | <hr/> | <hr/> |

10 Investment properties

| | 31 December 2023 AED | 31 December 2022 AED |
|--------------------------|-------------------------------------|----------------------------|
| At 1 January | 17,850,000 | 16,815,000 |
| Addition during the year | 25,040,600 | - |
| Change in fair value | 10,644,400 | 1,035,000 |
| | <hr/> | <hr/> |
| | 53,535,000 | 17,850,000 |
| | <hr/> | <hr/> |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

10 Investment properties (continued)

The Company enters into operating leases for its investment properties. Amounts recognized in profit or loss in respect of investments properties are as follows:

| | 2023 | 2022 |
|--|------------------|-----------|
| | AED | AED |
| Rental income from investment properties | 930,953 | 932,826 |
| Operating expenses for properties generating rental income | (269,427) | (208,702) |
| | <hr/> | <hr/> |
| Net income arising from investment properties | 661,526 | 724,124 |
| | <hr/> | <hr/> |

During the year, the Company has purchased investment properties of AED 25,040,600. The properties have been classified as investment properties as these are kept for earning rentals and capital appreciation.

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 investment properties were valued as at 31 December 2023 by independent valuers at AED 53,535,000 (2022: AED 17,850,000) using comparable method and investment method (also known as income approach) of valuation.

The Comparable Method analyses recent sales transactions of similar properties in a similar location, applying adjustments to reflect differences to the property, including location, specification, age, design and layout.

The Investment Method analyses the market rent of similar properties in a similar location and applying capitalization rate on given rent. The capitalization rate applied to the income is implicit of factors such as rental growth, perceived covenant strength, in addition to the specification and location of the property.

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.

There are no restrictions on the realisability of investment properties. The Company has no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

11 Investment in commodities

During the year, the Company has invested in gold and silver commodities which has been classified at fair value through profit and loss. The commodity market value is determined from the commodities market which is a secondary market and accordingly it has been classified under level 2 investment. There were no transfers between Level 1 and 3 or to Level 2 during current year. As of 31 December 2023, the Company holds physical gold bullions having market value of AED 15.3 million (2022: nil) and silver bullions having market value of AED 0.3 million (2022: nil).

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

12 Takaful contract assets and liabilities

Reconciliation of the liability for remaining coverage and the liability for incurred claims for takaful contracts

| | LRC | | LIC for contracts under PAA | | | Total AED |
|--|-------------------------------|---------------------|--|--|--|----------------------|
| | Excluding loss components AED | Loss Components AED | LIC for contracts not measured under PAA AED | Present value of future cash flows AED | Risk adjustment for non-financial risk AED | |
| Opening takaful contract assets | - | - | - | - | - | - |
| Opening takaful contract liabilities | 288,012,562 | 20,679,495 | 32,694,778 | 142,506,272 | 5,204,323 | 489,097,430 |
| Net balance at 1 January 2023 | 288,012,562 | 20,679,495 | 32,694,778 | 142,506,272 | 5,204,323 | 489,097,430 |
| Takaful revenue | (672,453,727) | - | - | - | - | (672,453,727) |
| Takaful service expenses | | | | | | |
| Incurring benefits and expenses | - | - | 20,042,837 | 343,191,363 | 9,339,598 | 372,573,798 |
| Changes that relate to past service - adjustments to LIC | - | - | (11,826,994) | (19,632,113) | (3,897,325) | (35,356,432) |
| Losses on onerous contracts and reversal of those losses | - | (4,715,093) | - | - | - | (4,715,093) |
| Amortisation of takaful acquisition cash flows | 168,977,978 | - | - | - | - | 168,977,978 |
| Takaful service expenses | 168,977,978 | (4,715,093) | 8,215,843 | 323,559,250 | 5,442,273 | 501,480,251 |
| Takaful finance expenses through profit and loss | 11,137,313 | 5,664 | 1,032,785 | 4,782,280 | - | 16,958,042 |
| Net foreign exchange income or expense | (1) | (2) | (9) | - | - | (12) |
| Total changes in statement of profit and loss | (492,338,437) | (4,709,431) | 9,248,619 | 328,341,530 | 5,442,273 | (154,015,446) |
| Cash flows | | | | | | |
| Contributions received | 746,433,473 | - | - | - | - | 746,433,473 |
| Claims paid | - | - | (9,719,302) | (237,807,467) | - | (247,526,769) |
| Directly attributable expenses paid | - | - | (611,314) | - | - | (611,314) |
| Takaful acquisition cash flows | (215,772,518) | - | - | - | - | (215,772,518) |
| Total cash flow | 530,660,955 | - | (10,330,616) | (237,807,467) | - | 282,522,872 |
| Net balance at 31 December 2023 | 326,335,080 | 15,970,064 | 31,612,781 | 233,040,335 | 10,646,596 | 617,604,856 |
| Closing takaful contract assets | (3,638,846) | - | - | 2,271,137 | 158,728 | (1,208,981) |
| Closing takaful contract liabilities | 329,973,926 | 15,970,064 | 31,612,781 | 230,769,198 | 10,487,868 | 618,813,837 |
| Net closing balance 31 December 2023 | 326,335,080 | 15,970,064 | 31,612,781 | 233,040,335 | 10,646,596 | 617,604,856 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

12 Takaful contract assets and liabilities (continued)

Reconciliation of the liability for remaining coverage and the liability for incurred claims for takaful contracts (continued)

| | LRC | | LIC for contracts under PAA | | | Total AED |
|--|-------------------------------|---------------------|--|--|--|----------------------|
| | Excluding loss components AED | Loss components AED | LIC for contracts not measured under PAA AED | Present value of future cash flows AED | Risk adjustment for non-financial risk AED | |
| Opening takaful contract assets | - | - | - | - | - | - |
| Opening takaful contract liabilities | 360,751,087 | 38,193 | 30,911,988 | 138,815,361 | 10,616,085 | 541,132,714 |
| Net balance at 1 January 2022 | 360,751,087 | 38,193 | 30,911,988 | 138,815,361 | 10,616,085 | 541,132,714 |
| Takaful revenue | (449,798,161) | - | - | - | - | (449,798,161) |
| Takaful service expenses | | | | | | |
| Incurring benefits and expenses | - | - | 49,985,810 | 241,795,676 | 7,527,434 | 299,308,920 |
| Changes that relate to past service – adjustments to LIC | - | - | (45,146,034) | 1,077,016 | (12,939,196) | (57,008,214) |
| Losses on onerous contracts and reversal of those losses | - | 20,647,268 | - | - | - | 20,647,268 |
| Amortisation of takaful acquisition cash flows | 109,654,915 | - | - | - | - | 109,654,915 |
| Takaful service expenses | 109,654,915 | 20,647,268 | 4,839,776 | 242,872,692 | (5,411,762) | 372,602,889 |
| Takaful finance income through profit and loss | (19,399,708) | (5,966) | (569,784) | (4,287,450) | - | (24,262,908) |
| Total changes in statement of profit and loss | (359,542,954) | 20,641,302 | 4,269,992 | 238,585,242 | (5,411,762) | (101,458,180) |
| Cash flows | | | | | | |
| Contributions received | 404,341,251 | - | - | - | - | 404,341,251 |
| Claims paid | - | - | (2,487,202) | (234,894,331) | - | (237,381,533) |
| Takaful acquisition cash flows | (117,536,822) | - | - | - | - | (117,536,822) |
| Total cash flow | 286,804,429 | - | (2,487,202) | (234,894,331) | - | 49,422,896 |
| Net balance at 31 December 2022 | 288,012,562 | 20,679,495 | 32,694,778 | 142,506,272 | 5,204,323 | 489,097,430 |
| Closing takaful contract assets | - | - | - | - | - | - |
| Closing takaful contract liabilities | 288,012,562 | 20,679,495 | 32,694,778 | 142,506,272 | 5,204,323 | 489,097,430 |
| Net closing balance 31 December 2022 | 288,012,562 | 20,679,495 | 32,694,778 | 142,506,272 | 5,204,323 | 489,097,430 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

12 Takaful contract assets and liabilities (continued)

Reconciliation of measurement component of takaful contract balances not measured under the PAA

| | Present value of future cash flows AED | Risk adjustment for non- financial risk AED | CSM AED | Total AED |
|---|--|--|--------------------|---------------------|
| Opening takaful contract assets | - | - | - | - |
| Opening takaful contract liabilities | 174,102,928 | 9,371,704 | 30,896,030 | 214,370,662 |
| Net balance at 1 January 2023 | 174,102,928 | 9,371,704 | 30,896,030 | 214,370,662 |
| Changes related to current services | | | | |
| CSM recognized for service provided | - | - | (9,960,292) | (9,960,292) |
| Risk adjustment recognized for the risk expired | - | (1,176,378) | - | (1,176,378) |
| Experience adjustments | 4,520,544 | 63,276 | - | 4,583,820 |
| | 4,520,544 | (1,113,102) | (9,960,292) | (6,552,850) |
| Changes related to future services | | | | |
| Contracts initially recognized in the period | (5,213,958) | 312,050 | 4,973,453 | 71,545 |
| Changes in estimates that adjust CSM | 3,041,002 | (434,971) | (2,606,031) | - |
| Changes in estimates that result in onerous contracts or reversal of losses | 435,981 | (142,072) | - | 293,909 |
| | (1,736,975) | (264,993) | 2,367,422 | 365,454 |
| Changes that relate to past service | | | | |
| Changes that relate to past service - adjustments to LIC | (11,704,854) | (122,140) | - | (11,826,994) |
| Takaful Service result | (8,921,285) | (1,500,235) | (7,592,870) | (18,014,390) |
| Takaful finance expenses through profit and loss | 10,924,257 | - | 1,251,502 | 12,175,759 |
| Net foreign exchange income or expense | 2 | (1) | (12) | (11) |
| Total changes in statement of profit and loss | 2,002,974 | (1,500,236) | (6,341,380) | (5,838,642) |
| Cash flows | | | | |
| Contribution received | (7,877,555) | - | - | (7,877,555) |
| Claims paid | (9,719,284) | - | - | (9,719,284) |
| Directly attributable expenses paid | (611,314) | - | - | (611,314) |
| Takaful acquisition cash flows | (3,123,912) | - | - | (3,123,912) |
| Total cash flow | (21,332,065) | - | - | (21,332,065) |
| Net balance at 31 December 2023 | 154,773,837 | 7,871,468 | 24,554,650 | 187,199,955 |
| Closing takaful contract assets | - | - | - | - |
| Closing takaful contract liabilities | 154,773,837 | 7,871,468 | 24,554,650 | 187,199,955 |
| Net closing balance 31 December 2023 | 154,773,837 | 7,871,468 | 24,554,650 | 187,199,955 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

12 Takaful contract assets and liabilities (continued)

Reconciliation of measurement component of takaful contract balances not measured under the PAA

| | Present value of future cash flows AED | Risk adjustment for non- financial risk AED | CSM AED | Total AED |
|---|--|--|---------------------|---------------------|
| Opening takaful contract assets | - | - | - | - |
| Opening takaful contract liabilities | 227,189,750 | 10,224,113 | 48,094,463 | 285,508,328 |
| Net balance at 1 January 2022 | 227,189,750 | 10,224,113 | 48,094,463 | 285,508,328 |
| Changes related to current services | | | | |
| CSM recognized for service provided | - | - | (13,383,668) | (13,383,668) |
| Risk adjustment recognized for the risk expired | - | (1,201,532) | - | (1,201,532) |
| Experience adjustments | 34,292,837 | 157,324 | - | 34,450,161 |
| | 34,292,837 | (1,044,208) | (13,383,668) | 19,864,961 |
| Changes related to future services | | | | |
| Contracts initially recognized in the period | (3,286,123) | 183,960 | 3,102,163 | - |
| Changes in estimates that adjust CSM | 8,467,317 | 49,651 | (8,516,968) | - |
| Changes in estimates that result in onerous contracts or reversal of losses | 71,669 | (12,512) | - | 59,157 |
| | 5,252,863 | 221,099 | (5,414,805) | 59,157 |
| Changes that relate to past service | | | | |
| Changes that relate to past service - adjustments to LIC | (45,116,735) | (29,300) | - | (45,146,035) |
| Takaful Service result | (5,571,035) | (852,409) | (18,798,473) | (25,221,917) |
| Takaful finance (income)/expenses through profit and loss | (21,575,498) | - | 1,600,040 | (19,975,458) |
| Total changes in statement of profit and loss | (27,146,533) | (852,409) | (17,198,433) | (45,197,375) |
| Cash flows | | | | |
| Contribution received | (20,673,010) | - | - | (20,673,010) |
| Claims paid | (2,487,202) | - | - | (2,487,202) |
| Takaful acquisition cash flows | (2,780,079) | - | - | (2,780,079) |
| Total cash flow | (25,940,291) | - | - | (25,940,291) |
| Net balance at 31 December 2022 | 174,102,928 | 9,371,704 | 30,896,030 | 214,370,662 |
| Closing takaful contract assets | - | - | - | - |
| Closing takaful contract liabilities | 174,102,928 | 9,371,704 | 30,896,030 | 214,370,662 |
| Net closing balance 31 December 2022 | 174,102,928 | 9,371,704 | 30,896,030 | 214,370,662 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

12 Takaful contract assets and liabilities (continued)

Analysis of insurance contracts initially recognized

| | 31 December 2023 | | | 31 December 2022 | | |
|--|---|---|--------------|---|---|--------------|
| | Non- onerous contracts originated AED | Onerous contracts originated AED | Total AED | Non-onerous contracts originated AED | Onerous contracts originated AED | Total AED |
| Claims and other directly attributable expenses | 11,488,255 | 2,089,267 | 13,577,522 | 1,515,047 | - | 1,515,047 |
| Acquisition cost | 2,883,831 | - | 2,883,831 | 2,737,856 | - | 2,737,856 |
| Estimates of present value of future cash outflows | 14,372,086 | 2,089,267 | 16,461,353 | 4,252,903 | - | 4,252,903 |
| Estimates of present value of future cash inflows | (19,654,673) | (2,020,638) | (21,675,311) | (7,539,026) | - | (7,539,026) |
| Risk adjustment for non-financial risk | 309,134 | 2,916 | 312,050 | 183,960 | - | 183,960 |
| CSM | 4,973,453 | - | 4,973,453 | 3,102,163 | - | 3,102,163 |
| Increase in takaful contract liabilities from contracts recognised during the year | - | 71,545 | 71,545 | - | - | - |

Expected recognition of the contractual service margin

An analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss is provided in the following table:

| Number of years until expected to be recognised | 2023 | 2022 |
|---|---|---|
| | Long term individual family takaful contracts issued AED | Long term individual family takaful contracts issued AED |
| As at 31 December | | |
| 0-1 | 5,536,898 | 8,462,884 |
| 1-2 | 3,441,554 | 4,311,453 |
| 2-3 | 2,316,050 | 2,386,080 |
| 3-4 | 1,617,841 | 1,733,827 |
| 4-5 | 1,365,043 | 1,544,510 |
| >5 | 10,277,264 | 12,457,276 |
| | 24,554,650 | 30,896,030 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

12 Takaful contract assets and liabilities (continued)

Takaful revenue and CSM by transition method

| | Contracts measured under the modified retrospective approach at transition AED | Contracts measured under the fair value approach at transition AED | New contracts and contracts measured under the full retrospective approach at transition AED | Total AED |
|---|--|---|---|--------------------------------|
| Takaful revenue | 115,479 | 14,095,342 | 13,820,028 | 28,030,849 |
| Opening CSM as at 1 January 2023 | 37,429 | 18,844,661 | 12,013,940 | 30,896,030 |
| Changes that relate to current service CSM recognised for the services provided | (6,035) | (1,578,243) | (8,376,014) | (9,960,292) |
| Changes that relate to future service Changes in estimates that adjust the CSM Effects of contracts initially recognised in period | 4,450 - | (2,535,808) - | (74,673) 4,973,453 | (2,606,031) 4,973,453 |
| Finance expenses from takaful contracts issued Net foreign exchange income or expense | 1,624 - | 627,304 - | 4,898,780 622,574 (12) | 2,367,422 1,251,502 (12) |
| Total amount recognised in profit or loss | 39 | (3,486,747) | (2,854,672) | (6,341,380) |
| Closing CSM as at 31 December 2023 | 37,468 | 15,357,914 | 9,159,268 | 24,554,650 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

12 Takaful contract assets and liabilities (continued)

Takaful revenue and CSM by transition method

| | Contracts measured under the modified retrospective approach at transition AED | Contracts measured under the fair value approach at transition AED | New contracts and contracts measured under the full retrospective approach at transition AED | Total AED |
|--|--|--|--|--------------------------|
| Takaful revenue | 121,281 | 15,887,787 | 14,878,919 | 30,887,987 |
| Opening CSM as at 1 January 2022 | 57,986 | 28,514,515 | 19,521,962 | 48,094,463 |
| Changes that relate to current service CSM recognised for the services provided | (6,320) | (1,928,750) | (11,448,598) | (13,383,668) |
| Changes that relate to future service Changes in estimates that adjust the CSM | (16,678) | (8,743,194) | 242,904 | (8,516,968) |
| Effects of contracts initially recognised in period | - | - | 3,102,163 | 3,102,163 |
| Finance expenses from takaful contracts issued | (16,678) 2,441 | (8,743,194) 1,002,090 | 3,345,067 595,509 | (5,414,805) 1,600,040 |
| Total amount recognised in profit or loss | (20,557) | (9,669,854) | (7,508,022) | (17,198,433) |
| Closing CSM as at 31 December 2022 | 37,429 | 18,844,661 | 12,013,940 | 30,896,030 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

13 Re-takaful contracts assets and liabilities

Reconciliation of changes in re-takaful contracts held by remaining coverage and incurred claims

| | Remaining coverage excluding loss-recovery component AED | Remaining coverage loss- recovery component AED | Incurred claims for contracts not measured under PAA AED | Incurred claims for contract under PAA Present value of future cash flows AED | Risk adjustment for non- financial risk AED | Total AED |
|---|---|--|---|---|--|----------------------|
| Opening re-takaful contract assets | 42,557,918 | 4,412,863 | 31,295,709 | 52,790,269 | 3,653,656 | 134,710,415 |
| Opening re-takaful contract liabilities | (79,167,789) | - | - | 42,990,510 | 382,799 | (35,794,480) |
| Net balance at 1 January 2023 | (36,609,871) | 4,412,863 | 31,295,709 | 95,780,779 | 4,036,455 | 98,915,935 |
| Net income or expense from re-takaful contracts held | | | | | | |
| Allocation of re-takaful contribution | (379,234,065) | - | - | - | - | (379,234,065) |
| Amounts recoverable for claims and other expenses | - | - | 18,811,720 | 96,877,028 | 4,465,791 | 120,154,539 |
| Changes that relate to past service – adjustments to AIC | - | - | (11,329,578) | 105,614,527 | (755,578) | 93,529,371 |
| Changes in loss recovery component | - | 1,556,988 | - | - | - | 1,556,988 |
| Effect of changes in the risk of reinsurers non-performance | - | - | (7,331) | (459,673) | - | (467,004) |
| Net (expense)/income from re-takaful contracts held | (379,234,065) | 1,556,988 | 7,474,811 | 202,031,882 | 3,710,213 | (164,460,171) |
| Re-takaful finance income through profit and loss | 9,006,911 | - | 988,962 | 3,534,115 | - | 13,529,988 |
| Net foreign exchange income or expense | (2) | - | (8) | - | - | (10) |
| Total changes in statement of profit and loss | (370,227,156) | 1,556,988 | 8,463,765 | 205,565,997 | 3,710,213 | (150,930,193) |
| Cash flows | | | | | | |
| Contributions paid to re-takaful | 372,119,312 | - | - | - | - | 372,119,312 |
| Recoveries from re-takaful | - | - | (9,475,292) | (145,644,088) | - | (155,119,380) |
| Total cash flows | 372,119,312 | - | (9,475,292) | (145,644,088) | - | 216,999,932 |
| Net balance at 31 December 2023 | (34,717,715) | 5,969,851 | 30,284,182 | 155,702,688 | 7,746,668 | 164,985,674 |
| Closing re-takaful contract assets | 21,357,697 | 5,969,851 | 30,284,182 | 121,880,032 | 6,090,455 | 185,582,217 |
| Closing re-takaful contract liabilities | (56,075,412) | - | - | 33,822,656 | 1,656,213 | (20,596,543) |
| Net closing balance 31 December 2023 | (34,717,715) | 5,969,851 | 30,284,182 | 155,702,688 | 7,746,668 | 164,985,674 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

13 Re-takaful contracts assets and liabilities (continued)

**Reconciliation of changes in re-takaful contracts held by remaining coverage and incurred claims
(continued)**

| | Remaining coverage excluding loss-recovery component AED | Remaining coverage loss- recovery component AED | Incurred claims for contracts not measured under PAA AED | Incurred claims for contract under PAA Present value of future cash flows AED | Risk adjustment for non- financial risk AED | Total AED |
|---|---|--|---|---|--|----------------------|
| Opening re-takaful contract assets | 21,916,298 | - | 29,492,779 | 90,559,967 | 8,139,309 | 150,108,353 |
| Opening re-takaful contract liabilities | (344,208) | - | - | 7,570 | 3,214 | (333,424) |
| Net balance at 1 January 2022 | 21,572,090 | - | 29,492,779 | 90,567,537 | 8,142,523 | 149,774,929 |
| Net income or expense from re-takaful contracts held | | | | | | |
| Allocation of re-takaful contribution | (277,134,659) | - | - | - | - | (277,134,659) |
| Amounts recoverable for claims and other expenses | - | - | 21,543,427 | 76,788,582 | 4,681,343 | 103,013,352 |
| Changes that relate to past service – adjustments to AIC | - | - | (16,767,123) | 92,478,172 | (8,787,411) | 66,923,638 |
| Changes in loss recovery component | - | 4,412,863 | - | - | - | 4,412,863 |
| Effect of changes in the risk of reinsurers non-performance | - | - | (7,567) | - | - | (7,567) |
| Net (expense)/income from re-takaful contracts held | (277,134,659) | 4,412,863 | 4,768,737 | 169,266,754 | (4,106,068) | (102,792,373) |
| Re-takaful finance expense through profit and loss | (17,950,533) | - | (546,147) | (3,395,887) | - | (21,892,567) |
| Total changes in statement of profit and loss | (295,085,192) | 4,412,863 | 4,222,590 | 165,870,867 | (4,106,068) | (124,684,940) |
| Cash flows | | | | | | |
| Contributions paid to re-takaful | 236,903,231 | - | - | - | - | 236,903,231 |
| Recoveries from re-takaful | - | - | (2,419,660) | (160,657,625) | - | (163,077,285) |
| Total cash flows | 236,903,231 | - | (2,419,660) | (160,657,625) | - | 73,825,946 |
| Net balance at 31 December 2022 | (36,609,871) | 4,412,863 | 31,295,709 | 95,780,779 | 4,036,455 | 98,915,935 |
| Closing re-takaful contract assets | 42,557,918 | 4,412,863 | 31,295,709 | 52,790,269 | 3,653,656 | 134,710,415 |
| Closing re-takaful contract liabilities | (79,167,789) | - | - | 42,990,510 | 382,799 | (35,794,480) |
| Net closing balance 31 December 2022 | (36,609,871) | 4,412,863 | 31,295,709 | 95,780,779 | 4,036,455 | 98,915,935 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

13 Re-takaful contracts assets and liabilities (continued)

Reconciliation of measurement component of re-takaful contract balances not measured under the PAA

| | Present value of future cash flows AED | Risk adjustment for non- financial risk AED | CSM AED | Total AED |
|--|---|--|--------------------|---------------------|
| Opening re-takaful contract assets | (10,501,930) | 6,949,320 | 17,304,271 | 13,751,661 |
| Opening re-takaful contract liabilities | - | - | - | - |
| Net balance at 1 January 2023 | (10,501,930) | 6,949,320 | 17,304,271 | 13,751,661 |
| Changes related to current services | | | | |
| CSM recognized for services received | - | - | (4,288,097) | (4,288,097) |
| Risk adjustment recognized for the risk expired | - | (667,029) | - | (667,029) |
| Experience adjustments | 6,002,060 | 56,312 | - | 6,058,372 |
| | 6,002,060 | (610,717) | (4,288,097) | 1,103,246 |
| Changes related to future services | | | | |
| Contracts initially recognized in the period | (4,111,597) | 431,232 | 3,680,365 | - |
| Changes in estimates that adjust CSM | (4,620,650) | (690,285) | 5,310,935 | - |
| | (8,732,247) | (259,053) | 8,991,300 | - |
| Changes that relate to past service | | | | |
| Changes that relate to past service - adjustments to AIC | (11,219,044) | (110,534) | - | (11,329,578) |
| Effect of changes in the risk of reinsurers non-performance | (7,331) | - | - | (7,331) |
| Takaful Service result | (13,956,562) | (980,304) | 4,703,203 | (10,233,663) |
| Takaful finance income through profit and loss | 9,426,758 | - | 569,118 | 9,995,876 |
| Net foreign exchange income or expense | (14) | (1) | 5 | (10) |
| Total changes in statement of profit and loss | (4,529,818) | (980,305) | 5,272,326 | (237,797) |
| Cash flows | | | | |
| Contributions paid to re-takaful | 16,248,458 | - | - | 16,248,458 |
| Recoveries from re-takaful | (9,475,293) | - | - | (9,475,293) |
| Total cash flows | 6,773,165 | - | - | 6,773,165 |
| Net closing balance 31 December 2023 | (8,258,583) | 5,969,015 | 22,576,597 | 20,287,029 |
| Closing re-takaful contract assets | (8,258,583) | 5,969,015 | 22,576,597 | 20,287,029 |
| Closing re-takaful contract liabilities | - | - | - | - |
| Net closing balance 31 December 2023 | (8,258,583) | 5,969,015 | 22,576,597 | 20,287,029 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

13 Re-takaful contracts assets and liabilities (continued)

Reconciliation of measurement component of re-takaful contract balances not measured under the PAA (continued)

| | Present value of future cash flows AED | Risk adjustment for non- financial risk AED | CSM AED | Total AED |
|--|--|--|--------------------|---------------------|
| Opening re-takaful contract assets | 13,826,471 | 8,144,234 | 12,763,273 | 34,733,978 |
| Opening re-takaful contract liabilities | - | - | - | - |
| Net balance at 1 January 2022 | 13,826,471 | 8,144,234 | 12,763,273 | 34,733,978 |
| Changes related to current services | | | | |
| CSM recognized for services rendered | - | - | (2,907,592) | (2,907,592) |
| Risk adjustment recognized for the risk expired | - | (805,277) | - | (805,277) |
| Experience adjustments | 6,923,538 | 151,394 | - | 7,074,932 |
| | 6,923,538 | (653,883) | (2,907,592) | 3,362,063 |
| Changes related to future services | | | | |
| Contracts initially recognized in the period | (4,628,759) | 169,800 | 4,458,959 | - |
| Changes in estimates that adjust CSM | (2,070,766) | (686,464) | 2,757,230 | - |
| | (6,699,525) | (516,664) | 7,216,189 | - |
| Changes that relate to past service | | | | |
| Changes that relate to past service - adjustments to AIC | (16,742,756) | (24,367) | - | (16,767,123) |
| Effect of changes in the risk of reinsurers non-performance | (7,567) | - | - | (7,567) |
| Takaful service result | (16,526,310) | (1,194,914) | 4,308,597 | (13,412,627) |
| Takaful finance expenses through profit and loss | (18,729,081) | - | 232,401 | (18,496,680) |
| Total changes in statement of profit and loss | (35,255,391) | (1,194,914) | 4,540,998 | (31,909,307) |
| Cash flows | | | | |
| Contributions paid to re-takaful | 13,346,650 | - | - | 13,346,650 |
| Recoveries from re-takaful | (2,419,660) | - | - | (2,419,660) |
| Total cash flows | 10,926,990 | - | - | 10,926,990 |
| Net closing balance 31 December 2022 | (10,501,930) | 6,949,320 | 17,304,271 | 13,751,661 |
| Closing re-takaful contract assets | (10,501,930) | 6,949,320 | 17,304,271 | 13,751,661 |
| Closing re-takaful contract liabilities | - | - | - | - |
| Net closing balance 31 December 2022 | (10,501,930) | 6,949,320 | 17,304,271 | 13,751,661 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

13 Re-takaful contracts assets and liabilities (continued)

Analysis of reinsurance contracts held initially recognized

| | 31 December 2023 | | | 31 December 2022 | | |
|--|---|---|--------------|---|---|-------------|
| | Contracts originated not in a net gain position | Contracts originated in a net gain position | Total | Contracts originated not in a net gain position | Contracts originated in a net gain position | Total |
| | AED | AED | AED | AED | AED | AED |
| Estimates of present value of future cash inflows | 5,775,012 | 981,060 | 6,756,072 | 225,249 | - | 225,249 |
| Estimates of present value of future cash outflows | (9,937,661) | (930,008) | (10,867,669) | (4,854,008) | - | (4,854,008) |
| Risk adjustment for non-financial risk | 428,999 | 2,233 | 431,232 | 169,800 | - | 169,800 |
| CSM | 3,733,650 | (53,285) | 3,680,365 | 4,458,959 | - | 4,458,959 |
| Increase in retakaful contract liabilities from contracts recognised during the year | - | - | - | - | - | - |

Expected recognition of the contractual service margin

An analysis of the expected recognition of the CSM remaining at the end of the reporting period in profit or loss is provided in the following table:

| Number of years until expected to be recognised | 2023 | 2022 |
|---|--|--|
| | Long term individual family re-takaful contracts issued AED | Long term individual family re-takaful contracts issued AED |
| As at 31 December | | |
| 0-1 | 4,232,178 | 2,874,941 |
| 1-2 | 3,199,028 | 2,302,728 |
| 2-3 | 2,171,914 | 1,695,148 |
| 3-4 | 1,523,120 | 1,175,351 |
| 4-5 | 1,308,523 | 1,004,255 |
| >5 | 10,141,834 | 8,251,848 |
| | 22,576,597 | 17,304,271 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

13 Re-takaful contracts assets and liabilities (continued)

CSM by transition method

| | Contracts measured under the modified retrospective approach at transition AED | Contracts measured under the fair value approach at transition AED | New contracts and contracts measured under the full retrospective approach at transition AED | Total AED |
|--|---|---|---|----------------------|
| Opening CSM as at 1 January 2023 | - | - | 17,304,271 | 17,304,271 |
| Changes that relate to current service | | | | |
| CSM recognised for the services provided | - | - | (4,288,097) | (4,288,097) |
| Changes that relate to future service | | | | |
| Changes in estimates that adjust the CSM | - | - | 5,310,935 | 5,310,935 |
| Effects of contracts initially recognised in period | - | - | 3,680,365 | 3,680,365 |
| Finance expenses from takaful contracts issued | - | - | 8,991,300 | 8,991,300 |
| Net foreign exchange income or expense | - | - | 569,118 | 569,118 |
| | - | - | 5 | 5 |
| Total amount recognised in comprehensive income | - | - | 5,272,326 | 5,272,326 |
| Closing CSM as at 31 December 2023 | - | - | 22,576,597 | 22,576,597 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

13 Re-takaful contracts assets and liabilities (continued)

CSM by transition method

| | Contracts measured under the modified retrospective approach at transition AED | Contracts measured under the fair value approach at transition AED | New contracts and contracts measured under the full retrospective approach at transition AED | Total AED |
|--|--|--|--|----------------------|
| Opening CSM as at 1 January 2022 | - | - | 12,763,273 | 12,763,273 |
| Changes that relate to current service | | | | |
| CSM recognised for the services provided | - | - | (2,907,592) | (2,907,592) |
| Changes that relate to future service | | | | |
| Changes in estimates that adjust the CSM | - | - | 2,757,230 | 2,757,230 |
| Effects of contracts initially recognised in period | - | - | 4,458,959 | 4,458,959 |
| Finance expenses from retakaful contracts issued | - | - | 7,216,189 232,401 | 7,216,189 232,401 |
| Total amount recognised in comprehensive income | - | - | 4,540,998 | 4,540,998 |
| Closing CSM as at 31 December 2022 | - | - | 17,304,271 | 17,304,271 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

14 Provision for employee's end of service benefits

| | 2023 | 2022 |
|-------------------------|-------------------|-------------|
| | AED | AED |
| At 1 January | 12,349,183 | 10,856,237 |
| Charged during the year | 1,699,853 | 1,787,127 |
| Paid during the year | (326,309) | (294,181) |
| | <hr/> | <hr/> |
| At 31 December | 13,722,727 | 12,349,183 |
| | <hr/> <hr/> | <hr/> <hr/> |

15 Movement in policyholders' funds and Distribution payable to family Policyholders

| | Deficit of family policyholders' funds AED | Surplus of general policyholders takaful funds AED | Loan (Qard Hasan) from shareholders AED | Investment revaluation reserve AED | Total AED |
|--|--|--|--|---|---------------------|
| At 1 January 2023 (restated) | (26,997,664) | (3,329,190) | 30,326,854 | - | - |
| Surplus in the reporting year | 10,227,876 | 2,108,581 | - | - | 12,336,457 |
| Loan (Qard Hasan) paid back to shareholder | - | - | (12,336,457) | - | (12,336,457) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2023 | (16,769,788) | (1,220,609) | 17,990,397 | - | - |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |
| Balance at 1 January 2022 (restated) | (40,127,497) | 28,384,105 | 40,127,497 | (234,958) | 28,149,147 |
| Surplus/(deficit) in the reporting year | 13,129,833 | (31,713,295) | - | - | (18,583,462) |
| Loan (Qard Hasan) paid back to shareholder | - | - | (9,800,643) | - | (9,800,643) |
| Change in investment revaluation reserve | - | - | - | 234,958 | 234,958 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2022 (restated) | (26,997,664) | (3,329,190) | 30,326,854 | - | - |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

16 Related parties

Related parties comprise the shareholders, directors and key management personnel of the Company and those entities in which they have a significant interest and the ability to control or exercise significant influence in financial and operational decisions. Details of significant transactions with related parties in the normal course of business are as follows:

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

16 Related parties (continued)

| | Shareholders AED | Directors and their related parties AED | Key management personnel AED | Total AED |
|---|---------------------|--|---------------------------------------|--------------|
| Balances as at 31 December 2023 | | | | |
| Statutory deposit (note 7) | 10,000,000 | - | - | 10,000,000 |
| Investment in sukuk | 4,795,845 | - | - | 4,795,845 |
| Due from related parties | 26,794 | 784,088 | - | 810,882 |
| Due to related parties | 963,496 | - | - | 963,496 |
| Transactions for the year ended 31 December 2023 | | | | |
| Gross contributions written | 101,625,211 | 23,074,849 | - | 124,700,060 |
| Takaful expenses | 6,112,022 | - | - | 6,112,022 |
| Profit on term deposits | 1,433,395 | - | - | 1,433,395 |
| Profit on sukuk | 146,186 | - | - | 146,186 |
| Short-term benefits | - | - | 4,508,244 | 4,508,244 |
| Long-term benefits | - | - | 224,048 | 224,048 |
| | Shareholders AED | Directors and their related parties AED | Key management personnel AED | Total AED |
| Balances as at 31 December 2022 | | | | |
| Statutory deposit (note 7) | 10,000,000 | - | - | 10,000,000 |
| Due from related parties | 63,083 | 43,837 | - | 106,920 |
| Due to related parties | 6,148,792 | - | - | 6,148,792 |
| Transactions for the year ended 31 December 2022 | | | | |
| Gross contributions written | 19,890,443 | 20,651,684 | - | 40,542,127 |
| Takaful expenses | 1,537,548 | - | - | 1,537,548 |
| Profit on term deposits | 175,938 | - | - | 175,938 |
| Short-term benefits | - | - | 4,643,554 | 4,643,554 |
| Long-term benefits | - | - | 503,670 | 503,670 |

The remuneration of key management personnel is based on the remuneration agreed in their employment contracts as approved by the Board of Directors.

Directors' remuneration in relation to the year ended 31 December 2023 of AED 6,448,826 (2022: AED 1,637,930) which is subject to the approval of the shareholders at the forthcoming Annual General Meeting, was proposed and reflected in other comprehensive income in the statement of comprehensive income.

17 Dividends

For the year ended 31 December 2022, cash dividend of AED 27,000,000 at a rate of AED 0.2571 per share was approved by shareholders on 11 April 2023 and paid in April 2023.

For the year ended 31 December 2021, cash dividend of AED 25,000,000 at a rate of AED 0.25 per share and a 5% stock dividend amounting to AED 5,000,000 was approved by the shareholders on 28 March 2022 and paid in March 2022.

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

18 Share capital

| | 31 December 2023 AED | 31 December 2022 AED |
|--|-------------------------------------|----------------------------|
| <i>Authorised, issued and fully paid</i> | | |
| 105,000,000 shares of AED 1 each | 105,000,000 | 105,000,000 |

At 31 December 2023, 43,743,000 shares or 41.66% of total share capital (2022: 43,743,000 shares or 41.66% of total share capital) were held by Abu Dhabi Islamic Bank PJSC and 61,257,000 shares or 58.34% of total share capital (2022: 61,257,000 shares or 58.34% of total share capital) were held by UAE nationals and other institutions.

19 Legal reserve

In accordance with the provisions of the UAE Federal Decree Commercial Companies Law No. (32) of 2021, and the Company's articles of association, the Company is required to transfer annually to a legal reserve account an amount equivalent to 10% of its annual net profit, until such reserve reaches 50% of the paid up capital of the Company. This reserve is not available for distribution.

20 General reserve

Transfers to and from the general reserve are made at the discretion of the Board of Directors and are subject to the shareholders' approval. This reserve may be used for such purposes as they deem fit.

21 Re-takaful default reserve

The transfer from retained earnings to re-takaful default reserve is made in accordance with the Insurance Authority (IA) of UAE's Board of Directors Decision No. (23) of 2019 concerning instructions organizing reinsurance operations. The directive requires to allocate an amount equals to 0.5% of the total re-takaful contribution ceded by the Company in order to create a provision for the probability of failure of any of the reinsurers with whom the Company deals to pay what is due to the company or default in its financial position.

22 Takaful revenue

The following table presents an analysis of takaful revenue recognised in the year:

| | 2023 AED | 2022 (restated) AED |
|--|---------------------|---------------------------|
| Expected benefits incurred | 14,563,590 | 15,615,402 |
| Expected expenses incurred | 746,720 | - |
| Change in the risk adjustment for the risk expired | 1,168,633 | 1,199,007 |
| CSM recognized for the service provided | 9,960,292 | 13,383,668 |
| Recovery of acquisition cash flows | 1,591,614 | 689,910 |
| Contracts not measured under PAA | 28,030,849 | 30,887,987 |
| Contracts measured under PAA | 644,422,878 | 418,910,174 |
| Total Takaful Revenue | 672,453,727 | 449,798,161 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

23 Takaful service expenses

The following table presents an analysis of takaful service expenses recognized in the year:

| | 2023 | 2022 |
|--|---------------------|-------------------|
| | AED | <i>(restated)</i> |
| | | AED |
| Incurring benefits | 371,962,488 | 299,308,920 |
| Incurring directly attributable expenses | 611,314 | - |
| Losses on onerous contracts and reversal of those losses | (4,715,093) | 20,647,268 |
| Changes that relate to past service - adjustments to LIC | (35,356,436) | (57,008,214) |
| Amortisation of takaful acquisition cash flows | 168,977,978 | 109,654,915 |
| | <hr/> | <hr/> |
| Total takaful service expense | 501,480,251 | 372,602,889 |
| | <hr/> | <hr/> |

24 Net income or expense from re-takaful contracts held

The following table presents an analysis of income or expense from re-takaful contracts recognised in the year:

| | 2023 | 2022 |
|---|--------------------|-------------------|
| | AED | <i>(restated)</i> |
| | | AED |
| Expected recovery of claims and other expenses | 12,753,347 | 14,468,494 |
| Change in the risk adjustment for the risk expired | 667,029 | 805,277 |
| CSM recognized for service received | 4,288,097 | 2,907,592 |
| | <hr/> | <hr/> |
| Contracts not measured under PAA | 17,708,473 | 18,181,363 |
| Contracts measured under PAA | 361,525,592 | 258,953,295 |
| | <hr/> | <hr/> |
| Allocation of re-takaful contribution | 379,234,065 | 277,134,658 |
| | <hr/> | <hr/> |
| Amounts recovered for claims and other expenses | 120,154,538 | 103,013,351 |
| Changes that relate to past service - recoverable claims and other expenses | 93,529,372 | 66,923,638 |
| Change of loss recovery components | 1,556,988 | 4,412,863 |
| Effect of changes in the risk of reinsurers non-performance | (467,004) | (7,567) |
| | <hr/> | <hr/> |
| Amounts recoverable from reinsurer and incurred expenses | 214,773,894 | 174,342,285 |
| | <hr/> | <hr/> |
| Net expense from re takaful contracts held | 164,460,171 | 102,792,373 |
| | <hr/> | <hr/> |

Abu Dhabi National Takaful Company P.S.C.
Notes to the financial statements
for the year ended 31 December 2023 (continued)

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25 Policyholders' investment income, net

| | 2023 | 2022 |
|---|-------------------|-------------|
| | AED | AED |
| Return on short-term investment accounts and deposits | 18,608,649 | 9,624,048 |
| | <hr/> | <hr/> |
| | 18,608,649 | 9,624,048 |
| Operating expenses | - | (350,456) |
| | <hr/> | <hr/> |
| | 18,608,649 | 9,273,592 |
| | <hr/> <hr/> | <hr/> <hr/> |

26 Takaful finance expenses/(income) for takaful contracts issued

The following table presents an analysis of takaful finance expenses/income recognised in the year:

| | 2023 | 2022 |
|--|-------------------|-------------------|
| | AED | (restated) AED |
| Profit accreted to takaful contracts | 15,462,352 | 4,720,655 |
| Effect of changes in profit rates and other financial assumptions | 1,284,573 | (28,059,167) |
| Effect of unlocking CSM at locked-in rates and FCF at current rates | 211,117 | (924,396) |
| Net foreign exchange income or expense | (12) | - |
| | <hr/> | <hr/> |
| Total takaful finance expense/(income) for takaful contracts issued recognized in profit or loss | 16,958,030 | (24,262,908) |
| | <hr/> <hr/> | <hr/> <hr/> |

27 Re-takaful finance income/expense for re-takaful contracts held

The following table presents an analysis of re-takaful finance income/expenses recognised in the year:

| | 2023 | 2022 |
|--|-------------------|-------------------|
| | AED | (restated) AED |
| Profit accreted to re-takaful contracts held | 12,313,995 | 2,901,459 |
| Effect of changes in profit rates and other financial assumptions | 1,312,081 | (24,277,634) |
| Effect of unlocking CSM at locked-in rates and FCF at current rates | (96,089) | (516,392) |
| Net foreign exchange income or expense | (9) | - |
| | <hr/> | <hr/> |
| Total re-takaful finance (expense)/income for re-takaful contracts held recognized in profit or loss | 13,529,978 | (21,892,567) |
| | <hr/> <hr/> | <hr/> <hr/> |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

28 Shareholder's investment and other income, net

| | 2023 | 2022 |
|---|--------------------|-------------|
| | AED | AED |
| Return on short-term investment accounts and deposits | 3,620,769 | 2,943,611 |
| Dividend income and profit on investments, net | 23,537,148 | 20,547,479 |
| (Loss)/gain on disposal of investments, net | (333,879) | 242,384 |
| Investment income on commodities | 595,957 | - |
| Increase in fair value of investment properties (note 10) | 10,644,400 | 1,035,000 |
| Rental income, net (note 10) | 661,526 | 724,124 |
| Gain on disposal of furniture and equipment | 78,413 | 1,204 |
| | <hr/> | <hr/> |
| | 38,804,334 | 25,493,802 |
| Operating expenses | (1,947,045) | (1,958,405) |
| | <hr/> | <hr/> |
| | 36,857,289 | 23,535,397 |
| | <hr/> <hr/> | <hr/> <hr/> |

29 Mudareb share and wakalah fees

The shareholders manage the policyholders' investment fund and charge 35% (2022: 35%) of investment income earned by policyholders' investment fund as mudareb share.

The shareholders manage the takaful operations for the policyholders and charge 29.5% (2022: 30.8%) of gross takaful contributions as wakalah fees.

30 General and administrative expenses

| | 2023 | 2022 |
|--|-------------------|-------------|
| | AED | AED |
| Staff costs | 45,586,619 | 42,573,217 |
| Rental expenses | 668,770 | 633,530 |
| Depreciation of property and equipment | 2,111,583 | 1,900,490 |
| Other expenses | 9,705,020 | 7,619,039 |
| | <hr/> | <hr/> |
| | 58,071,992 | 52,726,276 |
| | <hr/> <hr/> | <hr/> <hr/> |

Social contribution included in staff costs for the year ended 31 December 2023 amounts to AED 799,224 (2022: AED 626,939).

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

31 Profit for the year

The Company's combined net profit for the year for policyholder and shareholder, before Qard Hasan provision is AED 103,042,402 (31 December 2022: AED 38,333,332).

32 Basic and diluted earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

| | 2023 | 2022 <i>(restated)</i> |
|--|--------------------|---------------------------|
| Profit for the year (AED) | 103,042,273 | 66,717,437 |
| Weighted average number of shares outstanding at 1 January | 105,000,000 | 100,000,000 |
| Effect of bonus shares issued in 2022 | - | 5,000,000 |
| Total weighted average share at 31 December | 105,000,000 | 105,000,000 |
| Basic and diluted earnings per share (AED) | 0.98 | 0.64 |

33 Segment information

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

- Underwriting of takaful business incorporating all classes of takaful including fire, marine, motor, general accident, engineering, medical and family takaful. This business is conducted fully within the UAE.
- Investments incorporating investments in UAE marketable equity securities, short-term investments with banks and other securities.

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

33 Segment information (continued)

Information regarding the Company's reportable segments is presented below:

Segment revenue and results

| | 2023 | | | 2022 (restated) | | |
|-------------------------------|---------------------|--------------------|--------------------|---------------------|--------------------|-------------------|
| | Underwriting AED | Investments AED | Total AED | Underwriting AED | Investments AED | Total AED |
| Direct revenues | 672,453,727 | 55,465,938 | 727,919,665 | 449,798,161 | 32,808,989 | 482,607,150 |
| Direct costs | (665,940,422) | - | (665,940,422) | (475,395,262) | - | (475,395,262) |
| Finance (cost)/income, net | (3,428,052) | - | (3,428,052) | 2,370,341 | - | 2,370,341 |
| Other (expenses)/income | (2,844,418) | - | (2,844,418) | (1,384,537) | - | (1,384,537) |
| Takaful expenses | 105,407,492 | - | 105,407,492 | 82,861,916 | - | 82,861,916 |
| Segment results | 105,648,327 | 55,465,938 | 161,114,265 | 58,250,619 | 32,808,989 | 91,059,608 |
| Unallocated costs | | | (58,071,992) | - | - | (24,342,171) |
| Profit for the year | | | 103,042,273 | | | 66,717,437 |

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues in the year (2022: AED nil).

The accounting policies of the reportable segments are the same as the Company's accounting policies used in the annual audited financial statements for the year ended 31 December 2022, except for adoption of new and amended standards as set out in note 2.

Segment assets and liabilities

| | As at 31 December 2023 | | | As at 31 December 2022 (restated) | | |
|----------------------------|------------------------|----------------------|----------------------|-----------------------------------|--------------------|----------------------|
| | Underwriting AED | Investments AED | Total AED | Underwriting AED | Investments AED | Total AED |
| Segment assets | 230,984,198 | 1,000,021,477 | 1,231,005,675 | 169,965,247 | 848,167,543 | 1,018,132,790 |
| Unallocated assets | - | - | 34,699,024 | - | - | 31,929,549 |
| Total assets | 230,984,198 | 1,000,021,477 | 1,265,704,699 | 169,965,247 | 848,167,543 | 1,050,062,339 |
| Segment liabilities | 769,785,896 | - | 769,785,896 | 622,444,952 | - | 622,444,952 |
| Unallocated liabilities | - | - | 46,467,279 | - | - | 14,185,341 |
| Total liabilities | 769,785,896 | - | 816,253,175 | 622,444,952 | - | 636,630,293 |
| Capital expenditure | | | 694,140 | | | 1,760,896 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

34 Contingent liabilities and commitments

| | 31 December 2023 AED | 31 December 2022 AED |
|-----------------|-------------------------------------|----------------------------|
| Bank guarantees | - | 500,000 |

Bank guarantees were issued in the normal course of business.

35 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 a 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 year to year 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.

**Notes to the financial statements
for the year ended 31 December 2023 (continued)****35 Takaful risk (continued)**Frequency and severity of claims

The Company has the right not to renew individual policies, re-price the risk, 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 one of the territories in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured properties.

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 in any one motor policy and AED 1,500,000 for any one non-motor policy. 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 at least once in 3 years 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 settlement 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 an 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 than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some takaful contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities.

In estimating the liability for the cost of reported claims not yet paid, the Company considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions; it is likely that the final outcome will prove to be different from the original liability established.

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

35 Takaful risk (continued)

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

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 the 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 projection 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.

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

Process used to decide on assumptions

The risks associated with the 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 end of the reporting period 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 techniques that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or Company's of accident years within the same class of business.

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

35 Takaful risk (continued)

Claims development process

The following schedules reflect the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last four years on an accident year basis:.

| Accident year (Ultimate Claims) | Before 2021 | 2021 | 2022 | 2023 | Total |
|--|-------------|-------------|-------------|-------------|---------------|
| | AED | AED | AED | AED | AED |
| Gross | | | | | |
| <i>At the end of each reporting year</i> | | | | | |
| 2021 | 280,005,106 | 84,737,786 | - | - | 364,742,892 |
| 2022 | 565,265,996 | 216,736,786 | 228,459,627 | - | 1,010,462,409 |
| 2023 | 467,631,041 | 217,702,524 | 236,560,079 | 364,734,811 | 1,286,628,455 |
| Gross estimates of the undiscounted amount of the claims | | 217,702,524 | 236,560,079 | 364,734,811 | 818,997,414 |
| Cumulative payments to date (Paid Claims) | 455,822,132 | 207,475,695 | 195,044,113 | 195,249,446 | 1,053,591,386 |
| Gross undiscounted liabilities for incurred claims | 11,853,737 | 10,226,830 | 41,515,966 | 169,485,365 | 233,081,898 |
| Effect of discounting | | | | | (11,807,734) |
| Effect of risk adjustment for non-financial risk | | | | | 10,646,596 |
| Others* | | | | | 11,766,171 |
| Total gross liabilities for incurred claims | | | | | 243,686,931 |
| Net | | | | | |
| <i>At the end of each reporting year</i> | | | | | |
| 2021 | 8,466,094 | 21,202,824 | 6,431,851 | - | 36,100,769 |
| 2022 | 172,625,808 | 67,093,952 | 74,732,820 | 8,018,917 | 322,471,497 |
| 2023 | 129,921,144 | 66,730,591 | 78,687,046 | 129,526,817 | 404,865,598 |
| Net estimates of the undiscounted amount of the claims | - | 66,730,591 | 78,687,046 | 129,526,817 | 274,944,454 |
| Cumulative payments to date (Paid Claims) | 130,163,152 | 64,324,878 | 68,511,231 | 73,754,931 | 336,754,192 |
| Net undiscounted liabilities for incurred claims | 1,655,459 | 2,405,714 | 10,175,814 | 55,771,886 | 70,008,873 |
| Effect of discounting | | | | | (2,595,722) |
| Effect of risk adjustment for non-financial risk | | | | | 2,899,928 |
| Others* | | | | | 9,924,496 |
| Total net liabilities for incurred claims | | | | | 80,237,576 |

* Others includes unallocated loss adjustment expenses reserve, non-performance risks and claim payables and recoverables.

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

35 Takaful risk (continued)

Sensitivity Analysis

| Sensitivity analysis for contracts measured under PAA | For the year ended 31 December 2023 | | For the year ended 31 December 2022 | |
|--|---|---|---|---|
| | LIC AED | Impact on LIC AED | LIC AED | Impact on LIC AED |
| Takaful contract liabilities | (243,686,931) | | (147,710,595) | |
| Re-takaful contract assets | 163,449,356 | | 99,817,234 | |
| Net takaful contract liabilities | (80,237,575) | | (47,893,361) | |
| | 5% increase – LIC | | | |
| Takaful contract liabilities | (255,871,276) | (12,184,345) | (155,096,229) | (7,385,634) |
| Re-takaful contract assets | 171,621,823 | 8,172,467 | 104,808,095 | 4,990,861 |
| Net takaful contract liabilities | (84,249,453) | (4,011,878) | (50,288,134) | (2,394,773) |
| | 5% decrease – LIC | | | |
| Takaful contract liabilities | (231,502,583) | 12,184,348 | (140,325,159) | 7,385,436 |
| Re-takaful contract assets | 155,276,888 | (8,172,468) | 94,826,371 | (4,990,863) |
| Net takaful contract liabilities | (76,225,695) | 4,011,880 | (45,498,788) | 2,394,573 |
| Sensitivity analysis for contracts not measured under PAA | For the year ended 31 December 2023 | | For the year ended 31 December 2022 | |
| | Net takaful and re-takaful Contract assets and liabilities | Impact on net takaful and re-takaful Contract assets and liabilities | Net takaful and re-takaful Contract assets and liabilities | Impact on net takaful and re-takaful Contract assets and liabilities |
| | AED | AED | AED | AED |
| Takaful contract liabilities | (187,199,955) | | (214,370,662) | |
| Net re-takaful contract assets | 20,287,029 | | 13,751,661 | |
| Net takaful contract liabilities | (166,912,926) | | (200,619,001) | |
| | 10% increase – Lapses | | | |
| Takaful contract liabilities | (187,315,928) | (115,973) | (214,570,940) | (200,278) |
| Re-takaful contract assets | 20,406,418 | 119,389 | 14,419,167 | 667,506 |
| Net takaful contract liabilities | (166,909,510) | 3,416 | (200,151,773) | 467,228 |
| | 1% increase – Mortality | | | |
| Takaful contract liabilities | (187,285,831) | (85,876) | (214,450,654) | (79,992) |
| Re-takaful contract assets | 20,296,221 | 9,192 | 14,148,898 | 397,237 |
| Net takaful contract liabilities | (166,989,610) | (76,684) | (200,301,756) | 317,245 |

Concentration of takaful risk

Substantially all of the Company's underwriting activities are carried out in the UAE.

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 and monitors concentration of credit risk arising from similar geographic regions, activities or economic characteristics of the retakaful companies. The Company remains liable to its policyholders for the portion covered by retakaful to the extent that any retakaful does not meet the obligations assumed under the retakaful agreements.

Notes to the financial statements for the year ended 31 December 2023 (continued)

36 Financial risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, retakaful assets and liabilities. In particular, the key financial risk is that in the long-term, its investment proceeds are not sufficient to fund the obligations arising from its takaful and investment contracts. The risks that the Company primarily faces due to the nature of its investments and underwriting business are market price risk, credit risk and liquidity risk.

Fair value of financial instruments

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

An analysis of financial instruments that are measured subsequent to initial recognition at fair value into levels 1 to 3 is provided in note 37.

Capital risk management

The Company has established the following capital management objectives, policies and approach to manage the risks that affect its capital position.

The Company's objectives when managing capital are:

- to comply with the capital requirements required by the UAE Federal Law No. (48) of 2023 regarding the Establishment of the Insurance Authority and Insurance Operations
- 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 takaful contracts commensurately with the level of risk.

In UAE, the local takaful regulator specifies the minimum amount and type of capital that must be held by the Company in addition to its takaful liabilities. The minimum required capital (presented below) must be maintained at all times throughout the year. The Company is subject to local takaful solvency regulations with which it has complied during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

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

| | 31 December 2023 | 31 December 2022 <i>(restated)</i> |
|----------------------------|-----------------------------|--|
| | AED | AED |
| Total shareholders' equity | 449,451,524 | 413,432,046 |
| Minimum regulatory capital | 100,000,000 | 100,000,000 |

The UAE Insurance Authority has issued resolution No. 42 for 2009 setting the minimum subscribed or paid-up capital of AED 100 million for establishing an insurance firm and AED 250 million for a retakaful firm. The resolution also stipulates that at least 75 percent of the capital of the insurance companies established in the UAE should be owned by UAE or Gulf Cooperation Council national individuals or corporate bodies. The Company is complying with the above requirements.

36 Financial risk (continued)

Material accounting policies

Details of the significant 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

| | 31 December 2023 AED | 31 December 2022 AED |
|--|-------------------------------------|----------------------------|
| Financial assets | | |
| Statutory deposit | 10,000,000 | 10,000,000 |
| Investments | 362,862,538 | 315,880,256 |
| Cash and bank balances (including term deposits) | 556,450,265 | 504,437,287 |
| | <hr/> | <hr/> |
| Total | 929,312,803 | 830,317,543 |
| | <hr/> <hr/> | <hr/> <hr/> |

Profit return rate risk management

The Company is not exposed to significant rate of return risks as its assets returns are repriced frequently.

The Company's rate of return risk is mainly attributable to its bank deposits and sukuks.

The Company generally tries to minimise the rate of return risk by closely monitoring the market rates and investing in those financial assets in which such risk is expected to be minimal.

Foreign currency risk

The Company is not exposed to significant foreign currency risk as substantially all financial assets and financial liabilities are denominated in AED or US Dollars to which the AED is pegged.

Market price risk

Market price 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 security, or its issuer, or factors affecting all securities traded in the market. The Company is exposed to market price risk with respect to its quoted and unquoted equity investments and investment in commodities. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in the market; in addition, the Company actively monitors the key factors that affect stock and market movements, including analysis of the operational and financial performance of investees.

At the end of the year, if the prices of quoted equity investments and net asset value of unquoted equity investments are 1% higher/lower and all the other variables were held constant, the Company's other comprehensive income would have increased/decreased by AED 2,668,280 (31 December 2022: AED 2,718,140). With respect to investment in commodities, if the prices of commodities are 1% higher/lower and all the other variables were held constant, the Company's profit for the year ended 31 December 2023 would increase / decrease by AED 155,972 (31 December 2022: nil).

Notes to the financial statements for the year ended 31 December 2023 (continued)

36 Financial risk (continued)

Credit risk management

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

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

- Retakafuls' share of takaful liabilities;
- Amounts due from retakaful in respects of claims already paid;
- Amounts due from takaful contract holders;
- Amounts due from takaful intermediaries; and
- Amounts due from banks for its bank balances and fixed deposits.

The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, 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 management annually.

Retakaful is used to manage takaful risk. This does not, however, discharge the Company's liability as primary insurer. If retakaful company fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of a 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 Company includes details of provisions for impairment on takaful receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are mitigated by ongoing credit evaluation of their financial condition. 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. Management believes that the concentration of credit risk is mitigated by high credit rating and financial stability of its policy holders.

The credit risk on liquid funds maintained with banks is limited because the counterparties are reputable local banks closely monitored by the regulatory body.

At 31 December 2023, all of the deposits were placed with 9 banks (2022: 8 banks). Management is confident that this concentration at year end does not result in any credit risk to the Company as these banks are major banks operating in the UAE and are highly regulated by the Central Bank.

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 for such receivable and liquid funds.

The re-takaful contract assets and re-takaful receivables are with highly rated reinsurers based on the Company's internal Risk management framework.

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

36 Financial risk (continued)

Liquidity risk management

Liquidity risk is the risk that the Company will be unable to meet its funding requirements. Bank facilities, the policy holders and the retakaful, are the major sources of funding for the Company and the liquidity risk for the Company is assessed to be low.

Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

| | Current AED | Non-current AED | Total AED |
|---|--------------------|--------------------|----------------------|
| 31 December 2023 | | | |
| <u>Assets excluding takaful and re-takaful contract assets</u> | | | |
| Cash and bank balances including bank deposits | 556,450,265 | - | 556,450,265 |
| Statutory deposits | - | 10,000,000 | 10,000,000 |
| Unit linked investments at fair value through profit or loss | - | 1,576,487 | 1,576,487 |
| Financial assets designated at fair value through other comprehensive income | 352,579,538 | - | 352,579,538 |
| Financial assets designated at amortized cost | - | 10,283,000 | 10,283,000 |
| Investment in commodities | 15,597,187 | - | 15,597,187 |
| Prepaid expenses and other assets | 58,009,682 | - | 58,009,682 |
| Property and equipment | - | 20,882,342 | 20,882,342 |
| Investment property | - | 53,535,000 | 53,535,000 |
| | <hr/> | <hr/> | <hr/> |
| Total assets excluding takaful and re-takaful contract assets | 982,636,672 | 96,276,829 | 1,078,913,501 |
| <u>Liabilities excluding takaful and re-takaful contract liabilities</u> | | | |
| Accrued expenses and other liabilities | 163,120,068 | - | 163,120,068 |
| Provision for end of service benefits | 13,722,727 | - | 13,722,727 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities excluding takaful and re-takaful contract liabilities | 176,842,795 | - | 176,842,795 |
| | <hr/> | <hr/> | <hr/> |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

36 Financial risk (continued)

Maturity analysis of assets and liabilities (continued)

| | Current AED | Non-current AED | Total AED |
|--|----------------|--------------------|--------------|
| 31 December 2022 (<i>restated</i>) | | | |
| <u>Assets excluding takaful and re-takaful contract assets</u> | | | |
| Cash and bank balances including bank deposits | 504,437,287 | - | 504,437,287 |
| Statutory deposits | - | 10,000,000 | 10,000,000 |
| Financial assets designated at fair value through other comprehensive income | 315,880,256 | - | 315,880,256 |
| Prepaid expenses and other assets | 44,883,962 | - | 44,883,962 |
| Property and equipment | - | 22,300,419 | 22,300,419 |
| Investment property | - | 17,850,000 | 17,850,000 |
| | <hr/> | <hr/> | <hr/> |
| Total assets excluding takaful and re-takaful contract assets | 865,201,505 | 50,150,419 | 915,351,924 |
| | <hr/> | <hr/> | <hr/> |
| <u>Liabilities excluding takaful and re-takaful contract liabilities</u> | | | |
| Accrued expenses and other liabilities | 99,389,200 | - | 99,389,200 |
| Provision for end of service benefits | 12,349,183 | - | 12,349,183 |
| | <hr/> | <hr/> | <hr/> |
| Total liabilities excluding takaful and re-takaful contract liabilities | 111,738,383 | - | 111,738,383 |
| | <hr/> | <hr/> | <hr/> |

A maturity analysis for portfolios of takaful contracts issued that are liabilities is presented below.

The analysis is presented by estimated timing, of the estimates of the present value of the future cash flows, for each of the first five years after the reporting date and in aggregate beyond the first five years.

As per IFRS-17 (132b), An entity is not required to include in these analyses liabilities for remaining coverage measured under the PAA approach, and accordingly, these balances have been excluded.

The Company does not have any re takaful contract liabilities except for remaining coverage measured under PAA approach, which has been excluded from below analysis.

| 31 December 2023 | Up to 1 Year | 1-2 year | 2-3 year | 3-4 year | 4-5 year | >5 year | Total |
|------------------------------|--------------|------------|------------|------------|------------|------------|-------------|
| | AED | AED | AED | AED | AED | AED | AED |
| Takaful contract liabilities | 217,763,467 | 76,223,097 | 47,243,670 | 15,747,093 | 10,909,919 | 60,569,776 | 428,457,022 |

| 31 December 2022 | Up to 1 Year | 1-2 year | 2-3 year | 3-4 year | 4-5 year | >5 year | Total |
|------------------------------|--------------|------------|------------|------------|------------|------------|-------------|
| | AED | AED | AED | AED | AED | AED | AED |
| Takaful contract liabilities | 169,471,513 | 53,379,152 | 40,242,499 | 16,714,103 | 12,979,862 | 69,294,127 | 362,081,256 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

37 Fair value of financial instruments

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

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

| | Level 1 AED | Level 2 AED | Level 3 AED | Total AED |
|--|------------------------|------------------------|------------------------|----------------------|
| <u>31 December 2023</u> | | | | |
| Financial assets measured at fair value through other comprehensive income | 172,765,032 | - | 179,814,506 | 352,579,538 |
| <u>31 December 2022</u> | | | | |
| Financial assets measured at fair value through other comprehensive income | 120,821,159 | - | 195,059,097 | 315,880,256 |

During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

38 Solvency margin

Section 2 of the Financial Regulations for Takaful Companies (the “Regulations”) issued by the Central Bank of UAE identifies the required solvency margin to be held in addition to takaful 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 period. 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.

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

38 Solvency margin (continued)

| | 31 December 2023 (unaudited) AED | 31 December 2022 AED |
|--------------------------------------|---|--------------------------------|
| Minimum Capital Requirement (MCR) | 100,000,000 | 100,000,000 |
| Solvency Capital Requirement (SCR) | 122,549,416 | 90,447,834 |
| Minimum Guarantee Fund (MGF) | 70,851,396 | 38,482,942 |
| Basic Own Funds | 379,011,589 | 365,489,777 |
| Ancillary Own Funds | - | - |
| MCR Solvency Margin – Surplus | 279,011,589 | 265,489,777 |
| SCR Solvency Margin – Surplus | 256,462,173 | 275,041,943 |
| MGF Solvency Margin – Surplus | 308,160,193 | 327,006,835 |

39 Other information

| Description | Family takaful (without medical and fund accumulation) AED | Fund accumulation AED | Medical takaful AED | Property and liability (without medical) AED | All type of business combined AED |
|---|--|-----------------------------|---------------------------|--|--|
| 2023 | | | | | |
| Direct written contribution | 61,561,022 | 1,580,738 | 243,029,441 | 208,712,404 | 514,883,605 |
| Assumed business | | | | | |
| Foreign | - | - | 2,975,200 | 105,824,955 | 108,800,155 |
| Local | - | - | 2,447,262 | 109,362,556 | 111,809,818 |
| Total Assumed business | - | - | 5,422,462 | 215,187,511 | 220,609,973 |
| Total Gross written contribution | 61,561,022 | 1,580,738 | 248,451,903 | 423,899,915 | 735,493,578 |

**Notes to the financial statements
for the year ended 31 December 2023 (continued)**

39 Other information (continued)

| Description | Family takaful (without medical and fund accumulation) AED | Fund accumulation AED | Medical takaful AED | Property and liability (without medical) AED | All type of business combined AED |
|---|---|-----------------------------|---------------------------|--|--|
| 2022 | | | | | |
| Direct written contribution | 46,308,490 | - | 137,018,141 | 158,978,568 | 342,305,199 |
| Assumed business | | | | | |
| Foreign | - | - | - | 44,637,872 | 44,637,872 |
| Local | - | - | 3,678,751 | 56,475,137 | 60,153,888 |
| Total Assumed business | - | - | 3,678,751 | 101,113,009 | 104,791,760 |
| Total Gross written contribution | 46,308,490 | - | 140,696,892 | 260,091,577 | 447,096,959 |

40 Acquisition of individual family takaful portfolio

On 27 October 2022, the Company reached an initial agreement to acquire the individual family takaful portfolio from Dubai Islamic Insurance & Reinsurance Company PJSC, subject to obtaining regulatory approval of the Central Bank of United Arab Emirates.

On 29 May 2023, Central Bank of the United Arab Emirates has issued the initial approval for the above acquisition. In accordance with the requirements of the Central Bank of the United Arab Emirates, Dubai Islamic Insurance & Reinsurance Company PJSC will notify the policyholders by publishing in two widely circulated local newspapers issued in Arabic language and a local daily newspaper published in English language for two consecutive times.

On 20 July 2023, Central Bank of United Arab Emirates has issued its final approval to transfer the Individual family Takaful Insurance portfolio from Dubai Islamic Insurance & Reinsurance Company PJSC to Abu Dhabi National Takaful Company PSC. It is expected that the transfer procedures will be completed during the first quarter of 2024.

41 Approval of financial statements and responsibility statement

The financial statements of the Company for the year ended 31 December 2023 has been authorised for issue in accordance with a resolution of the Board of Directors on 12 March 2024.