TAKAFUL EMARAT - INSURANCE (PSC)
AND ITS SUBSIDIARY

Independent auditor's report and consolidated financial statements for the year ended 31 December 2020

TAKAFUL EMARAT - INSURANCE (PSC) and its subsidiary

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BOARD OF DIRECTORS REPORT

Dear Shareholders,

We have a pleasure in presenting 2020 Board of Directors Report, along with the Financial statements and Auditor's report for the year ended 31 December 2020.

Takaful Emarat Insurance PSC established in 2008, is a leading Sharia-compliant family and health takaful provider in UAE. It markets individual and corporate family and health takaful products including protection, savings and investment plans through multiple distribution channels.

2020 witnessed challenging times due to COVID 19 pandemic. We have implemented several measures across the operations to mitigate the challenges of the pandemic and ensure safety and healthy environment for the employees. UAE leadership took timely measures to mitigate the risks faced by the economy and to safeguard public safety.

In 2020, measures have been taken to reduce cost and indirect expenses, and to develop a persistent portfolio. In addition, the focus was to enhance customer satisfaction, collection and improvement of technological platforms.

Key Financial results achieved for the year 2020:

In 2020, core business performance has improved due to improved underwriting guidelines, pricing modules and close monitoring of claims.

- Gross written contributions grew by AED 8 million from AED 606 million of 2019 to AED 614 million in 2020, despite challenging market conditions.
- Net Earned Contribution increased by AED 17 million from AED 394 million in 2019 to AED 411 million in 2020.
- Net Surplus from Takaful Operations increased by AED 17 million in 2020 compared to 2019.

We worked on the strategy towards our digital and cultural transformation to operate more efficiently. We remain committed to driving growth through ongoing commercial, operational and strategic initiatives across our business within the UAE.

To support this, we continue to invest in our infrastructure, human capital and distribution partnerships by continuously seeking unconventional channels as a market innovator. The mandatory health insurance in the UAE will continue to be central to this growth, with Takaful Emarat serving as one of the Participating Insurer approved by the Dubai Health Authority, and the

first Insurer to provide a digital channel for its customer to purchase this unique product. Takaful Emarat is therefore strategically well-positioned to capitalize on this significant market opportunity. We continue to invest in all of our employees, as well as our on-going Emiratization Programme. The regulatory framework has also developed significantly in 2020 which will definitely impact positively on the market.

To the best of our knowledge, the financial statements for the year ended 2020 fairly presents in all material respects the financial condition, results of operation and cash flows of the Company as of, and for, the periods presented in the periodic report.

Looking ahead to 2021, Takaful Emarat is well positioned for future growth. Our focus will continue on developing digital platforms while simultaneously increasing our profitability and revenue stream.

On behalf of Takaful Emarat's management and shareholders, the Board of Directors expresses its sincere appreciation and utmost gratitude to His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, for his continued support of the UAE's business community and its development.



Abdulla Bakheet Saif Murshed Almarar
Chairman

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INDEPENDENT AUDITOR'S REPORT

The Shareholders of
Takaful Emarat – Insurance (PSC)
Dubai, United Arab Emirates

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of **Takaful Emarat – Insurance (PSC) (the "Company") and its Subsidiary (the "Group") – Dubai, United Arab Emirates** which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group, as at 31 December 2020, and its Consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group 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 Group's consolidated 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 consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Akbar Ahmad (1141), Cynthia Corby (995), Georges Najem (809), Mohammad Jallad (1164), Mohammad Khamees Al Tah (717), Musa Ramahi (872), Mutasem M. Dajani (726), Obada Alkowatly (1056), Rama Padmanabha Acharya (701) and Samir Madbak (386) are registered practicing auditors with the UAE Ministry of Economy.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TAKAFUL EMARAT – INSURANCE (PSC) (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter

Valuation of takaful contract liabilities and retakaful contract assets
 	
As at 31 December 2020, takaful contract liabilities and retakaful contract assets amounted to AED 573.4 million and AED 131.7 million respectively, as detailed in note 8 to these consolidated financial statements.
 	
The valuation of these liabilities requires significant judgements to be applied and estimates to be made. Retakaful contract assets include amounts that the Group is entitled to receive in accordance with the retakaful contracts and, more specifically, the share of retakaful in the takaful contract liabilities of the Group.
 	
This is particularly the case for those liabilities that are based on the best-estimate of technical reserves that includes the ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and related technical reserves. A range of models are applied by management, the internal actuary and the independent external actuary to determine these liabilities. Underlying these models are a number of explicit or implicit estimates and judgements relating to the expected settlement amount and settlement patterns of claims. Changes in these assumptions can result in material impacts to the valuation of these liabilities.
 	
Consequently, as a result of all of the above factors, we consider valuation of takaful contract liabilities and retakaful contract assets as a key audit matter.
 	
Please refer to note 3, 4 and 8 of the consolidated financial statements for the accounting policy, disclosures of the related judgements and estimates and takaful contract liabilities and retakaful contract assets.
	Our audit procedures included:
	
	• Assessing the design and implementation of key controls related to the data used in the actuarial reserving process;
	• Evaluating and testing the claims handling and case reserve setting processes of the Group including allocation of retakaful portion of claims;
	• Evaluating and testing the data used in the actuarial reserving process;
	• Testing samples of claims case reserves by comparing the estimated amount of the case reserve to appropriate documentation, such as confirmations obtained from lawyers, retakaful contracts etc;
	• Re-performing reconciliations between the claims data recorded in the Group's systems and the data used in the actuarial reserving calculations;
	• Evaluating the objectivity, skills, qualifications and competence of independent external actuary;
	• We reviewed the engagement letter with the independent external actuary to determine if the scope was sufficient for audit purposes; and
	• Agreeing samples of unearned contribution to appropriate documentation;
	
	In addition, with the assistance of our internal actuarial specialists, we:
	• performed necessary reviews to ascertain whether the results are appropriate for the valuation of takaful contract liabilities and retakaful contract assets;
	• reviewed the actuarial report compiled by the independent external actuary of the Group and calculations underlying these provisions, particularly the following areas:
	  • Appropriateness of the calculation methods and approach (actuarial best practice)
	  • Review of assumptions
	  • Consistency between valuation periods
	  • General application of financial and mathematical rules.
	We assessed the disclosures in the consolidated financial statements about takaful contract liabilities and retakaful contract assets against the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TAKAFUL EMARAT – INSURANCE (PSC) (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties The Group's investment properties portfolio is carried at AED 51.6 million, which represents 5% of total assets, in the consolidated statement of financial position and the net fair value loss recorded in the consolidated statement of profit or loss is AED 3.6 million as at 31 December 2020. Valuations of investment properties are carried out by third party valuers in accordance with IFRSs and take into account, where available, discounted cash flows and evidence of market transactions for properties and locations comparable to those of the Group's properties. The Group's portfolio comprises of land and buildings. Significant judgements were applied and estimates made in determining the fair value of the Group's investment properties including the impact of Covid 19 pandemic on the fair value of the investment properties and hence, this is considered to be a key audit matter. Refer to the following notes of the consolidated financial statements: • Note 3 – Significant accounting policies on investment properties; • Note 4 – Critical accounting judgement and key sources of estimation uncertainty of valuation of investment properties; and • Note 9 – Investment properties.	Our audit procedures included, but were not limited, to the following: • We obtained an understanding of the process of determining the fair value of the investment properties; • We assessed the controls over the determination of the fair value of investment properties to determine if they had been appropriately designed and implemented; • We assessed the competence, skills, qualifications and objectivity of the independent external valuers; • We reviewed the scope of the engagement between the external valuer and the Group to determine if this was sufficient for audit purposes; • We verified the accuracy, completeness and relevance of the input data used for deriving fair values; • We utilised our internal valuation experts to evaluate the methodology used and the appropriateness of key assumptions used in the investment properties valuations; • We re-performed the mathematical accuracy of the valuations; • We agreed the results of the valuations to the amounts recorded in the consolidated financial statements; and • We assessed the adequacy of disclosure included in the consolidated financial statements relating to this matter against the requirements of IFRSs.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TAKAFUL EMARAT – INSURANCE (PSC) (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of unquoted equity investments (FVTPL) Unquoted equity investments of AED 20.4 million represent 2% of total assets as at 31 December 2020. These instruments are classified as financial assets at fair value through profit or loss and are measured at fair value with the corresponding fair value change recognized in the consolidated statement of profit or loss. The Group uses an external expert to assist it in determining the fair value of these investments. As disclosed in Note 4 "significant accounting judgement, estimates and assumptions", the valuation of investments in unquoted equities uses inputs other than observable market data and therefore are inherently subjective. It also requires significant judgement by management in determining the appropriate valuation methodology and use of various assumptions like cash flows, discount rates, market information, market risk adjustments etc. Given the inherent subjectivity and judgement required in the valuation of such unquoted investments, we determined this to be a key audit matter.	Our audit procedures included, but were not limited, to the following: • We obtained an understanding of the process of determining the valuation of unquoted equity investments (FVTPL); • We assessed the controls over the determination of the value of unquoted equity investments to determine if they had been appropriately designed and implemented; • We assessed the competence, skills, qualifications and objectivity of the independent external valuers; • We reviewed the scope of the engagement between the external valuer and the Group to determine if this was sufficient for audit purposes; • We verified the accuracy, completeness and relevance of the input data used for deriving fair values; • We utilised our internal valuation experts to evaluate the methodology used and the appropriateness of key assumptions used in the unquoted equity investments valuation; • We re-performed the mathematical accuracy of the valuation; • We agreed the results of the valuations to the amounts recorded in the consolidated financial statements; and • We assessed the adequacy of disclosures included in consolidated financial statements against the requirements of IFRSs.

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 10 March 2020.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TAKAFUL EMARAT – INSURANCE (PSC) (continued)

Other information

The Board of Directors and management is responsible for the other information. The other information comprises the annual report of the Group. We obtained the Directors' report prior to the date of this auditor's report and the remaining information of the annual report is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

When we read the remaining information of the annual report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of these consolidated 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. (2) of 2015, and U.A.E. Federal Law No. 6 of 2007, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TAKAFUL EMARAT – INSURANCE (PSC) (continued)

Auditor's Responsibilities for the Audit of the consolidated 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 consolidated 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TAKAFUL EMARAT – INSURANCE (PSC) (continued)

Report on other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report for the year ended 31 December 2020 that:

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

ii) the consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

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) the Company has not purchased or invested in any shares during the financial year ended 31 December 2020, except as disclosed in note 6 to the consolidated financial statements;

vi) Note 30 to the consolidated 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 2020, contravened any of the applicable provisions of the UAE Federal Law No. (2) of 2015, or its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2020;

viii) There is no social contributions made during the financial year ended 31 December 2020.

Further, as required by the U.A.E. Federal Law No. 6 of 2007 and the related Financial Regulations for Takaful Insurance Companies, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit. As disclosed in note 36 of the consolidated financial statements, the Group is in the process of complying with the requirements of the Financial Regulations for Takaful Insurance Companies issued by the Insurance Authority pertaining to Article (8) of Section (2) and Article (3) of Section (1), relating to maintenance of solvency margin; and asset distribution and allocation limits respectively.

Deloitte & Touche (M.E.)



Signed by:
Akbar Ahmad
Registration No. 1141
29 March 2021
Sharjah, United Arab Emirates

Consolidated statement of financial position at 31 December 2020

	Notes	2020 AED	2019 AED (Restated)	2018 AED (Restated)
Takaful Operations' Assets				
Cash and bank balances	**5**	**83,890,515**	57,583,140	60,939,584
Financial instruments	**6**	**330,844,336**	300,952,361	178,577,125
Takaful receivables and other assets	**7**	**171,474,974**	207,978,959	130,629,255
Retakaful contract assets	**8**	**131,680,923**	222,171,164	241,259,789
Investment properties	**9**	**51,627,510**	41,390,000	38,921,256
Deposit		**-**	7,373,754	-
Deferred policy acquisition cost	**10**	**65,612,689**	52,827,343	47,325,176
Receivable from shareholders		**-**	-	2,995,276
Total Takaful Operations' Assets		**835,130,947**	890,276,721	700,647,461
Shareholders' Assets				
Cash and bank balances	**5**	**16,631,013**	11,796,580	62,748,453
Financial instruments	**6**	**29,471,332**	24,079,343	107,294,556
Other receivables	**7**	**11,201,350**	25,394,182	34,526,335
Statutory deposit	**11**	**4,000,000**	4,000,000	4,000,000
Property and equipment	**12**	**48,230,479**	50,528,844	51,048,764
Intangible assets	**13**	**3,068,261**	4,182,116	4,897,937
Receivable from policyholders		**98,944,155**	73,240,962	-
Total Shareholders' Assets		**211,546,590**	193,222,027	264,516,045
Total Assets		**1,046,677,537**	1,083,498,748	965,163,506
Takaful Operations' Liabilities and Deficit				
Takaful Operations Liabilities				
Takaful and other payables	**14**	**161,542,107**	190,030,708	193,732,164
Takaful contract liabilities	**8**	**573,397,902**	611,888,530	486,141,998
Payable to shareholders		**98,944,155**	73,240,962	-
Total Takaful Operations liabilities		**833,884,164**	875,160,200	679,874,162
Deficit in Policyholders' Fund and Qard Hassan from Shareholders				
Deficit in policyholders' fund	**33**	**(1,246,783)**	(9,268,009)	(30,905,151)
Qard Hassan from shareholders	**33**	**1,246,783**	9,268,009	30,905,151
Deficit in Policyholders' Fund and Qard Hassan from Shareholders		-	-	-
Total Operations' Liabilities and Surplus		**833,884,164**	875,160,200	679,874,162

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

Consolidated statement of financial position (continued) at 31 December 2020

	Notes	2020 AED	2019 AED (Restated)	2018 AED (Restated)
Shareholders' Liabilities and Equity				
Shareholders' Liabilities				
Takaful and other payables	14	**70,602,473**	58,209,041	71,718,028
Borrowings	15	**25,900,000**	40,322,432	53,234,000
Provision for employees' end of service benefits	16	**2,714,527**	2,914,064	2,443,215
Payable to policyholders		-	-	2,995,276
Total Shareholders' Liabilities		**99,217,000**	101,445,537	130,390,519
Shareholders' and Policyholders Equity				
Share capital	17	**150,000,000**	150,000,000	150,000,000
Statutory reserve	18a	**6,567,600**	6,526,302	6,526,302
Accumulated losses		**(67,254,090)**	(67,113,722)	(17,267,477)
Regulatory reserve	18b	**128,567**	-	-
Cumulative changes in fair value of investments – shareholders	6(b)	-	-	15,640,000
Cumulative changes in fair value of investments – policyholders	6(b)	**24,134,296**	17,480,431	-
Total Shareholders' and Policyholders' Equity		**113,576,373**	106,893,011	154,898,825
Total Shareholders' Liabilities and Equity		**212,793,373**	208,338,548	285,289,344
Total Takaful Operations' Liabilities and Deficit and Shareholders' Liabilities and Equity		**1,046,677,537**	1,083,498,748	965,163,506

To the best of our knowledge, the consolidated financial statements present fairly in all material respects, the consolidated financial condition, consolidated financial performance and consolidated cash flows of the Group as of, and for the periods presented therein.

Abdulla Bakheet Saif Murshed Almarar	Wael Al Sharif	Adnan Sabaalaish
Chairman	Chief Executive Officer	Senior Manager - Finance

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

تكافل الإمارات - تأمين (ش.م.ع) Head Office TAKAFUL EMARAT Insurance (P.S.C)

Consolidated statement of profit or loss for the year ended 31 December 2020

	Notes	2020 AED	2019 AED (Restated)
Attributable to policyholders:			
Gross contributions written	**21**	**614,301,758**	606,212,168
Changes in unearned contributions	**21**	**(33,777,374)**	13,380,806
Takaful contributions earned		**580,524,384**	619,592,974
Retakaful contributions	**21**	**(164,555,417)**	(198,174,499)
Change in unearned contributions	**21**	**(4,671,493)**	(26,633,866)
Retakaful contributions ceded		**(169,226,910)**	(224,808,365)
Net earned contributions		**411,297,474**	394,784,609
Gross claims incurred	**22**	**(352,749,468)**	(441,500,346)
Retakaful share of claims incurred	**22**	**103,110,306**	188,872,007
Net claims incurred		**(249,639,162)**	(252,628,339)
Change in reserves	**23**	**(64,529,199)**	(44,475,348)
Net change in fair value of policyholders investment linked contracts	**23**	**(16,321,246)**	(20,131,291)
Net takaful income		**80,807,867**	77,549,631
Wakalah fees	**24**	**(77,572,311)**	(82,137,697)
Investment income/(loss), net	**25**	**8,362,670**	(2,871,839)
Change in fair value of investment property	**9**	**(3,577,000)**	(1,808,104)
Net profit/(loss) from takaful operations		**8,021,226**	(9,268,009)
Attributable to Shareholders:			
Wakalah fees from policyholders	**24**	**77,572,311**	82,137,697
Investment (loss)/income, net	**25**	**(10,080,064)**	13,354,175
Other income	**26**	**19,379,755**	10,838,750
Commission incurred	**10**	**(33,946,578)**	(49,142,418)
General and administrative expenses	**27**	**(60,533,668)**	(87,266,440)
Recovery of/ (provision for) Qard Hassan to policyholders' fund	**33**	**8,021,226**	(9,268,009)
Profit/(loss) for the year attributable to Shareholders		**412,982**	(39,346,245)
Basic and diluted profit/(loss) per share	**28**	**0.003**	(0.262)

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

Consolidated statement of comprehensive income for the year ended 31 December 2020

	Notes	2020 AED	2019 AED (Restated)
Net profit/ (loss) attributable to Policyholders		**8,021,226**	(9,268,009)
Other comprehensive income			
Other comprehensive income that could be reclassified to profit or loss in subsequent periods			
Net unrealised gain on available-for-sale investments	**6(b)**	**6,653,865**	-
Other comprehensive income for the year		**6,653,865**	-
Total comprehensive income/(loss) for the year		**14,675,091**	(9,268,009)
Profit/(loss) for the year attributable to Shareholders		**412,982**	(39,346,245)
Other comprehensive income			
Other comprehensive income that could be reclassified to profit or loss in subsequent periods			
Net unrealised gain on available-for-sale investments		**-**	1,840,431
Other comprehensive income for the year		**-**	1,840,431
Total comprehensive income/(loss) for the year		**412,982**	(37,505,814)

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

Consolidated statement of changes in equity for the year ended 31 December 2020

	Attributable to Shareholders					Attributable to Policyholders	
	Share capital AED	Statutory reserve AED	Accumulated losses AED	Regulatory reserve AED	Cumulative changes in fair value AED	Cumulative changes in fair value AED	Total AED
Balance at 31 December 2018 (as previously reported)	150,000,000	6,526,302	(7,135,626)	-	15,640,000	-	165,030,676
Effect of prior year error (Note 39)	-	-	(10,131,851)	-	-	-	(10,131,851)
Balance at 31 December 2018 (Restated)	150,000,000	6,526,302	(17,267,477)	-	15,640,000	-	154,898,825
Total comprehensive loss for the year (Restated)	-	-	(39,346,245)	-	1,840,431	-	(37,505,814)
Cash dividend (Note 19)	-	-	(10,500,000)	-	-	-	(10,500,000)
Transfer of available for sale securities	-	-	-	-	(17,480,431)	17,480,431	-
Balance at 31 December 2019 (Restated)	150,000,000	6,526,302	(67,113,722)	-	-	17,480,431	106,893,011
Total comprehensive income for the year	-	-	412,982	-	-	-	412,982
Other comprehensive income attributable to policyholder	-	-	-	-	-	6,653,865	6,653,865
Transfer to statutory reserve	-	41,298	(41,298)	-	-	-	-
Transfer to regulatory reserve	-	-	(128,567)	128,567	-	-	-
Zakat paid	-	-	(383,485)	-	-	-	(383,485)
Balance at 31 December 2020	**150,000,000**	**6,567,600**	**(67,254,090)**	**128,567**	**-**	**24,134,296**	**113,576,373**

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

Consolidated statement of cash flows for the year ended 31 December 2020

	2020 AED	2019 AED (Restated)
Cash flows from operating activities		
Profit/(loss) for the year	**412,982**	(39,346,245)
Adjustments for:		
Depreciation and amortisation of property and equipment and intangible assets	**4,654,658**	4,439,203
Loss/(gain) on disposal of property and equipment	**1,043,323**	(93)
Intangible assets written off	**-**	6,692,645
Realised loss on sale of investments at fair value through profit or loss	**4,258,488**	1,421
Gain on revaluation of investments carried at fair value through profit or loss	**(14,445,433)**	(27,624,751)
(Reversal)/provision for doubtful debts	**(802,745)**	2,196,414
Change in fair value of investment properties	**3,577,000**	1,808,104
Provision for employees' end of service benefits	**1,002,915**	2,368,068
Operating cash flows before changes in operating assets and liabilities	**(298,812)**	(49,465,234)
Decrease in retakaful contract assets	**90,490,241**	19,088,625
Decrease/(increase) in takaful receivables and other assets	**51,499,562**	(70,414,006)
Increase in deferred policy acquisition cost	**(12,785,346)**	(5,502,167)
(Decrease)/increase in takaful contract liabilities	**(38,490,628)**	125,746,532
Decrease in takaful and other payables	**(16,095,169)**	(17,210,402)
Cash generated from operating activities	**74,319,848**	2,243,348
End of service benefits paid	**(1,202,452)**	(1,897,219)
Net cash generated from operating activities	**73,117,396**	346,129
Cash flows from investing activities		
Change in deposits with maturity of more than three months	**-**	4,224,000
Purchase of investments at fair value through profit or loss	**(173,684,034)**	(127,129,408)
Proceeds from sale of investments at fair value through profit or loss	**155,240,880**	117,433,146
Deposit	**7,373,754**	(7,373,754)
Purchase of intangible assets	**(138,550)**	(6,910,207)
Purchase of property and equipment	**(2,147,211)**	(2,986,551)
Proceeds from disposal of property and equipment	**-**	744
Addition to investments properties	**(13,814,510)**	(4,276,848)
Net cash used in investing activities	**(27,169,671)**	(27,018,878)
Cash flows from financing activities		
Dividend paid	**-**	(10,500,000)
Zakat paid	**(383,485)**	-
Net movement in bank borrowings	**(14,422,432)**	(12,911,568)
Net cash used in financing activities	**(14,805,917)**	(23,411,568)
Net increase/(decrease) in cash and cash equivalents	**31,141,808**	(50,084,317)
Cash and cash equivalents at the beginning of the year	**52,129,720**	102,214,037
Cash and cash equivalents at the end of the year (Note 5)	**83,271,528**	52,129,720

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

Notes to the consolidated financial statements
for the year ended 31 December 2020

1. General information

Takaful Emarat - Insurance (PSC), Dubai, United Arab Emirates (the "Company") is a public stock company incorporated in the Emirate of Dubai – United Arab Emirates, pursuant to decree No. 62 for the year 2007 issued by the Ministry of Economy on 6 February, 2007, and is subject to the provisions of the UAE Federal Law No. 2 of 2015 ("Companies Law").

The Company carries out takaful activities in Health Insurance, Life Insurance and Credit and Saving Insurance in accordance with the Islamic Sharia'a and within the provisions of the Articles of Association of the Company.

The registered address of the Group is P.O. Box 64341, Dubai, United Arab Emirates.

Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

These consolidated financial statements incorporate the financial statements of the Company and its subsidiary (collectively referred to as the "Group").

Subsidiary	**Principal activity**	**Country of incorporation**	**Ownership**	
Directly owned			**2020**	2019
Modern Tech Investment	Investment	United Arab Emirates	**100%**	99%

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRSs")

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these consolidated financial statements.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards The Group has adopted the amendments included in *Amendments to References to the Conceptual Framework in IFRS Standards* for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new *Framework*. Not all amendments, however, update those pronouncements with regard to references to and quotes from the *Framework* so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the *Framework* they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of material The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of 'material' or refer to the term 'material' to ensure consistency.	1 January 2020
Amendments to IFRS 3 Definition of a business The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.	1 January 2020

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.1 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.	
Amendments in IFRS 7 and IAS 39 regarding pre-replacement issues in the context of the IBOR reform	1 January 2020
Amendment to IFRS 16 'Leases' to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.	1 June 2020

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

2.2 New and amended IFRSs in issue but not yet effective and not early adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 3 – Reference to the Conceptual Framework	1 January 2022
The amendments update IFRS 3 so that it refers to the 2018 *Conceptual Framework* instead of the 1989 *Framework*. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 *Levies*, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.	

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.	
Amendments to IAS 37 – Onerous Contracts - Cost of Fulfilling a Contract The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.	1 January 2022
Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'.	1 January 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences.	1 January 2022
IFRS 16 Leases The amendment removes the illustration of the reimbursement of leasehold improvements.	Effective date was not stated
IAS 41 Agriculture The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in IAS 41 with the requirements of IFRS 13 Fair Value Measurement to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.	1 January 2022
IFRS 9 Financial Instruments The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.	1 January 2023

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

2. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the consolidated statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.	
IFRS 17 Insurance Contracts IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as at 1 January 2023.	1 January 2023
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) The amendments to IFRS 10 and IAS 28 relates to the treatment of the sale or contribution of assets from and investor to 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 Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 17 and IFRS 9, mentioned below, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

Management anticipates that IFRS 17 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2023. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Group's consolidated financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review.

2.3 Applying IFRS 9 *Financial Instruments* with IFRS 4 *Insurance Contracts*

In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9 Financial instruments and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional.

IFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standards becomes effective.

The Group has performed an assessment of the amendment and concluded that its activities are predominantly connected with insurance. Management has applied the temporary exemption in its reporting period starting on 1 January 2018. The Group has decided to opt for the options to defer application of IFRS 9 given in said amendments to IFRS 4 "Insurance contracts" and concluded to apply IFRS 9 w.e.f. from 1 January 2023.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies

The significant accounting policies applied in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to each of the years presented.

3.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and applicable provisions of UAE Federal Law No. 2 of 2015, the UAE Federal Law No. (6) of 2007, and articles of Association of the Company. The Group is in the process of complying with the requirements of the Financial Regulations for Takaful Insurance Companies issued by the Insurance Authority pertaining to Article (8) of Section (2) and Article (3) of Section (1), relating to maintenance of solvency margin; and asset distribution and allocation limits respectively.

3.2 Basis of preparation

The consolidated financial statements have been prepared under the historical cost basis except for revaluation of certain financial instruments as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The consolidated financial statements have been presented in UAE Dirhams (AED).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (no more than 12 months) and more than 12 months after the reporting date (more than 12 months) is presented in the respective notes.

3.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its investees that are considered subsidiaries as at 31 December 2020. Subsidiaries are investees that the Group has control over. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

All intra group assets and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full consolidation.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Details of the group's subsidiary at 31 December 2020 are mentioned in Note 1.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit and loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

3.3 Basis of consolidation (continued)

Business combination (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3.4 Takaful contracts

The Group issues contracts that transfer takaful risk. Contracts under which the Group accept 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 are classified as takaful contracts. Takaful risk is significant if an insured event could cause the Group to pay significant additional benefits due to happening of the insured event compared to its non-happening.

Once a contract is classified as a takaful contract it remains classified as a takaful contract until all rights and obligations are extinguished or expire.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

3.5 Takaful contributions

Medical takaful contracts

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

Life assurance contracts

In respect of the short term life assurance contracts, contributions are recognised as revenue (earned contributions) proportionately over the period of coverage. The portion of the contributions received in respect of in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned contributions liability. Contributions are shown before the deduction of the commission.

In respect of long term life assurance contracts, contributions are recognised as revenue (earned contributions) when they become payable by the contract holder. Contributions are shown before deduction of commission.

Contributions for group credit life policies are recognised when it is paid by the contract holder.

A liability for contractual benefits that are expected to be incurred in future is recorded when the contributions are recognised.

The liability is based on the assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviation is included in the assumptions.

Where a life assurance contract has a single contribution or limited number of contribution payments due over a significantly shorter period than the period during which the benefits are provided, the excess of the contributions payable over the valuation contributions is deferred and recognised as income in line with the decrease of unexpired takaful risk of the contract in-force or for annuities in force, in line with the decrease of the amount of future benefits expected to be paid.

The liabilities are recalculated at the end of each reporting period using the assumptions established at the inception of the contract.

Claims and benefits payable to contract holders are recorded as expenses when they are incurred.

3.6 Takaful contributions earned

Earned takaful contributions are taken to income over the terms of the takaful contract to which they relate on a pro-rata basis. Unearned takaful contributions represent the portion of net takaful contributions accounted for which relate to periods of risk that extent beyond the end of the financial year; they are calculated based on a time apportionment basis over the exposure to contracts. The change in the provision for unearned contributions is taken to the consolidated statement of takaful operations and accumulated surplus in order to recognize revenue over the period to cover the takaful risks.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

3.7 Retakaful contributions

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

3.8 Wakalah fees

The Group manages the takaful operations on behalf of the policyholders for a wakalah fee which is recognised on an accrual basis. A similar amount is shown as expense in consolidated statement of profit or loss attributable to policyholders.

3.9 Claims

Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to income as incurred. Provision for outstanding claims reported is based on estimates of the loss, which will eventually be payable on each unpaid claim, established by the management based on current conditions, increased exposure, rising claims costs and the severity and frequency of recent claims, as appropriate. Provision for incurred but not reported claims is included within additional reserve.

The Group generally estimates its claims based on previous experience. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the consolidated statement of takaful operations for that year.

3.10 Retakaful share of claims incurred

Retakaful share of claims is recognised when the related gross takaful claim is recognised according to the terms of the relevant contract.

3.11 Policy acquisition costs

Commissions and other costs directly related to the acquisition and renewal of takaful contracts are charged to the consolidated statement of profit or loss when incurred. If the commission and associated costs are for services provided in future periods then they are deferred and amortised over the life of the related takaful policy.

3.12 Investment income

Profit from investment deposits is recognised on a time proportion basis. Dividend income is accounted for when the right to receive payment is established. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the weighted average cost and are recorded on occurrence of the sale transaction.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

3.13 Liability adequacy test

At each consolidated statement of financial position date the Group assesses whether its recognised takaful liabilities are adequate using current estimates of future cash flows under its takaful contracts. If that assessment shows that the carrying amount of its takaful liabilities is inadequate in light of estimated future cash flows, the entire deficiency is immediately recognised in consolidated statement of profit or loss and an unexpired risk provision is created.

The Group does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the consolidated statement of financial position date.

3.14 Foreign currency translation

The presentation currency is UAE Dirhams (AED). This is also the functional currency of the Group. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the consolidated statement of profit or loss, except when it relates to items when gains or losses are recognised directly in equity, the gain or loss is then recognised net of the exchange component in the consolidated statement of comprehensive income.

3.15 Segment reporting

For management purposes, the Group is organised into two business segments; takaful and investment operations. The takaful operations comprise the takaful business undertaken by the Group on behalf of policyholders. Investment operations comprise investments and cash management for the Group's own account. No operating segments have been aggregated to form the above reportable operating segments.

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

Except for Wakalah fees, allocation charges and Qard Hassan, no other inter-segment transactions occurred during the year. Segment income, expenses and results include transactions between business segments which will then be eliminated on consolidation.

3.16 Product classification

Takaful contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Takaful contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

3.16 Product classification (continued)

Once a contract has been classified as a takaful contract, it remains a takaful contract for the remainder of its lifetime, even if the takaful risk reduces significantly during this year, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as takaful contracts after inception, if takaful risk becomes significant.

The Group issues long term takaful contracts with an investment linked component. The Group classifies such contracts as takaful contracts based on significance of takaful risk. Takaful contracts with no significant takaful risk are classified as investment contracts. As a general guideline, the Group defines as significant takaful risk the possibility of having to pay benefits on the occurrence of an insured event that is at least 10% more than the benefits payable if the insured event did not occur.

For takaful contracts, contributions, surrenders and maturities, changes in fair values of underlying assets and changes in reserves are recognised in the consolidated statement of profit or loss. For investment contracts, changes in fair values of underlying assets and changes in reserves are recognised in the consolidated statement of profit or loss and contributions and surrenders and maturities are directly recognised under investment contracts.

3.17 Property and equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred, if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Depreciation is provided on a straight line basis over the estimated useful lives of the following classes of assets:

Building	22 years
Office equipment	5 years
Furniture and fixtures	10 years
Motor vehicles	5 years

The assets' residual values, and useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively.

An item of property and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss in the year the asset is derecognised.

Capital work-in-progress is stated at cost incurred from the date of commencement of the project to the date on which it is capitalised. When capitalised, capital work-in-progress is transferred to the appropriate category of property and equipment and depreciated in accordance with the Group's accounting policies.

3.18 Investment properties

Investment properties are measured initially 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 consolidated statement of profit or loss in the year in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

3.18 Investment properties (continued)

Investment properties are derecognised either when 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 consolidated statement of profit or loss in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

3.19 Intangible assets

Intangible assets represents software acquired by the Group which is stated at cost less accumulated amortisation and impairment losses, if any. Cost of the software represents the costs incurred to acquire and bring the software to use.

Amortisation is recognised on a straight line basis over the useful life of the software, from the date it is available for use. The useful life of the software is estimated to be 5 years.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of profit or loss when the asset is derecognised.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses are recognised in the consolidated statement of profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

3.19 Intangible assets (continued)

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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 Group 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 group 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.20 Deferred acquisition costs (DAC)

Commissions that vary with and are related to the acquisition of new investment and takaful contracts are treated as prepayments (DAC) to the extent that the commission relates to the future provision of services by the parties to whom payments are made, when the degree of completeness of the service can be reliably measured and the Group is confident of future economic benefit from the introduction acquired. Prepaid commission is expensed through consolidated statement of profit or loss over a period determined by policy features chosen by the contract holder introduced in return for the commission payment. The periods over which it is expensed range from five to thirty months. Commissions for which liability arises on completion of a significant act without the expectation of the delivery of further services are recognised in expenses when incurred. For investment contract introductions where costs are deferred, no costs are deferred beyond the point at which the introducer is considered to have fulfilled his contractual obligations and is not expected or obliged to perform further services.

3.21 Trade and settlement date accounting

All “regular way” purchases and sales of financial assets are recognised on the “trade date”, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

3.22 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVTPL), loans and receivables, held to maturity investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs that are attributable to the acquisition of the financial asset.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Group's documented investment strategy is to manage financial investments on a fair value basis, because the related liabilities are also managed on this basis.

The available-for-sale and held to maturity categories are used when the relevant liability (including shareholders' funds) is passively managed and/or carried at amortised cost.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and bank balances, investments at fair value through profit and loss, takaful receivables and other assets, and retakaful contract assets.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at FVTPL include financial assets held for trading and those designated upon initial recognition as at FVTPL. Investments typically bought with the intention to sell in the near future are classified as held for trading. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. For investments to be designated as at FVTPL, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis, or
- The assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

3.22 Financial Instruments (continued)

a. Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

Subsequent to initial recognition, they are remeasured at fair value. Changes in fair value are recorded in 'Fair value gains and losses. Interest is accrued and presented in 'Investment income', using the effective interest rate (EIR). Dividend income is recorded in 'Investment income' when the right to the payment has been established.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortised cost, using the EIR method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in 'Investment income' in the consolidated statement of profit or loss. Gains and losses are recognised in the consolidated statement of profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVTPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in OCI and credited to the AFS reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the consolidated statement of profit or loss in finance costs. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The group evaluates whether evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the consolidated statement of profit or loss.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

3.22 Financial instruments (continued)

a. Financial assets (continued)

Derecognition of financial assets

A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated statement of comprehensive income. Impairment is determined as follows:

(a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
(b) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Cash and bank balances

Cash and bank balances comprise cash in hand, balances with banks and unrestricted deposits with a maturity of less than 12 months from the date of placement.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand, balances with banks and unrestricted deposits with a maturity of less than three months from the date of placement.

Takaful receivables

Takaful receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, takaful receivables are measured at amortised cost, using the effective interest rate method. The carrying value of takaful receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the consolidated statement of profit or loss.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

3.22 Financial instruments (continued)

a. Financial assets (continued)

Takaful receivables (continued)

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

b. Financial liabilities and equity instruments issued by the Group

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 Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified at initial recognition, as financial liabilities at fair value through profit and loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include takaful and other payables, takaful contract liabilities and borrowings.

Subsequent measurement

Subsequent measurement of financial liabilities depends on their classification, as follows:

Financial liabilities at fair value through profit and loss
Financial liabilities at fair value through profit and loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on designated or held for trading liabilities are recognised in fair value gains and losses in the consolidated statement of comprehensive income.

The Group has not designated any financial liabilities as at fair value through profit and loss upon initial recognition.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

3.22 Financial instruments (continued)

b. Financial liabilities and equity instruments issued by the Group (continued)

Financial liabilities (continued)

Interest bearing loans and borrowings

After initial recognition, interest bearing loans and borrowings, and issued notes are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the consolidated statement of profit or loss.

3.23 Takaful contract liabilities

(i) Unearned contributions

Unearned contributions are those proportions of contributions written in a year that relate to period of risk after the reporting date. Unearned contribution is calculated on a daily prorate basis or "1/365" method. The proportion attributable to subsequent year is deferred as a provision for unearned contributions.

(ii) Claims incurred but not reported

A provision is made for the estimated excess of potential claims over unearned contributions and for claims incurred but not reported at the financial position date.

The reserves represent the management's best estimates on the basis of:
a) claims reported during the year
b) delay in reporting these claims
c) claims handling provision

(iii) Claims reported and unsettled

Outstanding claims are recognised when claims are intimated. Outstanding claims reported are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, after reduction for the recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

(iv) Mathematical reserves

The mathematical reserve is determined by independent actuarial valuation of future policy benefits at the end of each reporting period. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience and industry mortality tables. Adjustments to the balance of the fund are effected by charging to statement of comprehensive income.

(v) Policyholders' investment linked contracts at fair value

For unit linked policies, liability is equal to the policy account values. The investment component of these insurance contracts are designated as at fair value through profit or loss.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

3.24 Investment contract liabilities

Investment contract liabilities without DPF are recognised when contracts are entered into and contributions are charged. These liabilities are initially recognised at fair value, this being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition investment contract liabilities are measured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the consolidated statement of financial position and are not recognised as gross contributions or claims in the consolidated statement of profit or loss.

Fair value adjustments are performed at each reporting date and are recognised in the consolidated statement of profit or loss in "movement in investment contract liabilities". For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price of those funds at the reporting date. The fund assets and fund liabilities used to determine the unit prices at the reporting date are valued on a fair value basis adjusted to take account of the effect on the liabilities of the deferred tax on unrealised gains on assets in the fund.

Non-unitised contracts are subsequently also carried at fair value, which is determined by using valuation techniques such as discounted cash flows and stochastic modelling. Models are validated, calibrated and periodically reviewed by an independent qualified person.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value of the contract cannot be less than the surrender value.

When contracts contain both a financial risk component and a significant takaful risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any contributions relating to the takaful risk component are accounted for on the same basis as takaful contracts and the remaining element is accounted for as a deposit through the consolidated statement of financial position as described above.

3.25 Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received), net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

3.26 Surplus / deficit in policyholders' fund

Surplus in policyholders' funds represents accumulated gains on takaful operations and are distributed among the policyholders. The timing, quantum and the basis of distribution are determined by the Group and are approved by its Fatwa and Shari'a Supervisory Board.

Deficits in participants' funds are financed through Qard Hasan by the Group and thereafter fully provided for by the Group. Accordingly, assets, liabilities, revenue and expenses relating to the policyholders' funds are recognized in the consolidated financial statements of the Group.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

3.27 Provisions

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

3.28 Employees' end of service benefits

The Group provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its UAE national employees, the Group makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

3.29 Retakaful contracts held

The Group cedes takaful risk in the normal course of business for all of its businesses. Retakaful contract assets represent balances due from retakaful companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related retakaful contract.

Retakaful contract assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the retakaful asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the consolidated statement of profit or loss. Gains or losses on buying retakaful are recognised in the consolidated statement of profit or loss immediately at the date of purchase and are not amortised. Ceded retakaful arrangements do not relieve the Group from its obligations to policyholders.

3.30 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

Offsetting of retakaful receivable and payable balances

The Group discloses the net the receivable or payable position in the consolidated financial statements for each reinsurer per segment.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

3. Summary of significant accounting policies (continued)

3.31 Leases

The Group has no finance leases. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

3.32 Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

3.33 Fair value measurement

The Group measures financial instruments, such as, equity instruments, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed in Note 32.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

4. Critical accounting estimates and judgments in applying accounting policies

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification of properties

Management decides on acquisition whether a property will be used as owner-occupied property or for renting out to third parties. If used as owner-occupied property, the value in use of the property is determined as part of the cash generating unit to which it belongs. Otherwise, the asset is classified as investment property and its fair value is determined on an individual asset basis.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as of fair value through profit or loss, available-for-sale or at amortised cost.

Claims incurred but not reported

A provision is made for the estimated excess of potential claims over unearned contributions and for claims incurred but not reported at the financial position date.

The reserves represent the management's best estimates on the basis of:
a) claims reported during the year
b) delay in reporting these claims
c) claims handling provision

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Provision for outstanding claims, whether reported or not

Considerable judgement by management is required in the estimation of amounts due to policyholders arising from claims made under takaful contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claim settlement trends.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

4. Critical accounting estimates and judgments in applying accounting policies (continued)

Estimation uncertainty (continued)

Provision for outstanding claims, whether reported or not (continued)

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

The Group has performed an assessment of the impact of COVID-19 on its contractual arrangements and provisions for outstanding claims and claims incurred but not reported which included regular sensitivity analyses. The Group determined that there is no material impact on its risk position and provision balances for outstanding claims and claims incurred but not reported, as at 31 December 2020. The Group will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

Impairment losses on deferred acquisition costs

The Group reviews its deferred acquisitions costs on a regular basis to assess whether a provision for impairment should be recorded in consolidated statement of profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

Amortization of deferred acquisition costs

The amount of acquisition costs to be deferred is dependent on judgments as to which takaful costs are directly related to and vary with the commission. Acquisition cost on long-term takaful contracts without fixed terms with investment participation feature are amortised over the expected total life of the contract group as a constant percentage of estimated gross profit margins (including investment income) arising from these contracts in accordance with the accounting policy stated in note 3. The pattern of expected profit margins is based on historical and anticipated future experiences which consider assumptions, such as expenses, lapse rates or investment income and are updated at the end of each accounting period.

Valuation of investment properties

The fair value of investment properties were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The independent valuers provide the fair value of the Group's investment properties portfolio annually.

Impairment of available-for-sale securities

The Group determines whether available for sale securities are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgement. In making this judgement and to record whether impairment occurred, the Group evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of takaful contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the profit or loss.

Notes to the consolidated financial statements for the year ended 31 December 2020 (continued)

4. Critical accounting estimates and judgments in applying accounting policies (continued)

Estimation uncertainty (continued)

Impairment losses on takaful receivables

The Group reviews its takaful receivables on a regular basis to assess whether a provision for impairment should be recorded in the consolidated statement of profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant insurance receivables, the Group also makes a collective impairment provision against takaful receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for insurance receivables within each grade and is adjusted to reflect current economic changes.

Mathematical reserve

The Group values its mathematical reserves based on actuarial valuations which relies on several underlying assumptions such as government yield curve for growth rates, discount rates and inflation as well as mortality rates, morbidity, longevity, investment returns, expenses, lapse and surrender rates, discount rates and partial withdrawal assumptions to estimate the value of insurance contract liabilities on a reasonable basis.

Going concern

The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the consolidated financial statements continue to be prepared on a going concern basis.

Useful lives of property and equipment

The Group's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

5. Cash and bank balances

	2020		2019	
	Takaful operations AED	**Shareholders' operations AED**	Takaful operations AED	Shareholders' operations AED
Cash and bank balances	**66,640,515**	**16,631,013**	40,333,140	11,796,580
Deposits	**17,250,000**	-	17,250,000	-
Total	**83,890,515**	**16,631,013**	57,583,140	11,796,580
Less: Deposits maturing in more than three months	**(17,250,000)**	-	(17,250,000)	-
Cash and cash equivalents	**66,640,515**	**16,631,013**	40,333,140	11,796,580

The deposits carry profit rates ranging from 1 % to 1.25 % (2019: 1.75% to 2.40%) per annum with maturity dates ranging from 23 August 2021 to 30 September 2021.

6. Financial instruments

	2020 AED	2019 AED
Takaful operations' assets		
At fair value through profit or loss (Note 6 (a))	**289,788,572**	266,550,462
Available-for-sale (Note 6 (b))	**41,055,764**	34,401,899
	330,844,336	300,952,361
Shareholders' assets		
At fair value through profit or loss (Note 6 (a))	**29,471,332**	24,079,343
Total	**360,315,668**	325,031,704

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

6. Financial instruments (continued)

(a) Financial instruments at fair value through profit or loss

	2020			
	Attributable to individual life policyholders AED	**Attributable to shareholders' AED**	**Attributable to takaful operations AED**	**Total AED**
Mutual funds	**176,679,413**	**9,071,332**	**-**	**185,750,745**
Sukuk investments	**42,596,489**	**-**	**7,381,966**	**49,978,455**
Equity investments – quoted	**-**	**-**	**63,130,704**	**63,130,704**
Equity investments – unquoted	**-**	**20,400,000**	**-**	**20,400,000**
Total	**219,275,902**	**29,471,332**	**70,512,670**	**319,259,904**

	2019			
	Attributable to individual life policyholders AED	Attributable to shareholders' AED	Attributable to takaful operations AED	Total AED
Mutual funds	145,045,251	1,734,834	-	146,780,085
Sukuk investments	32,681,059	-	30,521,013	63,202,072
Equity investments – quoted	-	-	58,303,139	58,303,139
Equity investments – unquoted	-	22,344,509	-	22,344,509
Total	177,726,310	24,079,343	88,824,152	290,629,805

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

6. Financial instruments (continued)

(a) Financial instruments at fair value through profit or loss (continued)

Movements during the year were as follows:

	2020			
	Attributable to individual life policyholders AED	**Attributable to shareholders AED**	**Attributable to takaful operations AED**	**Total AED**
At beginning of the year	**177,726,310**	**24,079,343**	**88,824,152**	**290,629,805**
Purchases during the year	**144,943,704**	**21,353,528**	**7,386,802**	**173,684,034**
Disposals during the year	**(119,715,358)**	**(5,554,867)**	**(34,229,143)**	**(159,499,368)**
Change in fair value during the year	**16,321,246**	**(10,406,672)**	**8,530,859**	**14,445,433**
Total	**219,275,902**	**29,471,332**	**70,512,670**	**319,259,904**

	2019			
	Attributable to individual life policyholders AED	Attributable to shareholders AED	Attributable to takaful operations AED	Total AED
At beginning of the year	117,529,436	74,733,088	61,047,689	253,310,213
Purchases during the year	85,456,345	41,673,063	-	127,129,408
Disposals during the year	(45,390,762)	(55,046,930)	(16,996,875)	(117,434,567)
Transfer of available-for-sale investments	-	(48,218,101)	48,218,101	-
Change in fair value during the year	20,131,291	10,938,223	(3,444,763)	27,624,751
Total	177,726,310	24,079,343	88,824,152	290,629,805

(b) Available-for-sale (AFS)

	2020 AED	2019 AED
Shares – quoted	**41,055,764**	34,401,899

A fair value gain amounting to AED 6.65 million (2019: AED 1.84 million) has been recognised in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

7. Takaful receivables and other assets

	2020		
	Takaful operations AED	**Shareholders' operations AED**	**Total AED**
Takaful receivables	**150,939,622**	**-**	**150,939,622**
Provision for impairment	**(20,267,592)**	**-**	**(20,267,592)**
	130,672,030	**-**	**130,672,030**
Receivables from retakaful companies	**21,174,415**	**-**	**21,174,415**
Prepaid expenses	**-**	**1,532,900**	**1,532,900**
Other receivables	**19,628,529**	**9,668,450**	**29,296,979**
	171,474,974	**11,201,350**	**182,676,324**
Balance at the beginning of the year	**22,384,857**	**-**	**22,384,857**
Reversal made during the year	**(802,745)**	**-**	**(802,745)**
Recovery of accounts written off	**(1,314,520)**	**-**	**(1,314,520)**
Balance at the end of the year	**20,267,592**	**-**	**20,267,592**

	2020		
	Takaful operations AED	**Shareholders' operations AED**	**Total AED**
Takaful receivables and other assets – Inside UAE			
Takaful receivables	**150,939,622**	**-**	**150,939,622**
Provision for impairment – Takaful receivables	**(20,267,592)**	**-**	**(20,267,592)**
	130,672,030	**-**	**130,672,030**
Receivables from retakaful companies	**1,047,639**	**-**	**1,047,639**
Prepaid expenses	**-**	**1,532,900**	**1,532,900**
Other receivables	**19,628,529**	**9,668,450**	**29,296,979**
	151,348,198	**11,201,350**	**162,549,548**

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

7. Takaful receivables and other assets (continued)

	2020		
	Takaful operations AED	**Shareholders' operations AED**	**Total AED**
Takaful receivables and other assets – Outside UAE			
Receivable from retakaful companies	**20,126,776**	-	**20,126,776**
	20,126,776	-	**20,126,776**

	2019		
	Takaful operations AED	Shareholders' operations AED	Total AED
Takaful receivables	163,533,036	-	163,533,036
Provision for impairment	(22,384,857)	-	(22,384,857)
	141,148,179	-	141,148,179
Receivables from retakaful companies	15,607,025	-	15,607,025
Prepaid expenses	-	2,223,322	2,223,322
Other receivables	51,223,755	23,170,860	74,394,615
	207,978,959	25,394,182	233,373,141
Movement in the allowance for doubtful debts			
Balance at the beginning of the year	21,088,450	-	21,088,450
Impairment provision made during the year	2,196,414	-	2,196,414
Recovery of accounts written off	(240,548)	-	(240,548)
Bad debts written off	(659,459)	-	(659,459)
Balance at the end of the year	22,384,857	-	22,384,857

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

7. Takaful receivables and other assets (continued)

	2019		
	Takaful operations AED	Shareholders' operations AED	Total AED
Takaful receivables and other assets – Inside UAE			
Takaful receivables	163,533,036	-	163,533,036
Provision for impairment – Takaful receivables	(22,384,857)	-	(22,384,857)
	141,148,179	-	141,148,179
Receivables from retakaful companies	14,419,431	-	14,419,431
Prepaid expenses	-	2,223,322	2,223,322
Other receivables	51,223,755	23,170,860	74,394,615
	206,791,365	25,394,182	232,185,547

	2019		
	Takaful operations AED	Shareholders' operations AED	Total AED
Takaful receivables and other assets – Outside UAE			
Receivable from retakaful companies	1,187,594	-	1,187,594
	1,187,594	-	1,187,594

The following table provides an ageing analysis of unimpaired receivables and other assets (excluding prepaid expenses)

2020

	Less than 30 days AED	30-90 days AED	91 to 180 days AED	181 to 270 days AED	271 to 365 days AED	>365 days AED	Total AED
Inside UAE:							
Takaful receivables	**107,620,776**	**6,327,865**	**6,368,889**	**4,737,354**	**3,524,523**	**2,092,623**	**130,672,030**
Receivable from retakaful companies	**-**	**117,750**	**236,546**	**27,500**	**22,915**	**642,928**	**1,047,639**
Other receivables	**-**	**-**	**29,296,979**	-	-	**-**	**29,296,979**
Total	**107,620,776**	**6,445,615**	**35,902,414**	**4,764,854**	**3,547,438**	**2,735,551**	**161,016,648**
Outside UAE:							
Receivable from retakaful companies	**1,923,594**	**12,537,167**	**3,684,910**	**615,845**	**-**	**1,365,260**	**20,126,776**
Total	**1,923,594**	**12,537,167**	**3,684,910**	**615,845**	**-**	**1,365,260**	**20,126,776**

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

7. Takaful receivables and other assets (continued)

2019

	Less than 30 days AED	30-90 days AED	91 to 180 days AED	181 to 270 days AED	271 to 365 days AED	>365 days AED	Total AED
Inside UAE:							
Takaful receivables	82,052,034	18,058,644	13,018,706	8,248,205	4,865,562	14,905,028	141,148,179
Receivable from retakaful companies	-	9,095	140,686	-	4,856,113	9,413,537	14,419,431
Other receivables	-	-	74,394,615	-	-	-	74,394,615
Total	82,052,034	18,067,739	87,554,007	8,248,205	9,721,675	24,318,565	229,962,225
Outside UAE:							
Receivable from retakaful companies	-	26,307	138,816	-	47,626	974,845	1,187,594
Total	-	26,307	138,816	-	47,626	974,845	1,187,594

Unimpaired accounts receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Group to obtain collateral over accounts receivable.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

8. Takaful contract liabilities and retakaful contract assets

	2020 **AED**	2019 AED (Restated)
Gross takaful contract liabilities		
Claims reported	**90,172,171**	184,644,225
Claims incurred but not reported	**35,774,861**	66,860,214
Unearned contributions	**219,208,476**	185,431,102
Mathematics reserves	**6,057,040**	4,888,383
Policyholders' investment linked contracts at fair value	**222,185,354**	170,064,606
	573,397,902	611,888,530
Retakaful contract assets		
Retakaful share of claims reported	**35,311,980**	110,662,993
Retakaful share of claims incurred but not reported	**14,801,241**	23,132,191
Retakaful share of unearned contributions	**80,671,803**	85,343,296
Retakaful share of mathematics reserves	**895,899**	3,032,684
	131,680,923	222,171,164
Net takaful contract liabilities		
Claims reported	**54,860,191**	73,981,232
Claims incurred but not reported	**20,973,620**	43,728,023
Unearned contributions	**138,536,673**	100,087,806
Mathematics reserves	**5,161,141**	1,855,699
Policyholders' investment linked contracts at fair value	**222,185,354**	170,064,606
Total	**441,716,979**	389,717,366

	2020 **AED**	2019 AED (Restated)
Movement in payable to policyholders of investment linked contracts		
Opening balance	**170,064,606**	111,422,534
Gross contribution	**97,895,018**	90,828,568
Allocation charges	**(8,246,440)**	(22,574,379)
Redemption and other charges	**(53,849,076)**	(29,743,408)
Change in fair value	**16,321,246**	20,131,291
Closing balance	**222,185,354**	170,064,606

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

9. Investment properties

	2020 **AED**	2019 AED
Land	**15,401,896**	15,401,896
Residential apartments	**16,713,000**	20,290,000
	32,114,896	35,691,896
Work in progress	**19,512,614**	5,698,104
	51,627,510	41,390,000

Movement during the year

	2020		
	Land **AED**	**Residential apartments** **AED**	**Total** **AED**
Fair value at beginning of the year	**15,401,896**	**20,290,000**	**35,691,896**
Change in fair value during the year	**-**	**(3,577,000)**	**(3,577,000)**
Fair value at end of the year	**15,401,896**	**16,713,000**	**32,114,896**

	2019		
	Land AED	Residential apartments AED	Total AED
Fair value at beginning of the year	15,000,000	22,500,000	37,500,000
Change in fair value during the year	401,896	(2,210,000)	(1,808,104)
Fair value at end of the year	15,401,896	20,290,000	35,691,896

The carrying value of residential apartments represents its fair value as at 31 December 2020 as determined by an independent valuation expert, in accordance with relevant appraisal and valuation standards. The basis of determination of fair value is the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The date of revaluation was 31 December 2020. Land, on which construction is under progress, and the work in progress as at 31 December, 2020 amounting to AED 34,914,510 are not stated at its fair value, and this investment property under construction will be fair valued when its fair value becomes reliably measurable or construction is completed (whichever is earlier).

Investment properties are classified as Level 3 in the fair value hierarchy as at 31 December 2020 (31 December 2019: Level 3).

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

10. Deferred policy acquisition cost

	2020 **AED**	2019 AED (Restated)
Balance at beginning of the year (Restated)	**52,827,343**	47,325,176
Amortisation for the year	**(33,946,578)**	(49,142,418)
Commission paid during the year	**46,731,924**	54,644,585
	65,612,689	52,827,343

As per Article (3) of Section 7 of the Financial Regulations for Takaful Insurance Companies, the shareholders account should bear all operational, administrative and general expenses for takaful insurance business. Accordingly, effective from 1 January 2017, the commission incurred related to medical business has been classified in the consolidated statement of profit or loss as attributable to shareholders.

11. Statutory deposit

Statutory deposit is maintained in accordance with the requirements of UAE Federal Law No. 6 of 2007 for the purpose of carrying on takaful operations in the United Arab Emirates and is not available to finance the day to day operations of the Group. This deposit carries a profit rate of 1% (2019: 3.40%) per annum.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

12. Property and equipment

	Building AED	Office equipment AED	Furniture and fixtures AED	Motor vehicles AED	Capital work in progress AED	Total AED
Cost						
At 31 December 2018	44,674,473	2,979,475	10,909,072	171,969	-	58,734,989
Additions during the year	2,153,368	11,500	66,223	-	755,460	2,986,551
Disposals during the year	-	(5,569)	-	-	-	(5,569)
At 31 December 2019	46,827,841	2,985,406	10,975,295	171,969	755,460	61,715,971
Additions during the year	1,800,480	-	346,731	-	-	2,147,211
Disposals during the year	-	(309,802)	(151,810)	-	(755,460)	(1,217,072)
At 31 December 2020	**48,628,321**	**2,675,604**	**11,170,216**	**171,969**	**-**	**62,646,110**
Accumulated depreciation						
At 31 December 2018	1,183,092	1,554,866	4,817,985	130,282	-	7,686,225
Depreciation for the year	2,128,419	370,596	973,571	33,234	-	3,505,820
Disposals during the year	-	(4,918)	-	-	-	(4,918)
At 31 December 2019	3,311,511	1,920,544	5,791,556	163,516	-	11,187,127
Depreciation for the year	2,136,435	325,048	936,452	4,318	-	3,402,253
Disposals during the year	-	(139,411)	(34,338)	-	-	(173,749)
At 31 December 2020	**5,447,946**	**2,106,181**	**6,693,670**	**167,834**	**-**	**14,415,631**
Carrying amount						
At 31 December 2020	**43,180,375**	**569,423**	**4,476,546**	**4,135**	**-**	**48,230,479**
At 31 December 2019	43,516,330	1,064,862	5,183,739	8,453	755,460	50,528,844

The building has been mortgaged against facilities obtained from the bank. (Note 15)

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

13. Intangible assets

	Software AED	Work in progress AED	Total AED
Cost:			
Balance at 31 December 2018	11,140,461	2,357,516	13,497,977
Additions during the year	2,575,078	4,335,129	6,910,207
Write off during the year	-	(6,692,645)	(6,692,645)
Balance at 31 December 2019	13,715,539	-	13,715,539
Additions during the year	138,550	-	138,550
Balance at 31 December 2020	**13,854,089**	**-**	**13,854,089**
Accumulated amortisation:			
Balance at 31 December 2018	8,600,040	-	8,600,040
Amortisation for the year	933,383	-	933,383
Balance at 31 December 2019	9,533,423	-	9,533,423
Amortisation for the year	1,252,405	-	1,252,405
Balance at 31 December 2020	**10,785,828**	**-**	**10,785,828**
Carrying amount:			
Balance at 31 December 2020	**3,068,261**	**-**	**3,068,261**
Balance at 31 December 2019	4,182,116	-	4,182,116

The write-off during 2019 amounting AED 6.69 million pertains to purchased application systems which are deemed unusable by the Group due to the cancelled acquisition of Al Hilal Takaful in 2019.

14. Takaful and other payables

	2020		
	Takaful operations AED	Shareholders' operations AED	Total AED
Retakaful payables	**135,617,946**	**23,051,610**	**158,669,556**
Accrued expenses and other payables	**25,924,161**	**47,550,863**	**73,475,024**
	161,542,107	**70,602,473**	**232,144,580**

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

14. Takaful and other payables (continued)

	2019		
	Takaful operations AED	Shareholders' operations AED	Total AED
Retakaful payables	152,572,819	24,341,783	176,914,602
Accrued expenses and other payables	37,457,889	33,867,258	71,325,147
	190,030,708	58,209,041	248,239,749

	2020		
	Takaful operations AED	**Shareholders' operations AED**	**Total AED**
Inside UAE			
Retakaful payables	**102,660,668**	**13,885,542**	**116,546,210**
Payable to insurance agents	**-**	**212,057**	**212,057**
Payable to insurance brokers	**-**	**6,905,822**	**6,905,822**
Payable to staff	**-**	**2,167,436**	**2,167,436**
Other payables	**25,924,161**	**45,216,447**	**71,140,608**
	128,584,829	**68,387,304**	**196,972,133**
Outside UAE			
Retakaful payables	**32,957,278**	**2,215,169**	**35,172,447**

	2019		
	Takaful operations AED	Shareholders' operations AED	Total AED
Inside UAE			
Retakaful payables	90,846,573	20,836,439	111,683,012
Payable to insurance agents	-	7,320,642	7,320,642
Payable to insurance brokers	-	6,724,970	6,724,970
Payable to staff	-	965,848	965,848
Other payables	37,457,889	18,855,798	56,313,687
	128,304,462	54,703,697	183,008,159
Outside UAE			
Retakaful payables	61,726,246	3,505,344	65,231,590

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

15. Borrowings

The borrowings as at reporting date is against AED 35 million loan obtained in 2017 for the purchase of new building being used as office space, of which outstanding principal amount in AED 25.9 million (2019: AED 29.4 million).

The decrease in borrowings of AED 14.42 million (2019: AED 12.91 million) during the year consists of settlement of borrowing amounting to AED 10.92 million and repayment of AED 3.5 million against borrowing of AED 35 million.

Bank credit facilities were secured by mortgage over property, assignment of Islamic insurance policy over property, hypothecation of wakala time deposit and promissory notes. The Group's loan agreement is subject to certain financial covenants. As at 31 December 2020, these covenants have been complied with.

16. Provision for employees end of service benefits

Movement in the provision for employees' end of service benefits during the year was as follows:

	2020	2019
	AED	AED
Balance at the beginning of the year	**2,914,064**	2,443,215
Charge for the year	**1,002,915**	2,368,068
Paid during the year	**(1,202,452)**	(1,897,219)
Balance at the end of the year	**2,714,527**	2,914,064

17. Share capital

	2020	2019
	AED	AED
Authorised issued and fully paid:		
150,000,000 ordinary shares of AED 1 each	**150,000,000**	150,000,000
Balance at the end of the year	**150,000,000**	150,000,000

18. Reserves

a) Statutory reserve

In accordance with the UAE Federal Law No. 2 of 2015, 10% of the net profit of the Group has to be transferred to a non-distributable legal reserve until such reserve equals 50% of the paid up share capital of the Group.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

18. Reserves (continued)

b) Regulatory reserve

In accordance with Article 34 of Insurance Authority's Board of Directors Decision No.(23) of 2019, the Group has allocated an amount equals to 0.5% of the total retakaful contributions ceded in all classes to retakaful reserve from the effective date of the said decision.

This reserve shall be accumulated year after year and may not be disposed off without the written approval of the Director General of the Insurance Authority.

19. Proposed and paid dividends

For the years ended 31 December 2019 and 2020, there was no proposed dividend.

During the year ended 31 December 2020 no dividend was declared and paid by the Group.

At the annual general meeting held on 24 March 2019, the Shareholders approved a cash dividend of 7 fils per share. Dividend for ordinary shares is amounting to AED 10.5 million for 2018.

20. Zakat

Zakat is payable by the shareholders. Management has informed the shareholders the amount of Zakat payable by each shareholder. Zakat paid in current year amounted to AED 383,485 (2019: AED nil).

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

21. Net earned contributions

	2020			2019		
	Medical AED	**Life and savings AED**	**Total AED**	Medical AED	Life and savings AED	Total AED
Gross contribution written	**511,634,540**	**102,667,218**	**614,301,758**	509,210,383	97,001,785	606,212,168
Change in unearned contributions	**(34,219,798)**	**442,424**	**(33,777,374)**	12,483,206	897,600	13,380,806
Takaful contributions earned	**477,414,742**	**103,109,642**	**580,524,384**	521,693,589	97,899,385	619,592,974
Retakaful contributions	**156,527,681**	**8,027,736**	**164,555,417**	189,620,721	8,553,778	198,174,499
Change in unearned contributions	**4,465,090**	**206,403**	**4,671,493**	26,074,926	558,940	26,633,866
Retakaful contributions ceded	**160,992,771**	**8,234,139**	**169,226,910**	215,695,647	9,112,718	224,808,365
Net earned contributions	**316,421,971**	**94,875,503**	**411,297,474**	305,997,942	88,786,667	394,784,609

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

22. Claims incurred

2020

	Gross			Retakaful			Net		
	Medical AED	**Life AED**	**Total AED**	**Medical AED**	**Life AED**	**Total AED**	**Medical AED**	**Life AED**	**Total AED**
Takaful claims paid	**448,767,581**	**29,539,294**	**478,306,875**	**(158,002,936)**	**(28,789,333)**	**(186,792,269)**	**290,764,645**	**749,961**	**291,514,606**
Movement in provision for claims reported and unsettled	**(68,921,860)**	**(25,550,194)**	**(94,472,054)**	**49,795,528**	**25,555,485**	**75,351,013**	**(19,126,332)**	**5,291**	**(19,121,041)**
Movement in provision for claims incurred but not reported	**(31,009,890)**	**(75,463)**	**(31,085,353)**	**8,423,119**	**(92,169)**	**8,330,950**	**(22,586,771)**	**(167,632)**	**(22,754,403)**
Claims recorded in the consolidated statement of profit or loss	**348,835,831**	**3,913,637**	**352,749,468**	**(99,784,289)**	**(3,326,017)**	**(103,110,306)**	**249,051,542**	**587,620**	**249,639,162**

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

22. Claims incurred (continued)

2019

	Gross			Retakaful			Net		
	Medical AED	Life AED	Total AED	Medical AED	Life AED	Total AED	Medical AED	Life AED	Total AED
Takaful claims paid	357,478,697	4,353,766	361,832,463	(177,790,989)	(3,643,832)	(181,434,821)	179,687,708	709,934	180,397,642
Movement in provision for claims reported and unsettled	53,416,268	735,288	54,151,556	(8,913,461)	(982,725)	(9,896,186)	44,502,807	(247,437)	44,255,370
Movement in provision for claims incurred but not reported	25,501,408	14,919	25,516,327	2,456,725	2,275	2,459,000	27,958,133	17,194	27,975,327
Claims recorded in the consolidated statement of profit or loss	436,396,373	5,103,973	441,500,346	(184,247,725)	(4,624,282)	(188,872,007)	252,148,648	479,691	252,628,339

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

23. Change in reserve

	2020	2019
	AED	AED
Change in mathematical reserve – takaful life	**3,305,442**	709,328
Change in reserve relating to takaful life products	**77,545,003**	63,897,311
Change in fair value – individual life policyholders	**(16,321,246)**	(20,131,291)
	64,529,199	44,475,348

24. Wakalah fees

Wakalah fees for the year ended 31 December 2020 amounted to AED 77,572,311 (2019: AED 82,137,697).

For group life, individual medical and group medical policies, wakalah fees were charged up to 13.5% to 25 % of net takaful contribution. For life takaful policies, wakalah fees were charged at a maximum of 35% of takaful risk contribution. Wakalah fees are approved by the Sharia'a Supervisory Board and is charged to the consolidated statement of profit or loss when incurred.

25. Investment (loss)/income - net

	2020	2019
	AED	AED
Return on investment in fixed deposits	**5,044,190**	3,152,890
Realised loss on sale of investments at fair value through profit or loss	**(4,258,488)**	(1,421)
Fair value changes on investments at fair value through profit or loss	**(1,875,812)**	7,493,460
Dividend income	**-**	765,000
Investment management charges	**(627,284)**	(927,593)
	(1,717,394)	10,482,336
Attributable to shareholders	**(10,080,064)**	13,354,175
Attributable to policyholders	**8,362,670**	(2,871,839)
	(1,717,394)	10,482,336

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

26. Other income

	2020 **AED**	2019 AED (Restated)
Surrender and other charges on unit linked policies	**18,330,624**	10,638,670
Others	**1,049,131**	200,080
	19,379,755	10,838,750

27. General and administrative expenses

	2020 **AED**	2019 AED
Salaries and other benefits	**24,610,046**	30,034,832
Third party administrator expenses	**14,198,836**	19,286,055
Authority fees	**5,105,825**	7,183,772
Policy overhead expenses	**3,956,206**	5,091,877
IT expenses	**3,107,906**	4,447,187
Depreciation and amortization	**4,654,658**	4,439,203
(Reversal)/provision for impairment	**(802,745)**	2,196,414
Marketing expenses	**589,980**	1,572,180
Legal and professional fees	**2,371,597**	1,538,645
Rent and related expenses	**310,061**	488,371
Other expenses	**2,431,298**	10,987,904
	60,533,668	87,266,440

In 2019, other expenses includes intangible assets written off amounting to AED 6.69 million (note 13).

28. Basic and diluted profit/ (loss) per share

	2020	2019 (Restated)
Profit/ (loss) for the year attributable to shareholders (in AED)	**412,982**	(39,346,245)
Weighted average number of shares outstanding during the year	**150,000,000**	150,000,000
Profit/ (loss) per share (AED)	**0.003**	(0.262)

No figures for diluted earnings/ (loss) per share are presented as the Group has not issued any instruments which would have an impact on earnings/ (loss) per share when exercised.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

29. Fatwa and Sharia'a Supervisory Board

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

30. Related party transactions and balances

Related parties represent, major shareholders, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the Group's management.

The significant balances outstanding at 31 December in respect of related parties included in the consolidated financial statements are as follows:

	2020	2019
	AED	AED
Affiliates of major shareholders:		
Deposit	**-**	7,373,754
Outstanding claims	**339,864**	786,445
Equity Investments – quoted	**-**	3,775,038

The income and expenses in respect of related parties included in the consolidated financial statements are as follows:

	2020	2019
	AED	AED
Affiliates of major shareholders:		
Contributions	**3,793,413**	6,066,169
Claims	**3,489,054**	2,834,185

Compensation of the key management personnel is as follows:

	2020	2019
	AED	AED
Short term employee benefits	**2,894,875**	4,607,569
End of service benefits	**448,913**	496,813
	3,343,788	5,104,382

Outstanding balances at the year-end arise in the normal course of business. For the years ended 31 December 2020 and 31 December 2019, the Group has not recorded any impairment of amounts owed by related parties.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

31. Segment information

For management purposes, the Group is organised into two business segments; takaful and investment operations. The takaful operations comprise the takaful business undertaken by the Group on behalf of policyholders. Investment operations comprise investments and cash management for the Group's own account. No operating segments have been aggregated to form the above reportable operating segments.

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

Except for Wakalah fees, allocation charges and Qard Hassan, no other inter-segment transactions occurred during the year. Segment income, expenses and results include transactions between business segments which will then be eliminated on consolidation shown below

	2020					
	Underwriting				*Shareholders*	
	Medical AED	*Life* AED	*Total* AED	*Investments* AED	*Others* AED	*Total* AED
Segment revenue	**477,414,742**	**103,109,642**	**580,524,384**	**(10,080,064)**	**96,952,066**	**86,872,002**
Segment result	**70,472,849**	**15,120,688**	**85,593,537**	**(10,080,064)**	**96,952,066**	**86,872,002**
Wakalah fees	**(60,724,146)**	**(16,848,165)**	**(77,572,311)**	-	-	-
Commission incurred	-	-	-	-	**(33,946,578)**	**(33,946,578)**
General and administrative expenses	-	-	-	-	**(60,533,668)**	**(60,533,668)**
Provision for Qard Hassan to policyholders' fund	-	-	-	-	**8,021,226**	**8,021,226**
Profit/(loss) attributable to policyholders/ shareholders	**9,748,703**	**(1,727,477)**	**8,021,226**	**(10,080,064)**	**10,493,046**	**412,982**

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

31. Segment information (continued)

	2019 (Restated)					
	Underwriting				*Shareholders*	
	Medical AED	*Life* AED	*Total* AED	*Investments* AED	*Others* AED	*Total* AED
Segment revenue	521,693,589	97,899,385	619,592,974	13,354,175	92,976,447	106,330,622
Segment result	48,625,328	24,244,360	72,869,688	13,354,175	92,976,447	106,330,622
Wakalah fees	(58,165,647)	(23,972,050)	(82,137,697)	-	-	-
Commission incurred	-	-	-	-	(49,142,418)	(49,142,418)
General and administrative expenses	-	-	-	-	(87,266,440)	(87,266,440)
Provision for Qard Hassan to policyholders' fund	-	-	-	-	(9,268,009)	(9,268,009)
(Loss)/profit attributable to policyholders/ shareholders	(9,540,319)	272,310	(9,268,009)	13,354,175	(52,700,420)	(39,346,245)

	2020						
	Medical AED	**Life and savings AED**	**Underwriting Total AED**	**Shareholders' investments AED**	**Unallocated Others AED**	**Total AED**	**Total AED**
Segment assets	**529,400,659**	**305,730,288**	**835,130,947**	**46,102,345**	**66,500,090**	**112,602,435**	**947,733,382**
Segment liabilities	**498,683,182**	**236,256,827**	**734,940,009**	**-**	**99,217,000**	**99,217,000**	**834,157,009**

	2019 (Restated)						
	Medical AED	Life and savings AED	Underwriting Total AED	Shareholders' investments AED	Unallocated Others AED	Total AED	Total AED
Segment assets	602,097,334	288,179,387	890,276,721	35,875,923	84,105,142	119,981,065	1,010,257,786
Segment liabilities	583,441,458	218,477,780	801,919,238	10,922,432	90,523,105	101,445,537	903,364,775

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

32. Fair value of financial instruments

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

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

Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2019.

Fair value measurements recognised in the consolidated statement of financial position
The following table provides an analysis of assets and liabilities that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
	AED	**AED**	**AED**	**AED**
Assets				
Investments at fair value through profit or loss				
Equity investments - quoted	**63,130,704**	**-**	**-**	**63,130,704**
Equity investments - unquoted	**-**	**-**	**20,400,000**	**20,400,000**
Mutual funds	**-**	**185,750,745**	**-**	**185,750,745**
Sukuk investments	**-**	**49,978,455**	**-**	**49,978,455**
Available-for-sale	**41,055,764**	**-**	**-**	**41,055,764**
	104,186,468	**235,729,200**	**20,400,000**	**360,315,668**
Liabilities				
Investment linked contracts	**-**	**222,185,354**	**-**	**222,185,354**

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

32. Fair value of financial instruments (continued)

	2019 (Restated)			
	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Assets				
Investments at fair value through profit or loss				
Equity investments - quoted	58,303,139	-	-	58,303,139
Equity investments - unquoted	-	-	22,344,509	22,344,509
Mutual funds	-	146,780,085	-	146,780,085
Sukuk investments	-	63,202,072	-	63,202,072
Available-for-sale	34,401,899	-	-	34,401,899
	92,705,038	209,982,157	22,344,509	325,031,704
Liabilities				
Investment linked contracts	-	170,064,606	-	170,064,606

32.1 Movement in financial assets at level 3

	2020 AED	2019 AED
Balance at the beginning of the year	**22,344,509**	13,936,767
Changes in value	**(1,944,509)**	8,407,742
Balance at the end of the year	**20,400,000**	22,344,509

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

33. Policy holders' fund

	2020	2019
	AED	AED
Deficit in policy holders' fund		
Balance at the beginning of the year	**(9,268,009)**	(30,905,151)
Surplus/(deficit) during the year	**8,021,226**	(9,268,009)
Qard Hassan written off	**-**	30,905,151
Balance at the end of the year	**(1,246,783)**	(9,268,009)
Qard Hassan from shareholders		
Balance at beginning of year	**9,268,009**	30,905,151
(Recovery)/ provision during the year	**(8,021,226)**	9,268,009
Qard Hassan written off	**-**	(30,905,151)
Balance at the end of the year	**1,246,783**	9,268,009
Total deficit in policyholders' fund	-	-

34. Risk management

(i) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Chief Operating Officer and senior managers.

The board of directors meets regularly to approve any commercial, regulatory and organisational decisions. The Chief Operating Officer under the authority delegated from the board of directors defines the Group's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

The Group's current enterprise risk management framework is formally documented and divided into three phases. The Group's enterprise risk management framework is established to identify and analyse the key risks faced by the Group to set appropriate controls and manage those risks. As part of the risks identification process, the Group uses risk based capital model to assess the capital requirement and uses stress analysis to apply changes to capital. The Group's risk appetite is derived from the changes to capital.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

34. Risk management (continued)

***(ii)* Capital management framework**

The primary objective of the Group's capital management is to comply with the regulatory requirements in the UAE and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019.

***(iii)* Regulatory framework**

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

The operations of the Group are also subject to regulatory requirements within the jurisdiction where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

***(iv)* Asset liability management (ALM) framework**

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Group manages these positions to achieve long-term investment returns in excess of its obligations under takaful contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from takaful contracts by reference to the type of benefits payable to contract holders.

The Chief Operating Officer actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from takaful contracts.

The Chief Operating Officer regularly monitors the financial risks associated with the Group's other financial assets and liabilities not directly associated with takaful liabilities.

34A Takaful risk

The principal risk the Group faces under takaful contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of takaful contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

34. Risk management (continued)

34A Takaful risk (continued)

Frequency and amounts of claims
The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly medical, group life and personal accident risks. These are regarded as short-term takaful contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate takaful risk.

Medical, group life and personal accident
Medical insurance is designed to compensate the contract holders for medical costs. Group life and personal accident takaful entitles the contract holders or their beneficiaries to specified amounts in case of death or permanent or partial disability. For medical takaful, the main risks are illness and related healthcare costs.

Individual Life
For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected. Group wide reinsurance limits on any single life insured and on all high-risk individuals insured are in place.

The Group has adequate retakaful arrangements to protect its financial viability against such claims for all the above classes.

Geographical concentration of risks
The takaful risk arising from takaful contracts is primarily concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to last year.

Retakaful risk
In common with other takaful companies, in order to minimise financial exposure arising from large takaful claims, the Group, in the normal course of business, enters into arrangements with other parties for retakaful purposes. Such retakaful arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the retakaful is effected under treaty, facultative and excess of loss reinsurance contracts.

Retakaful ceded contracts do not relieve the Group from its obligations to policyholders and as a result the Group remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the retakaful agreements.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers. The Group deals with reinsurers approved by the Board of Directors.

The three largest reinsurers account for 89% of amounts due from reinsurance companies at 31 December 2020 (2019: 87%).

The Group has a large ceding allowance which covers claim risks, including catastrophic risk. The Group's reserve performance is monitored frequently to ensure adequacy of reserves.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

34. Risk management (continued)

34B Financial risk

The Group's principal financial instruments include financial assets and financial liabilities which comprise financial investments (at fair value through profit or loss and available-for-sale), receivables arising from takaful and retakaful contracts, statutory deposits, cash and cash equivalents, and takaful and other payables and borrowings.

The Group does not enter into derivative transactions.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, foreign currency risk, profit rate risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Group, the maximum exposure to credit risk to the Group is the carrying value as disclosed in the consolidated statement of financial position.

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- The Group only enters into takaful and retakaful contracts with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from takaful and retakaful contracts are monitored on an ongoing basis in order to reduce the Group's exposure to bad debts.
- The Group seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Group's investments at fair value through profit or loss are managed by the Chief Operating Officer in accordance with the guidance of the Board of Directors.
- The Group's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position:

	2020	2019
	AED	AED
Cash and bank balances	**100,521,528**	69,379,720
Statutory deposit	**4,000,000**	4,000,000
Takaful and other receivables	**181,143,424**	231,149,819
Retakaful share of claims reported and unsettled	**35,311,980**	110,662,993
Investments at fair value through profit or loss	**319,259,904**	290,629,805
Available-for-sale	**41,055,764**	34,401,899
	681,292,600	740,224,236

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

34. Risk management (continued)

34B Financial risk (continued)

Currency risk
Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in UAE Dirhams or US Dollars to which the UAE Dirham is pegged.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its commitments associated with insurance contracts and financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis.

The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

2020

	Less than three months AED	From three months to one year AED	Over one year AED	Total AED
Financial assets				
Cash and bank balances	**83,271,528**	**17,250,000**	**-**	**100,521,528**
Statutory deposit	**-**	**-**	**4,000,000**	**4,000,000**
Takaful receivables and other assets	**157,824,131**	**19,218,482**	**4,100,811**	**181,143,424**
Retakaful share of claims reported	**35,311,980**	**-**	**-**	**35,311,980**
Investments at fair value through profit or loss	**-**	**-**	**319,259,904**	**319,259,904**
Available-for-sale	**-**	**-**	**41,055,764**	**41,055,764**
Total	**276,407,639**	**36,468,482**	**368,416,479**	**681,292,600**
Financial liabilities				
Takaful and other payables	**63,479,870**	**165,143,103**	**3,521,607**	**232,144,580**
Claims reported	**90,172,171**	**-**	**-**	**90,172,171**
Borrowings	**-**	**-**	**25,900,000**	**25,900,000**
Policyholders' investment linked contracts at fair value	**-**	**-**	**222,185,354**	**222,185,354**
Total	**153,652,041**	**165,143,103**	**251,606,961**	**570,402,105**

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

34. Risk management (continued)

Liquidity risk (continued)

2019 (Restated)

	Less than three months AED	From three months to one year AED	Over one year AED	Total AED
Financial assets				
Cash and bank balances	52,129,720	17,250,000	-	69,379,720
Statutory deposit	-	-	4,000,000	4,000,000
Takaful receivables and other assets	79,828,712	126,027,697	25,293,410	231,149,819
Retakaful share of claims reported	110,662,993	-	-	110,662,993
Investments at fair value through profit or loss	177,726,310	-	112,903,495	290,629,805
Available-for-sale	-	-	34,401,899	34,401,899
Total	420,347,735	143,277,697	176,598,804	740,224,236
Financial liabilities				
Takaful and other payables	51,318,621	190,905,333	6,015,795	248,239,749
Claims reported	184,644,225	-	-	184,644,225
Borrowings	40,322,432	-	-	40,322,432
Policyholders' investment linked contracts at fair value	170,064,606	-	-	170,064,606
Total	446,349,884	190,905,333	6,015,795	643,271,012

Profit rate risk
Profit rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Floating rate instruments expose the Group to cash flow profit risk, whereas fixed profit rate instruments expose the Group to fair value profit risk.

The Group is exposed to profit rate risk on certain of its investment in financial instruments held at fair value though profit or loss, designated upon initial recognition, statutory deposits and bank loan. The Group limits profit rate risk by monitoring changes in profit rates in the currencies in which its cash and interest bearing investments and borrowings are denominated.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

34. Risk management (continued)

Profit rate risk (continued)

	Increase in basis points	Effect on results for the year AED
2020		
Profit bearing assets	**+100**	**3,402,507**
Expense bearing liabilities	**+100**	**259,000**
2019		
Profit bearing assets	+100	3,141,124
Expense bearing liabilities	+100	403,224

Any movement in profit rates in the opposite direction will produce exactly opposite results.

Equity price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The price risk is managed by outsourcing the trading of securities held by the Group to professional brokers. However, the activities of brokers are also monitored and supervised by the management.

The following table shows the sensitivity of fair values to 5% increase or decrease as at 31 December:

	Favourable change AED	Unfavourable change AED
2020		
Profit bearing assets	**15,962,995**	**(15,962,995)**
2019		
Profit bearing assets	14,531,490	(14,531,490)

Coronavirus (COVID-19) outbreak and its impact on the Group

With the rapid development of the coronavirus disease (COVID-19) outbreak, the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Certain countries including the United Arab Emirates (UAE) have adopted extraordinary and economically costly containment measures and have required companies to limit or even suspend normal business operations.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

34. Risk management (continued)

Coronavirus (COVID-19) outbreak and its impact on the Group (continued)

Management has considered the unique circumstances and the risk exposures of the Group that could have a material impact on the business operations and has concluded that the main impacts on the Group's profitability/liquidity position may arise from:

- recoverability of contribution and takaful balances receivable,
- unavailability of personnel,
- reduction in gross contribution due to non-renewal of policies,
- provision for outstanding claims and claims incurred but not reported,
- fair value measurement of financial instruments and investment properties held by the Group.

Based on the above consideration, management has concluded that there is no significant impact on the Group's profitability position as at reporting date. The Group has implemented business continuity plan that includes all the procedures and protocols during these current situations. Remote working plans were initiated, and measures were taken to ensure uninterrupted business.

Further, the Group has performed stress testing as required by the Insurance Authority of UAE approved by the Board of Directors, who are satisfied that the Group will continue to operate as a going concern. Accordingly, these financial statements have been prepared on a going concern basis. Management will continue to monitor the situation and, will take necessary and appropriate actions on a timely basis to respond to this unprecedented situation.

34C Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

35. Contingencies

Contingent liabilities

At 31 December 2020 the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 163,593 (2019: AED 343,593).

Legal claims

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, does not believe that the outcome of these court cases will have a material impact on the Group's income or financial condition.

Capital commitments

Capital commitments as at 31 December 2020 amounted to AED 8.2 million (2019: Nil)

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

35. Contingencies (continued)

Other commitments

The Group has lease agreements which are payable as follows:

	2020	2019
	AED	AED
Less than one year	**109,530**	218,594

36. Financial regulations

As per Article (8) of Section 2 of the financial regulations issued for insurance companies in UAE, the Company shall at all times comply with the requirements of Solvency Margin. As at 31 December 2020, the Company had a solvency deficit as compared to the Minimum Capital Requirements of AED 100 million. The Company has made a business plan to meet the solvency requirements by 31 March 2021 or provide a bank guarantee for solvency deficit. The business plan is approved by Insurance Authority and the Company is required to submit monthly progress reports to the Insurance Authority to demonstrate compliance with the business plan.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

37. Technical provision

	2020	2019
	AED	AED
		(Restated)
Claims reported and unsettled	**90,172,171**	184,644,225
Claims incurred but not reported	**35,774,861**	66,860,214
Unearned contributions	**219,208,476**	185,431,102
Mathematical reserve	**6,057,040**	4,888,383
Policyholders' investment linked contracts at fair value	**222,185,354**	170,064,606
Technical provisions	**573,397,902**	611,888,530

Medical business	**2020**	2019
	AED	AED
Claims reported and unsettled	**87,824,783**	156,746,643
Claims incurred but not reported	**35,157,384**	66,167,274
Unearned contributions	**217,319,630**	183,099,832
Mathematical Reserve	**2,335,251**	544,022
Technical provisions	**342,637,048**	406,557,771

Life business	**2020**	2019
	AED	AED
Claims reported and unsettled	**2,347,388**	27,897,582
Claims incurred but not reported	**617,477**	692,940
Unearned contributions	**1,888,846**	2,331,270
Mathematical Reserve	**3,721,789**	4,344,361
Policyholders' investment linked contracts at fair value	**222,185,354**	170,064,606
Technical provisions	**230,760,854**	205,330,759

38. Claims development schedule

Since all claims settled are short-term in nature, the claims development schedule is not applicable.

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

39. Prior period errors

The comparative amounts for the years ended 31 December 2019 and 2018 have been restated due to correction of prior period error relating to deferred policy acquisition cost which was not disclosed at recoverable amount net off allocation/surrender charges, which resulted in overstatement of deferred policy acquisition cost presented in 2019 and 2018. This error was rectified by reversing the amounts recognised under deferred policy acquisition cost in the consolidated financial statements and increasing the commission incurred. Policyholders' investment linked contracts at fair value under takaful contract liabilities was reversed while allocation/surrender charge was recognized in other income.

In accordance with the requirements of 'IAS 1 Presentation of Financial Statements' and 'IAS 8 Accounting policies, Changes in Estimates and Errors', the above items have been corrected retrospectively and accordingly balances in the consolidated financial statements for the year 2019 and 2018 have been restated.

Impact on the consolidated statement of financial position for the year ended 31 December 2018:

	At 31 December 2018 as previously reported AED	Restatements AED	At 31 December 2018 as restated AED
Takaful Operations' Assets			
Deferred policy acquisition cost	63,563,930	(16,238,754)	47,325,176
Takaful Operations Liabilities			
Takaful contract liabilities	492,248,900	(6,106,902)	486,141,998
Shareholders' and Policyholders Equity			
Accumulated losses	(7,135,626)	(10,131,851)	(17,267,477)

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

39. Prior period errors (continued)

Impact on the consolidated statement of financial position for the year ended 31 December 2019:

	At 31 December 2019 as previously reported AED	Restatements AED	At 31 December 2019 as restated AED
Takaful Operations' Assets			
Deferred policy acquisition cost	72,120,966	(19,293,623)	52,827,343
Takaful Operations Liabilities			
Takaful contract liabilities	619,550,234	(7,661,704)	611,888,530
Shareholders' and Policyholders Equity			
Accumulated losses	(55,481,803)	(11,631,919)	(67,113,722)

Impact on the consolidated statement of profit or loss for the year ended 31 December 2019:

	Year ended 31 December 2019 as previously reported AED	Restatements AED	Year ended 31 December 2019 as restated AED
Attributable to Shareholders			
Other income	9,283,948	1,554,802	10,838,750
Commission incurred	(46,087,549)	(3,054,869)	(49,142,418)

Notes to the consolidated financial statements
for the year ended 31 December 2020 (continued)

39. Prior period errors (continued)

Impact on the consolidated statement of cash flows for the year ended 31 December 2019:

	Year ended 31 December 2019 as previously reported AED	Restatements AED	Year ended 31 December 2019 as restated AED
Loss for the year	(37,846,177)	(1,500,068)	(39,346,245)
Decrease in deferred policy acquisition cost	(8,557,036)	3,054,869	(5,502,167)
Decrease in takaful contract liabilities	127,301,334	(1,554,802)	125,746,532

40. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 29 March 2021.