

Dar Al Takaful PJSC

Consolidated financial statements
For the year ended 31 December 2021

Directors' report

The directors submit their report on the audited consolidated financial statements for the year ended 31 December 2021.

Incorporation and registered offices

Dar Al Takaful PJSC (the Company) was incorporated as a public joint stock company. The Company carries out general takaful, retakaful and investments in accordance with the teachings of Islamic Shari'a and within the provisions of U.A.E. Federal Law no. 6 of 2007 relating to takaful companies and takaful agents and the Memorandum and Articles of Association of the Company. The address of the Company is P.O. Box 235353, Dubai, United Arab Emirates.

Principal activities

The Company with its subsidiaries is collectively referred to as the "Group". The Group mainly issues long term and short term takaful contracts in connection with life and non-life takaful such as motor, marine, fire, engineering, medical and general accident risks (collectively known as general takaful). The Group also invests its funds in investment securities.

Financial position and results

The financial position and results of the Group for the year ended 31 December 2021 are set out in the accompanying consolidated financial statements.

Directors

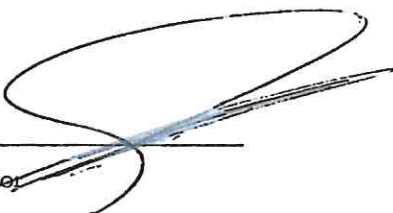
The following were the Directors of the Group for the year ended 31 December 2021:

Mr. Matar Hamdan Sultan Hamad Al Ameri	Chairman
Mr. Shahab Ahmed Lutfi Ali Harmoozi	Vice Chairman
Mr. Khalaf Sultan Rashed Saeed AlDhaheri	Members
Ms. Metha Mohamed Al Sharif Yousif Al Hashmi	Members
Mr. Salah Ibrahim Sayed Mohammad Sharaf	Members
Mr. Mahomed Akoob	Members
Mr. Abdallah Malek Osseiran	Members

Auditors

The consolidated financial statements for the year ended 31 December 2021 have been audited by Grant Thornton UAE and, being eligible, offer themselves for reappointment.

By order of the Board of Directors on 16 March 2022.


Director


Director

Independent Auditor's Report

To the Shareholders of Dar Al Takaful PJSC

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Dar Al Takaful PJSC (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of income, 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 and other explanatory information.

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 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 the Group's consolidated financial statements in the United Arab Emirates and we have fulfilled our other ethical responsibilities requirements in accordance with these requirements and the IESBA Code. 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.

Independent Auditor's Report
To the Shareholders of Dar Al Takaful PJSC

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

Key audit matters (continued)

i) Valuation of takaful contract liabilities and retakaful contract assets

The estimation of liabilities arising from takaful contracts such as outstanding claims, incurred but not reported claims, unallocated loss adjustment expenses and unearned premium reserve, as disclosed in note 7 to the consolidated financial statements, involves a significant degree of judgement. These liabilities are based on the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and the pattern of risk distribution over the coverage period. Actuarial computations have been used to determine these provisions. Underlying these computations are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such a provision requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these liabilities was significant to our audit.

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

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

ii) Valuation of investment properties

Group holds investment properties under the fair value model as at 31 December 2021 amounting to AED 39.68 million (2020: AED 36.07 million), as detailed in note 11. The fair value estimate requires significant judgement and estimates by management and independent external valuers. The Group has involved independent external valuers in order to value the investment properties for the purpose of determining the fair value for inclusion in the consolidated financial statements. The existence of significant estimation and judgement coupled with change in valuation assumptions used could result in material change. Therefore, the valuation of these investment properties was significant to our audit.

Our audit procedures, among others, included:

- Discussion with the independent valuer to understand the basis of valuation for each property and other judgements used in performing the valuation;
- Assessing the competence, capabilities, and objectivity of external valuers; and
- Assessing the appropriateness of the key assumptions and methodologies used.

**Independent Auditor's Report
To the Shareholders of Dar Al Takaful PJSC**

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

Key audit matters (continued)

iii) Impairment losses on takaful receivables including third party recoveries

The Group has takaful receivables that are overdue and not impaired (as disclosed in note 8 to these consolidated financial statements). The key associated risk is the recoverability of receivables. Management's related provision is subjective and is influenced by assumptions concerning the probability of default and probable losses in the event of default.

The work that we performed to address this key audit matter included the following procedures:

- We compared the historical provision for bad debts to the actual amounts written off, to determine whether management's estimation techniques were reasonable;
- We considered the adequacy of provisions for bad debts for significant customers, taking into account specific credit risk assessments for each customer based on time past due, the existence of any disputes over the balance outstanding, the history of settlement of receivables and the existence of any liabilities with the same counterparties which reduce the net exposure; and
- We discussed with management and reviewed correspondence, where relevant, to identify any disputes and assessed whether appropriately considered in the bad debt provision.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended), 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.

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

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.

**Independent Auditor's Report
To the Shareholders of Dar Al Takaful PJSC**

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

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.

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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group and 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent Auditor's Report**To the Shareholders of Dar Al Takaful PJSC****Report on the audit of the consolidated financial statements (continued)****Auditor's Responsibilities for the audit of the Consolidated Financial Statements (continued)**

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Law No. (2) of 2015 (as amended), we report that:

- we have obtained all the information we considered necessary for the purposes of our audit;
- 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 (as amended);
- the Group has maintained proper books of account;
- the financial information included in the report of the Directors is consistent with the books of accounts of the Group;
- as disclosed in note 5 to the consolidated financial statements, the Group has investment in shares during the financial year ended 31 December 2021;
- Note 33 to the consolidated financial statements reflects material related party transactions, and the terms under which they were conducted;
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the U.A.E. Federal Law No. (2) of 2015 (as amended), the UAE Federal Law No. (6) of 2007 concerning the Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates (formerly, the UAE Insurance Authority) and Organisation of its operation or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2021; and
- Note 42 to the consolidated financial statements reflects the social contributions made during the year.

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


GRANT THORNTON

Farouk Mohamed
Registered Auditor Number 86
Dubai, 16 March 2022



Dar Al Takaful PJSC
Consolidated statement of financial position
As at 31 December 2021

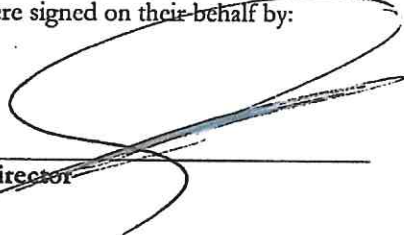
	Notes	2021 AED	2020 AED
ASSETS			
Takaful operations' assets			
Available-for-sale investments	5	-	1,000,000
Investments at fair value through profit or loss	5	450,903,939	429,885,226
Held to maturity investments	5	7,463,927	13,390,076
Due from shareholders	6	22,177,660	25,786,539
Retakaful contract assets:			
Unearned contribution	7	93,538,098	51,250,635
Claims reported unsettled	7	132,720,696	141,143,771
Claims incurred but not reported	7	16,730,904	16,827,982
Contribution deficiency reserve	7	-	200,430
Mathematical reserve	7	9,677,780	8,802,820
Takaful and other receivables	8	274,984,447	242,797,948
Prepayments and other receivables	9	3,961,933	3,744,919
Wakala deposits	10	188,699,947	127,731,667
Investment properties	11	-	15,768,081
Cash and cash equivalents	12	15,772,579	79,928,738
Total takaful operations' assets		<u>1,216,631,910</u>	<u>1,158,258,832</u>
Shareholders' assets			
Property and equipment	13	15,929,248	21,807,987
Intangible assets	14	89,137,673	93,115,327
Investment properties	11	39,681,950	20,299,776
Deferred policy cost	16	22,145,067	12,994,006
Available-for-sale investments	5	6,943,000	5,943,000
Investments at fair value through profit or loss	5	50,932,661	-
Held to maturity investments	5	14,550,835	8,722,890
Restricted deposit	15	16,000,000	16,000,000
Wakala deposits	10	81,609,404	259,336,170
Prepayments and other receivables	9	11,422,822	13,674,652
Cash and cash equivalents	12	18,065,918	52,374,868
Total shareholders' assets		<u>366,418,578</u>	<u>504,268,676</u>
Total assets		<u>1,583,050,488</u>	<u>1,662,527,508</u>

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements.

Dar Al Takaful PJSC
Consolidated statement of financial position (continued)
As at 31 December 2021

	Notes	2021 AED	2020 AED
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT			
Takaful operations' liabilities			
Deferred discount		7,532,033	4,093,442
Takaful contract liabilities:			
Unearned contribution	7	229,240,775	214,512,341
Claims reported unsettled	7	226,225,519	263,416,413
Claims incurred but not reported	7	31,356,752	34,679,368
Unallocated loss adjustment expenses	7	5,583,010	5,730,083
Contribution deficiency reserve	7	-	1,831,156
Unexpired risk reserve	7	1,506,941	1,915,187
Mathematical reserve	7	12,719,254	10,916,125
Takaful and retakaful payables	17	250,250,306	197,302,099
Takaful and investment contracts liabilities	18	450,903,939	429,885,226
Total takaful operations' liabilities		1,215,318,529	1,164,281,440
Takaful operations' deficit			
Qard Hassan against deficit in policyholders' fund	19	(229,137,864)	(213,740,895)
Less: Provision against Qard Hassan to policyholders' fund	19	229,137,864	213,740,895
Total deficit from takaful operations		-	-
Total takaful operations' liabilities and deficit		1,215,318,529	1,164,281,440
SHAREHOLDERS' LIABILITIES AND EQUITY			
Shareholders' liabilities			
Other liabilities	20	79,479,502	106,905,102
Bonus reserves, net		4,589,623	5,263,519
Due to policyholders	6	22,177,660	25,786,539
Murabaha payable	21	109,250,000	214,855,660
Total shareholders' liabilities		215,496,785	352,810,820
Shareholders' equity			
Share capital	22	150,000,000	150,000,000
Statutory reserve	23	7,640,367	5,482,374
Retakaful reserves	23	2,073,033	642,503
Accumulated losses		(7,478,226)	(10,689,629)
Total shareholders' equity		152,235,174	145,435,248
Total shareholders' liabilities and equity		367,731,959	498,246,068
Total liabilities, policyholders' fund and equity		1,583,050,488	1,662,527,508

These consolidated financial statements were approved by the Board of Directors on 16 March 2022 and were signed on their behalf by:


 Director


 Director

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements.

Dar Al Takaful PJSC
Consolidated statement of income
For the year ended 31 December 2021

	Notes	2021 AED	2020 AED
Attributable to policyholders			
Takaful income			
Gross contribution written	24	705,985,570	433,046,890
Accepted business	24	144,172	5,539,833
Retakaful share of ceded business	24	(286,105,994)	(128,500,605)
Net takaful contribution		420,023,748	310,086,118
Net transfer to unearned contributions reserve		26,834,782	99,242,048
Net takaful contributions earned	24	446,858,530	409,328,166
Discount earned		23,021,901	9,138,268
Policy fee		-	23,684
Total takaful income		469,880,431	418,490,118
Takaful expenses			
Gross claims paid	25	(421,928,408)	(342,411,913)
Retakaful share of ceded business paid	25	137,206,868	129,453,552
Net takaful claims paid		(284,721,540)	(212,958,361)
Change in provision for outstanding claims	25	37,190,893	(51,863,608)
Change in retakaful share of outstanding claims	25	(8,423,078)	1,479,673
Change in net incurred but not reported claims		3,225,540	1,572,286
Change in unallocated loss adjustment expenses reserve	25	147,072	(1,442,356)
Changes in contribution deficiency reserve	25	2,038,970	(950,485)
Change in investment contracts and mathematical reserves	25	(112,734,050)	(66,804,255)
Net gain on assets held at fair value through profit or loss	25	68,918,419	40,741,508
Net claims incurred	25	(294,357,774)	(290,225,598)
Excess of loss of takaful contribution		(11,631,919)	(3,056,369)
Other takaful expenses	26	(4,832,077)	(8,324,782)
Total takaful income		159,058,661	116,883,369
Wakala fees	27	(176,080,714)	(123,754,852)
Mudarib's fee	27	(468,637)	(1,271,443)
Investment and other income	29	2,093,721	811,187
Net loss from takaful operation for the year		(15,396,969)	(7,331,739)

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements.

Dar Al Takaful PJSC
Consolidated statement of income (continued)
For the year ended 31 December 2021

	Notes	2021 AED	2020 AED
Attributable to shareholders			
Income			
Wakala fees from policyholders	27	176,080,714	123,754,852
Mudarib's fee	27	468,637	1,271,443
Investment and other income	29	27,465,180	179,657
		<u>204,014,531</u>	<u>125,205,952</u>
Expense			
General and administrative expenses	28	(73,189,850)	(69,806,859)
Policy acquisition cost	16	(83,013,406)	(56,915,886)
Acquisition cost of subsidiaries	30	-	(15,645,474)
Finance cost		(5,156,174)	(1,696,178)
Changes in bonus reserve		(2,281,532)	624,771
Other underwriting expenses		(3,396,674)	(1,977,333)
Gain on bargain purchase	30	-	50,186,596
		<u>(167,037,636)</u>	<u>(95,230,363)</u>
Profit for the period before Qard Hassan		36,976,895	29,975,589
Provision against Qard Hassan to policyholders	19	(15,396,969)	(7,331,739)
Net profit for the year attributable to shareholders		<u>21,579,926</u>	<u>22,643,850</u>
Earnings per share	31	<u>0.144</u>	<u>0.151</u>

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements.

Dar Al Takaful PJSC
Consolidated statement of comprehensive income
For the year ended 31 December 2021

	2021 AED	2020 AED
Attributable to policyholders		
Net loss from takaful operation for the year	<u>(15,396,969)</u>	<u>(7,331,739)</u>
Other comprehensive loss		
<i>Items that maybe reclassified subsequently to profit or loss</i>		
Reclassification adjustments relating to available-for-sale financial assets disposed off during the year	-	98,257
Other comprehensive income for the year	<u>-</u>	<u>98,257</u>
Total comprehensive loss for the year attributable to policyholders	<u>(15,396,969)</u>	<u>(7,233,482)</u>
Attributable to shareholders		
Net profit for the year	<u>21,579,926</u>	<u>22,643,850</u>
Total comprehensive income for the year attributable to shareholders	<u>21,579,926</u>	<u>22,643,850</u>

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements.

Dar Al Takaful PJSC
Consolidated statement of changes in equity
For the year ended 31 December 2021

	Share capital AED	Statutory reserve AED	Accumulated losses AED	Retakaful reserve AED	Total AED
Balance at 1 January 2020	150,000,000	3,217,989	(25,521,591)	-	127,696,398
Net profit for the year	-	-	22,643,850	-	22,643,850
Other comprehensive loss for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	22,643,850	-	22,643,850
Dividend paid during the year (note 22)	-	-	(4,905,000)	-	(4,905,000)
Transfer to statutory reserve (note 23)	-	2,264,385	(2,264,385)	-	-
Transfer to retakaful reserve (note 23)	-	-	(642,503)	642,503	-
Balance at 31 December 2020	150,000,000	5,482,374	(10,689,629)	642,503	145,435,248
Net profit for the year	-	-	21,579,926	-	21,579,926
Other comprehensive loss for the year	-	-	-	-	-
Total comprehensive income for the year	-	-	21,579,926	-	21,579,926
Dividend paid during the year (note 22)	-	-	(13,800,000)	-	(13,800,000)
Board remuneration fees	-	-	(980,000)	-	(980,000)
Transfer to statutory reserve (note 23)	-	2,157,993	(2,157,993)	-	-
Transfer to retakaful reserve (note 23)	-	-	(1,430,530)	1,430,530	-
Balance at 31 December 2021	150,000,000	7,640,367	(7,478,226)	2,073,033	152,235,174

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements.

Dar Al Takaful PJSC
Consolidated statement of cash flows
For the year ended 31 December 2021

	Notes	2021 AED	2020 AED
Cash flows from operating activities			
Profit for the year		21,579,926	22,643,850
Adjustments for:			
Depreciation of property and equipment	13	4,601,733	3,081,471
Amortisation of intangible assets	14	8,563,039	7,192,975
(Reversal)/provision for doubtful receivables		(1,430,071)	6,592,758
Write-off of assets	13	181,913	-
Impairment of property and equipment	13	-	4,007,282
Change in fair value of investment properties	11	(3,614,093)	10,374,643
Realised gain on sale of financial assets at FVTPL		(2,082,341)	-
Unrealised gain on sale of financial assets at FVTPL		(1,164,363)	-
Impairment loss on financial assets at AFS	29	-	1,575,870
Realised loss on sale of financial assets at AFS	29	-	208,245
Income from wakala deposits	29	(2,479,730)	(6,026,931)
Income from debt securities	29	(1,265,986)	(1,089,542)
Dividend income on securities	29	(225,394)	(304,286)
Rental income	29	(1,002,933)	(1,129,891)
Finance cost		5,156,174	1,696,178
Amortisation of murabaha facility		-	(144,340)
Gain on bargain purchase of subsidiaries	30	-	(50,186,596)
Provision for employees' end of service benefits	20	1,552,533	430,799
		28,370,407	(1,077,515)
Operating cash flows before changes in operating assets and liabilities			
Change in takaful and other receivables		(30,756,428)	72,461,614
Change in prepayments and other receivables		2,424,759	(9,260,666)
Change in deferred policy costs		(9,151,061)	6,543,180
Change in retakaful assets		(34,441,840)	26,782,919
Change in deferred discount received		3,438,591	1,841,545
Change in bonus reserve		(673,896)	5,263,519
Change in takaful contract liabilities		(28,171,551)	(154,877,523)
Change in gross mathematical reserves		1,803,129	10,916,125
Change in takaful payables		52,948,207	23,154,906
Change in other liabilities		(24,422,969)	30,875,435
Cash (used in) / generated from operations		(38,632,652)	12,623,539
End of service benefits paid	20	(1,198,570)	(1,415,685)
Net cash (used in) / generated from operating activities		(39,831,222)	11,207,854
Cash flows from investing activities			
Purchase of property and equipment	13	(3,447,741)	(3,558,856)
Acquisition of intangible assets	14	(42,551)	(272,851)
Purchase of investment securities		(90,560,442)	(11,388,778)
Proceeds from sale of investment securities		42,874,485	2,350,308
Income received on Wakala deposits		2,205,894	6,026,931
Net cash outflow on acquisition of subsidiaries	30	-	(110,106,600)
Amortisation of HTM discount		98,204	-
Income received from debt securities		1,149,879	1,089,542
Dividend income received		225,394	304,286
Wakala deposits made during the year - net		116,758,486	11,081,972
Rental income		1,002,932	1,129,891
Finance cost paid		(5,156,174)	(1,696,178)
Investment restricted deposits during the year- net		-	(10,000,000)
Net cash generated from / (used in) investing activities		65,108,366	(115,040,333)

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements.

Dar Al Takaful PJSC
Consolidated statement of cash flows (continued)
For the year ended 31 December 2021

	Notes	2021 AED	2020 AED
Cash flows from financing activities			
Payment of lease liabilities		(3,356,593)	(1,336,971)
Dividend paid		(13,800,000)	(4,905,000)
BOD remuneration fees paid		(980,000)	-
(Payment)/ proceeds from murabaha facility obtained		(105,605,660)	215,000,000
Net cash (used in) / generated from financing activities		(123,742,253)	208,758,029
Net change in cash and cash equivalents		(98,465,109)	104,925,550
Cash and cash equivalents			
- At the beginning of year		132,303,606	27,378,056
- Included in the subsidiary classified as held for sale		-	-
Cash and cash equivalents at the end of the year	12	33,838,497	132,303,606

The accompanying notes 1 to 44 form an integral part of these consolidated financial statements.

Dar Al Takaful PJSC
Notes to the consolidated financial statements
For the year ended 31 December 2021

1. Legal status and activities

Dar Al Takaful PJSC (the “Company”) was incorporated as a public joint stock company and obtained its commercial license on 23 July 2008 while commenced operations on 1 September 2008. The Company carries out general takaful, retakaful and investments in accordance with the teachings of Islamic Shari’a and within the provisions of U.A.E. Federal Law no. 6 of 2007 relating to takaful companies and takaful agents and the Memorandum and Articles of Association of the Company. The address of the Company’s registered office is P.O. Box. 235353, Dubai, United Arab Emirates.

Although the Company holds valid license to issue short term takaful contracts in connection with non-life takaful (motor, marine, fire, engineering, medical and general accident risks), the Company ceased to issue new takaful contracts from 27 July 2020. The Company now plans to engage in investment activities while continuing to complete the term of already issued contracts and managing its related risks. The Company also invests its funds in investment securities.

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 (as amended) on Commercial Companies was issued on 27 September 2020 and shall take effect starting from 2 January 2021. The Group shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

The Federal Decree-Law No. 24 of 2020 which amends certain provisions of the U.A.E Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organisation of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector became under the supervision and authority of the CBUAE.

Federal Law by Decree No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 with an effective date of 2 January 2022, and will entirely replace Federal Law No. 2 of 2015 (as amended) on Commercial Companies, as amended. The Group has twelve months from the effective date to comply with the provisions of the New Companies Law.

The Company with its subsidiaries is collectively referred to as the “Group” in these consolidated financial statements. At 31 December 2021, the Company had the following subsidiaries:

Name of subsidiary	Proportion of ownership interest		Principal activities
	2021	2020	
Noor Takaful Family PJSC (note 30)	100%	100%	Family takaful and retakaful activities
Noor Takaful General PJSC (note 30)	100%	100%	General takaful and retakaful activities

2. Statement of compliance with IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by International Accounting Standards Board (IASB) and interpretations thereof issued by the International Financial Reporting Interpretation Committee and in compliance with the applicable requirements of UAE Federal Law No. (2) of 2015 (as amended) relating to commercial companies, and of UAE Federal Law No. 6 of 2007 on establishment of Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates (formerly, the UAE Insurance Authority) and Organisation of the Insurance Operations, concerning takaful companies and agents. These consolidated financial statements are prepared in UAE Dirhams (“AED”).

Dar Al Takaful PJSC
Notes to the consolidated financial statements
For the year ended 31 December 2021

2. Statement of compliance with IFRS (continued)

Standards, interpretations, and amendments to existing standards

a) Standards, interpretations, and amendments to existing standards that are effective in 2021

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

Standard number	Title	Effective date
IFRS 16	COVID-19-related rent concessions beyond 30 June 2021 (Amendments to IFRS 16)	1 April 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)"	1 January 2021

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

b) Standards and interpretations effective but not yet adopted by the Group

Applying IFRS 9 Financials Instrument with IFRS 4 Insurance Contracts

The Group qualifies for temporary exemption from applying IFRS 9 on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance with the carrying amounts of its liabilities within the scope of IFRS 4 being greater than 90 percent of the total carrying amount of all its liabilities at 1 January 2019 with no subsequent change in its activities.

The fair value of the Group's directly held financial assets at 31 December 2021 that will give rise to solely payments of principal and interest ("SPPI") criterion on implementation of IFRS 9, excluding any financial assets that meets the definition of held for trading, are shown in the table below:

	Financial assets that pass the SPPI test, excluding any financial asset that meets the definition of held for trading		All other financial assets	
	Fair value at 31 December 2021	Movement in fair value during the year	Fair value at 31 December 2021	Movement in fair value during the year
Assets	AED	AED	AED	AED
Takaful and other receivables	274,984,447	-	-	-
Available-for-sale investments	1,000,000	-	5,943,000	746,428
Financial assets at fair value through profit or loss	50,932,661	3,246,704	450,903,939	68,918,419
Held to maturity	22,014,762	-	-	-
Other receivables	3,473,825	-	-	-
Restricted deposit	16,000,000	-	-	-
Wakala deposits	270,309,351	-	-	-
Cash and cash equivalents	33,691,897	-	-	-
	672,406,943	3,246,704	456,846,939	69,664,847

Dar Al Takaful PJSC
Notes to the consolidated financial statements
For the year ended 31 December 2021

2. Statement of compliance with IFRS (continued)

Standards, interpretations and amendments to existing standards (continued)

b) Standards and interpretations effective but not yet adopted by the Group (continued)

Applying IFRS 9 Financials Instrument with IFRS 4 Insurance Contracts (continued)

The financial assets that pass the SPPI test, excluding any financial assets that meets the definition of held for trading or that is managed and evaluated on a fair value basis of IFRS 9 in the table above are classified as amortised cost under IAS 39. The credit ratings of investment securities, deposits and bank balances are as follows:

Assets	AAA AED	AA+ to AA- AED	A+ to A- AED	BBB+ to BBB- AED	Below BBB- or not rated AED	Total AED
Available-for-sale investments	-	-	-	-	1,000,000	1,000,000
FVTPL	-	-	8,074,839	9,695,400	33,162,422	50,932,661
Held to maturity	-	-	-	8,839,676	13,175,086	22,014,762
Restricted deposit	-	-	16,000,000	-	-	16,000,000
Wakala deposits	-	-	152,316,200	117,993,151	-	270,309,351
Cash and cash equivalents	-	-	28,234,279	1,882,030	3,575,588	33,691,897
	-	-	204,625,318	138,410,257	50,913,096	393,948,671

c) Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Group

The impact of the new standards, interpretations and amendments that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

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

IFRS 17 Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, IFRS 17:

- combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract;
- presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
- requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

The key principles in IFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognise and measure;

Dar Al Takaful PJSC
Notes to the consolidated financial statements
For the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

c) Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Group (continued)

- recognises and measures groups of insurance contracts at:
 - i. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)
 - ii. an amount representing the unearned profit in the group of contracts (the contractual service margin);
- b) recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately;
- presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and
- discloses information to enable users of financial statements to assess the effect that that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts. Group is currently evaluating the expected impact.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments and investment properties which are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries as of 31 December 2021. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Changes in the group ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Parent Company.

Business combinations and goodwill

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Dar Al Takaful PJSC
Notes to the consolidated financial statements
For the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Business combinations and goodwill (continued)

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

For common control transactions in which all the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory, the Group recognises the difference between purchase consideration and carrying amount of net assets of acquired entities or businesses as an adjustment to equity. This accounting treatment is also applied to later acquisition of some or all shares of the non-controlling interests in a subsidiary.

Product classification

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

Deferred policy cost

Short term takaful contracts

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are treated as Deferred policy cost ("DPC"). All other costs are recognised as expenses when incurred. DPC is subsequently amortised in the statement of comprehensive income over the life of the contracts as the related contribution is earned. DPC is tested for recoverability as at each reporting date.

Long term takaful contracts

The costs of acquiring long term takaful contracts, such as commission expenses and other directly attributable costs related to securing new contracts, are capitalised as DPC. All other costs are recognised as an expense when incurred. The DPC is subsequently amortised in line with the earning patterns of the Wakala income for such long term takaful contracts over the effective term of the policy. DPC is tested for recoverability as at each reporting date.

Bonus reserve

The Reserve for the up-front Bonus for applicable savings plans is based on two different vesting periods. A four-year vesting period applies on policies issued before October 2016. A maturity vesting period applies on policies issued after October 2016

Mathematical reserves

Mathematical reserves are provisions created for long term takaful contracts to cover future claims expected to arise in respect of those contracts that existed at the period end. The reserve calculation is based on factors such as expected mortality, an actuarially determined estimate of costs and the discount rate.

Surplus/deficit in policyholders' fund

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

Dar Al Takaful PJSC
Notes to the consolidated financial statements
For the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Surplus/deficit in policyholders' fund (continued)

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

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

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

Property and equipment

Property and equipment, including owner-occupied property, is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Capital work-in-progress (CWIP) is not depreciated.

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

Building	40 years
Leasehold improvement	5-10 years
Furniture and fixtures	4-5 years
Office equipment	3-5 years
Vehicles	5 years

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

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 income in the year the asset is derecognised.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other replacement or major inspection costs are capitalised when incurred and 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. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

Leases

The right-to-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus as initial direct costs incurred. The right-to-use is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use or the end of the lease term. The estimated useful life of the right-to-use asset is determined on the same basis as those of property and equipment. In addition, the right-to-use is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the funding cost rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rates as the discount rate.

Dar Al Takaful PJSC
Notes to the consolidated financial statements
For the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Leases (continued)

The lease liability is measured at amortised cost using the effective funding cost method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

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

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

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of income. The following estimated useful lives are applied:

• Life takaful contracts	25 years
• Non-life takaful contracts	5 months
• Customer relationships	3.5 months
• Software	3 years

Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets.

Gains or losses arising from derecognition 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 income when the asset is derecognised.

Investment properties

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

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

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

Dar Al Takaful PJSC
Notes to the consolidated financial statements
For the year ended 31 December 2021

3 Summary of significant accounting policies (continued)

Revenue recognition

Gross takaful contributions

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

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

Discounts earned

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

Wakala fees

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

Investment income

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

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

Dividend income is recognised 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 carrying amount and are recorded on occurrence of the sale transaction.

Retakaful contribution

Gross retakaful contribution written comprise the total contribution payable for the whole cover provided by contracts entered into during the period and are recognised on the inception date of the policy. Contributions include any adjustments arising in the accounting period in respect of retakaful contracts incepting in prior accounting periods. Unearned retakaful contributions are those proportions of contribution written in a year that relate to periods of risk after the reporting date.

Unearned retakaful contributions are deferred over the term of the underlying direct Takaful policies for risks-attaching contracts and over the term of the retakaful contract for losses occurring contracts.

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

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

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

Dar Al Takaful PJSC
Notes to the consolidated financial statements
For the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Retakaful contribution (continued)

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

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

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

Claims

Claims consist of amounts paid and payable to Takaful contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries and are charged to income as incurred. Provision for incurred but not reported claims is included within the additional reserve and reflected in the consolidated statement of income.

The Group generally estimates its claims based on previous experience. Independent loss adjusters normally estimate claims. Any difference between the provisions at the end of each reporting date and settlements in the following period is included in the underwriting account for that year. The reinsurers' portion towards the above outstanding claims is classified as retakaful contract assets and shown as current assets in the statement of financial position.

Retakaful share of claims incurred

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

Policy acquisition costs

Fees and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are amortised over the terms of the policies as Takaful contribution is earned.

Provision for IBNR

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

Provision for ULAE

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

Liability adequacy test

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

Dar Al Takaful PJSC
Notes to the consolidated financial statements
For the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Claims reported unsettled

Contract liabilities are recognised when contracts are entered into and contributions are charged. These liabilities are known as the claims reported unsettled provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, after reduction for the expected value of salvage and other 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.

Unearned premium reserve

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

Retakaful assets

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

Financial instruments

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument.

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'available-for-sale' (AFS) financial assets and 'other financial assets'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition

Financial assets

The effective profit method is a method of calculating the amortised cost of a financial asset and of allocating profit income over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

'Other financial assets' comprise of cash and cash equivalents, takaful and other receivables.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

Dar Al Takaful PJSC
Notes to the consolidated financial statements
For the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL (continued)

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or profit earned on the financial asset and is included in the statement of comprehensive income.

Available-for-sale (AFS) financial assets

The Group has investments that are not traded in an active market and are classified as AFS financial assets and stated at fair value because management considers that fair value can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative change in fair values with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair values is reclassified to profit or loss. The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Held-to-maturity (HTM)

Held-to-maturity (HTM) investments carried at amortised cost are non-derivative financial assets with fixed or determinable payments and fixed maturities, where the Group has the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost using the effective profit method less any impairment.

Other financial assets

Other financial assets are measured at amortised costs using the effective profit method, less any impairment. Profit income is recognised by applying the effective profit rate, except for short-term receivables when the recognition of profit would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

Dar Al Takaful PJSC
Notes to the consolidated financial statements
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3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in profit or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties

For certain categories of financial assets, such as takaful receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective profit rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of takaful receivables, where the carrying amount is reduced through the use of an allowance account. When a takaful receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in consolidated statement of income.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to consolidated statement of income in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

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

Dar Al Takaful PJSC
Notes to the consolidated financial statements
For the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

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 recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective profit rate method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide an Islamic financing at below market profit rate are measured in accordance with the specific accounting policies set out below.

Takaful, retakaful and other payables

Takaful, retakaful and other payables and due to shareholders are initially measured at fair value, plus transaction costs and are subsequently measured at amortised cost using the effective profit method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held for trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective profit method. Profit expense that is not capitalised as part of costs of an asset is included in the consolidated income statement.

The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

De-recognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated income statement.

Receivables and payables related to takaful contracts

Receivables and payables are recognised when due. These include amounts due to and from takaful brokers, re-insurers and takaful contract holders. If there is objective evidence that the takaful receivables are impaired, the Group reduces the carrying amount of the takaful receivables accordingly and realises the impairment loss in the income statement.

Dar Al Takaful PJSC
Notes to the consolidated financial statements
For the year ended 31 December 2021

3. Summary of significant accounting policies (continued)

Employee benefits

Short-term employee benefits

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

Provision for employees' end of service benefits

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

Foreign currency transactions

Transactions in foreign currencies are translated to AED at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to AED at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Impairment of non-financial assets

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

Short term operating leases

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

Cash and cash equivalents

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

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Notes to the consolidated financial statements
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3. Summary of significant accounting policies (continued)

Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

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

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

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

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

Segment reporting

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

4. Critical accounting estimates and judgements in applying accounting policies

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

Outstanding claims, IBNR, ULAE and UPR

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

Classification of investment properties and related fair value judgement

The Group makes judgement to determine whether a property qualifies as investment property and follows the guidance of IAS 40 'Investment Property' to consider whether any owner occupied property is not significant and is classified accordingly as investment property.

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Notes to the consolidated financial statements
For the year ended 31 December 2021

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

Classification of investment properties and related fair value judgement (continued)

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

Fair value of unquoted securities

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

Provision for doubtful debts

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 income. In particular, judgment 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 takaful 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 takaful receivables within each grade and is adjusted to reflect current economic changes.

Long term takaful contracts

Estimates for takaful risk under long term takaful contracts are made with reference to external actuarial calculations and are based on standard industry and national mortality tables.

Fair value of financial assets at fair value through profit or loss

The fair value of unquoted financial assets carried at fair value through profit or loss is based on the periodic valuations by fund managers and represents the net asset value of the funds at the date of valuation and the fair value of quoted financial assets securities carried at fair value through profit or loss is based on quoted prices in active markets.

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5. Investment in securities

Available-for-sale investments

Available-for-sale investments comprise the following:

	2021 AED	2020 AED
Unquoted equity securities in U.A.E.	5,943,000	5,943,000
Unquoted debt securities in U.A.E.	1,000,000	1,000,000
	<u>6,943,000</u>	<u>6,943,000</u>
Attributable to:		
Policyholders	-	1,000,000
Shareholders	6,943,000	5,943,000
	<u>6,943,000</u>	<u>6,943,000</u>

Investments at fair value through profit or loss

Investments at fair value through profit or loss comprises the following:

	2021 AED	2020 AED
Investment in mutual funds	450,903,939	429,885,226
Investment in equity securities	50,932,661	-
	<u>501,836,600</u>	<u>429,885,226</u>
Quoted securities inside U.A.E.	50,932,661	-
Unquoted securities inside U.A.E.	28,421,912	31,343,481
Unquoted securities outside U.A.E.	422,482,027	398,541,745
	<u>501,836,600</u>	<u>429,885,226</u>
Attributable to:		
Policyholders	450,903,939	429,885,226
Shareholders	50,932,661	-
	<u>501,836,600</u>	<u>429,885,226</u>

Held to maturity investments

Held to maturity investments comprises the following:

	2021 AED	2020 AED
Quoted debt securities inside U.A.E.	3,801,648	3,831,605
Unquoted debt securities inside U.A.E.	5,626,638	5,646,375
Quoted debt securities outside U.A.E.	8,909,086	8,954,986
Unquoted debt securities outside U.A.E.	3,677,390	3,680,000
	<u>22,014,762</u>	<u>22,112,966</u>
Policyholders	7,463,927	13,390,076
Shareholders	14,550,835	8,722,890
	<u>22,014,762</u>	<u>22,112,966</u>

The fair value of the investments held to maturity amounted to AED 23.01 million as of 31 December 2021 (2020: AED 23.3 million). Held to maturity investments amounting to AED 15 million are hypothecated against Murabaha facility (note 21).

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5. Investment in securities (continued)

The movement in securities are as follows:

	Available- for-sale investments AED	Investments at fair value through profit and loss AED	Held to maturity investments AED	Total AED
2021				
At 1 January	6,943,000	429,885,226	22,112,966	458,941,192
Addition during the year	-	133,631,055	-	133,631,055
Disposal during the year	-	(133,844,804)	-	(133,844,804)
Amortisation of premiums	-	-	(98,204)	(98,204)
Fair value gain recorded in the consolidated statement of income	-	72,165,123	-	72,165,123
At 31 December	6,943,000	501,836,600	22,014,762	530,794,362
2020				
At 1 January	10,869,178	-	10,724,187	21,593,365
Acquired through acquisition of subsidiary	-	396,587,000	-	396,587,000
Addition during the year	-	25,705,148	11,388,779	37,093,927
Disposal during the year	(2,142,063)	(33,148,430)	-	(35,290,493)
Fair value (loss)/gain recorded in the consolidated statement of income	(1,784,115)	40,741,508	-	38,957,393
At 31 December	6,943,000	429,885,226	22,112,966	458,941,192

6. Due from shareholders and due to policyholders

The balance consists of the net of Wakala fees and Qard Hassan balances that is due from the shareholders to the policyholders amounting to AED 22,177,660 (2020: AED 25,786,539).

7. Takaful contract liabilities and retakaful assets

	2021 AED	2020 AED
Gross		
<i>Takaful contract liabilities:</i>		
Unearned contribution	229,240,775	214,512,341
Claims reported unsettled	226,225,519	263,416,413
Claims incurred but not reported	31,356,752	34,679,368
Unallocated loss adjustment expense	5,583,010	5,730,083
Contribution deficiency reserve	-	1,831,156
Unexpired risk reserve	1,506,941	1,915,187
Mathematical reserve	12,719,254	10,916,125
Total takaful contract liabilities, gross	506,632,251	533,000,673
Recoverable from retakaful		
<i>Retakaful contract assets:</i>		
Unearned contribution	93,538,098	51,250,635
Claims reported unsettled	132,720,696	141,143,771
Claims incurred but not reported	16,730,904	16,827,982
Contribution deficiency reserve	-	200,430
Mathematical reserve	9,677,780	8,802,820
Total retakaful share of takaful contract liabilities	252,667,478	218,225,638

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7. Takaful contract liabilities and retakaful assets

	2021 AED	2020 AED
Net		
Unearned contribution	135,702,677	163,261,706
Claims reported unsettled	93,504,823	122,272,642
Claims incurred but not reported	14,625,848	17,851,386
Unallocated loss adjustments expense	5,583,010	5,730,083
Contribution deficiency reserve	-	1,630,726
Unexpired risk reserve	1,506,941	1,915,187
Mathematical reserve	3,041,474	2,113,305
	<u>253,964,773</u>	<u>314,775,035</u>

The business class wise movement in takaful contract liabilities and retakaful contract assets is given below:

	Motor AED	Medical AED	General takaful AED	Life AED	Total AED
2021					
Unearned contribution	35,634,517	86,613,205	13,454,955	-	135,702,677
Claims reported unsettled	38,931,835	38,990,633	14,700,024	882,331	93,504,823
Claims incurred but not reported	7,797,744	4,742,306	2,085,798	-	14,625,848
Unallocated loss adjustment expenses	3,225,077	1,324,700	1,033,233	-	5,583,010
Contribution deficiency reserve	-	-	-	-	-
Unexpired risk reserve	-	1,506,941	-	-	1,506,941
Mathematical reserve	-	-	-	3,041,474	3,041,474
Total	<u>85,589,173</u>	<u>133,177,785</u>	<u>31,274,010</u>	<u>3,923,805</u>	<u>253,964,773</u>
2020					
Unearned contribution	55,368,497	100,539,072	7,354,137	-	163,261,706
Claims reported unsettled	40,460,867	67,631,869	13,744,415	435,491	122,272,642
Claims incurred but not reported	10,095,329	5,809,434	1,946,623	-	17,851,386
Unallocated loss adjustment expenses	1,718,981	2,292,688	1,718,414	-	5,730,083
Contribution deficiency reserve	-	1,557,949	72,777	-	1,630,726
Unexpired risk reserve	-	1,915,187	-	-	1,915,187
Mathematical reserve	-	-	-	2,113,305	2,113,305
Total	<u>107,643,674</u>	<u>179,746,199</u>	<u>24,836,366</u>	<u>2,548,796</u>	<u>314,775,035</u>

8. Takaful and other receivables

	2021 AED	2020 AED
Contribution receivable	212,854,547	198,564,770
Receivable from retakaful and other takaful companies	77,048,267	58,943,200
Other receivables	3,784,289	3,798,110
	<u>293,687,103</u>	<u>261,306,080</u>
Less: Provisions for doubtful receivables	(18,702,656)	(18,508,132)
	<u>274,984,447</u>	<u>242,797,948</u>

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8. Takaful and other receivables (continued)

Movements in provision for doubtful receivables is given below:

	2021 AED	2020 AED
As at 1 January	18,508,132	11,915,374
Charge for the year, net of write-off	194,524	6,592,758
	<u>18,702,656</u>	<u>18,508,132</u>
Takaful and other receivables - Inside UAE		
Contribution receivables	212,854,547	198,564,770
Less: Provision for doubtful receivables	(13,187,621)	(12,905,378)
	<u>199,666,926</u>	<u>185,659,392</u>
Receivables from retakaful and other takaful companies	65,465,892	47,551,719
Other receivables	3,784,289	3,798,110
Less: Provision for doubtful receivables	(4,943,817)	(5,239,923)
	<u>64,306,364</u>	<u>46,109,906</u>
Takaful and other receivables - Outside UAE		
Receivable from retakaful and other takaful companies	11,582,375	11,391,481
Less: Provision for doubtful receivables	(571,218)	(362,831)
	<u>11,011,157</u>	<u>11,028,650</u>
Total takaful and other receivables	<u>274,984,447</u>	<u>242,797,948</u>

The amounts due from retakaful are settled on a quarterly basis.

Ageing of takaful and other receivables is given below:

2021	Contribution receivables AED	Receivable from retakaful and other takaful companies AED	Other receivables AED	Total AED
Takaful and other receivables - inside UAE				
Current	99,384,050	15,764,788	-	115,148,838
30 - 90 days	20,251,015	22,535,791	-	42,786,806
91 - 180 days	33,444,329	4,198,438	-	37,642,767
181 - 360 days	22,074,639	8,042,614	-	30,117,253
More than 360 days	37,700,514	14,924,261	3,784,289	56,409,064
Less: Provision for doubtful receivables	(13,187,621)	(1,159,528)	(3,784,289)	(18,131,438)
	<u>199,666,926</u>	<u>64,306,364</u>	<u>-</u>	<u>263,973,290</u>
Takaful and other receivables - outside UAE				
Current	-	8,396,894	-	8,396,894
30 - 90 days	-	484,912	-	484,912
91 - 180 days	-	696,798	-	696,798
181 - 360 days	-	693,831	-	693,831
More than 360 days	-	1,309,940	-	1,309,940
Less: Provision for doubtful receivables	-	(571,218)	-	(571,218)
	-	<u>11,011,157</u>	<u>-</u>	<u>11,011,157</u>
Total takaful and other receivables	<u>199,666,926</u>	<u>75,317,521</u>	<u>-</u>	<u>274,984,447</u>

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8. Takaful and other receivables (continued)

2020	Contribution receivables AED	Receivable from retakaful and other takaful companies AED	Other receivables AED	Total AED
Takaful and other receivables - inside UAE				
Current	55,079,201	8,289,683	-	63,368,884
30 - 90 days	29,271,274	11,962,148	-	41,233,422
91 - 180 days	29,466,010	7,166,763	-	36,632,773
181 - 360 days	31,228,464	13,376,239	-	44,604,703
More than 360 days	53,519,821	6,756,886	3,798,110	64,074,817
Less: Provision for doubtful receivables	(12,905,378)	(1,441,813)	(3,798,110)	(18,145,301)
	185,659,392	46,109,906	-	231,769,298
Takaful and other receivables - outside UAE				
Current	-	1,631,582	-	1,631,582
30 - 90 days	-	2,506,174	-	2,506,174
91 - 180 days	-	5,344,297	-	5,344,297
181 - 360 days	-	1,445,450	-	1,445,450
More than 360 days	-	463,978	-	463,978
Less: Provision for doubtful receivables	-	(362,831)	-	(362,831)
	-	11,028,650	-	11,028,650
Total takaful and other receivables	185,659,392	57,138,556	-	242,797,948

9. Prepayments and other receivables

	2021 AED	2020 AED
Prepaid expenses	8,375,324	7,322,943
Deposits	651,119	1,042,180
Advance	307,292	570,417
Other receivables	6,051,020	8,484,031
	15,384,755	17,419,571
Attributable to:		
Policyholders	3,961,933	3,744,919
Shareholders	11,422,822	13,674,652
	15,384,755	17,419,571

10. Wakala deposits

Wakala deposits yield a profit rate of 0.1% p.a. to 1.75% p.a. (2020: 0.2% p.a. to 5.0% p.a.). Wakala deposits worth AED 40 million are hypothecated against Murabaha facility (note 21).

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11. Investment properties

	2021 AED	2020 AED
Balance at 1 January	36,067,857	46,442,500
Gain / (loss) in fair value during the year (note 29)	3,614,093	(10,374,643)
Balance at 31 December	39,681,950	36,067,857
Attributable to:		
Policyholders	-	15,768,081
Shareholders	39,681,950	20,299,776
	39,681,950	36,067,857

The investment properties represent the fair value of the properties located in U.A.E.

The fair value of the Group's investment properties as at 31 December 2021 and 2020 has been arrived at on the basis of valuations carried on the respective dates by two independent valuers who are not related to the Group and have appropriate qualification and recent market experience in the valuation of properties in the United Arab Emirates. The fair value is mainly based on unobservable inputs (i.e. Level 3).

The fair value was determined based on the market comparable approach that reflects recent transactions prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The property rental income earned by the Group from its investment properties which are leased under operating leases and the direct operating expenses arising in the management of investment properties were as follows:

	2021 AED	2020 AED
Rental income	1,939,766	2,244,853
Direct operating expenses	(936,833)	(1,114,962)
Income from investment property (note 29)	1,002,933	1,129,891

12. Cash and cash equivalents

	2021 AED	2020 AED
Cash in hand	146,600	106,382
Bank balances		
Current accounts	32,625,222	131,390,207
Call accounts	1,066,675	807,017
	33,838,497	132,303,606
Attributable to:		
Policyholders	15,772,579	79,928,738
Shareholders	18,065,918	52,374,868
	33,838,497	132,303,606

Dar Al Takaful PJSC

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13. Property and equipment

2021	Building improvements AED	Leasehold improvements AED	Furniture and fixtures AED	Office equipment AED	Vehicles AED	Capital work in progress AED	Right to use assets AED	Total AED
Cost								
At 1 January	10,226,500	1,794,767	8,533,719	5,714,146	1,155,101	4,234,998	14,661,715	46,320,946
Additions	-	-	6,260	257,103	-	3,184,378	-	3,447,741
Write-off	-	-	-	-	-	(181,913)	-	(181,913)
Transfer	-	-	-	430,715	-	(430,715)	-	-
Transfer to intangible assets (note 14)	-	-	-	-	-	(4,542,834)	-	(4,542,834)
At 31 December	10,226,500	1,794,767	8,539,979	6,401,964	1,155,101	2,263,914	14,661,715	45,043,940
Accumulated depreciation								
At 1 January	7,056,771	1,087,107	7,946,795	4,890,596	1,035,124	26,341	2,470,225	24,512,959
Charge for the year	255,660	183,940	254,273	609,366	47,429	-	3,251,065	4,601,733
At 31 December	7,312,431	1,271,047	8,201,068	5,499,962	1,082,553	26,341	5,721,290	29,114,692
Carrying amount								
At 31 December 2021	2,914,069	523,720	338,911	902,002	72,548	2,237,573	8,940,425	15,929,248

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13. Property and equipment (continued)

2020	Building AED	Leasehold improvements AED	Furniture and fixtures AED	Office equipment AED	Vehicles AED	Capital work in progress AED	Right to use assets AED	Total AED
Cost								
At 1 January	10,226,500	1,010,815	8,381,951	4,894,446	1,012,815	285,931	1,115,905	26,928,363
Acquisition through business combination	-	786,952	5,608	651,575	142,286	3,410,529	13,545,810	18,542,760
Additions	-	27,569	146,160	168,125	-	3,217,002	-	3,558,856
Transfer to intangible assets (note 14)	-	(30,569)	-	-	-	(2,678,464)	-	(2,709,033)
At 31 December	10,226,500	1,794,767	8,533,719	5,714,146	1,155,101	4,234,998	14,661,715	46,320,946
Accumulated depreciation and impairment								
At 1 January	2,793,818	1,010,815	7,657,563	4,365,744	1,011,973	26,341	557,952	17,424,206
Impairment loss during the year	4,007,282	-	-	-	-	-	-	4,007,282
Charge for the year	255,671	76,292	289,232	524,852	23,151	-	1,912,273	3,081,471
At 31 December	7,056,771	1,087,107	7,946,795	4,890,596	1,035,124	26,341	2,470,225	24,512,959
Carrying amount								
At 31 December 2020	3,169,729	707,660	586,924	823,550	119,977	4,208,657	12,191,490	21,807,987

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14. Intangible assets

2021	Trade name AED	Life takaful contracts AED	Non-life takaful contracts AED	Customer relationship AED	Software AED	Total AED
Cost						
At 1 January	6,728,000	70,034,000	3,339,000	11,962,000	11,792,681	103,855,681
Additions during the year	-	-	-	-	42,551	42,551
Transfer from property and equipment (note 13)	-	-	-	-	4,542,834	4,542,834
31 December	6,728,000	70,034,000	3,339,000	11,962,000	16,378,066	108,441,066
Accumulated amortisation						
At 1 January	-	729,521	3,339,000	1,107,592	5,564,241	10,740,354
Charge for the year	-	2,658,222	-	1,750,850	4,153,967	8,563,039
31 December	-	3,387,743	3,339,000	2,858,442	9,718,208	19,303,393
Carrying amount						
31 December 2021	6,728,000	66,646,257	-	9,103,558	6,659,858	89,137,673
2020						
Cost						
At 1 January	-	-	-	-	4,786,557	4,786,557
Acquisition through business combination (note 30)	6,728,000	70,034,000	3,339,000	11,962,000	4,024,240	96,087,240
Additions during the year	-	-	-	-	272,851	272,851
Transfer from property and equipment (note 13)	-	-	-	-	2,709,033	2,709,033
31 December	6,728,000	70,034,000	3,339,000	11,962,000	11,792,681	103,855,681
Accumulated amortisation						
At 1 January	-	-	-	-	3,547,379	3,547,379
Charge for the year	-	729,521	3,339,000	1,107,592	2,016,862	7,192,975
31 December	-	729,521	3,339,000	1,107,592	5,564,241	10,740,354
Carrying amount						
31 December 2020	6,728,000	69,304,479	-	10,854,408	6,228,440	93,115,327

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15. Restricted deposit

Wakala deposits held as restricted deposits are maintained in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007 concerning the formation of Central Bank of the United Arab Emirates (formerly, the UAE Insurance Authority) and are not available to finance the day-to-day operations of the Group.

These deposits have a fixed maturity of one year from the date of deposit and yield a profit rate of 0.2% p.a. to 1.1% p.a. (2020: 0.4% to 0.6% p.a).

16. Deferred policy cost

	2021 AED	2020 AED
At 1 January	12,994,006	19,537,186
Booked during the year	92,164,467	50,372,706
Charged for the year	(83,013,406)	(56,915,886)
At 31 December	22,145,067	12,994,006

17. Takaful and retakaful payables

	2021 AED	2020 AED
Due to takaful companies, garages and other third parties	84,440,363	71,361,215
Due to retakaful companies	140,227,499	106,345,655
Other payables	25,582,444	19,595,229
	250,250,306	197,302,099
Inside UAE	139,421,022	136,734,286
Outside UAE	110,829,284	60,567,813
	250,250,306	197,302,099

	2021 AED	2020 AED
Takaful payables - Inside UAE		
Due to takaful companies, garages and other third parties	84,440,363	71,361,215
Due to retakaful companies	34,570,845	50,705,005
Other payables	20,409,814	14,668,066
	139,421,022	136,734,286

	2021 AED	2020 AED
Takaful payables - Outside UAE		
Due to retakaful companies	105,656,654	55,640,650
Other payables	5,172,630	4,927,163
	110,829,284	60,567,813

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18. Takaful and investment contracts liabilities

	2021 AED	2020 AED
Investment contract liabilities with takaful risk	450,903,939	429,885,226
Movement in investment liabilities with takaful risk is given below:		
Transfer through acquisition	429,885,226	396,586,913
Add: investment contracts received	50,482,047	31,866,689
Less: investment contracts repaid	(90,970,319)	(33,148,430)
Gain on fair value	68,918,419	40,741,508
Wakala fees and other charges	(7,411,434)	(6,161,454)
	450,903,939	429,885,226

19. Qard Hassan

	2021 AED	2020 AED
(i) Qard Hassan		
As at 1 January	(213,740,895)	(68,356,006)
Amount transferred on acquisition of subsidiaries	-	(138,053,150)
Deficit during the year	(15,396,969)	(7,331,739)
As at 31 December	(229,137,864)	(213,740,895)
(ii) Provision against Qard Hassan		
As at 1 January	213,740,895	68,356,006
Amount transferred on acquisition of subsidiaries	-	138,053,150
Provision during the year	15,396,969	7,331,739
As at 31 December	229,137,864	213,740,895

20. Other liabilities

	2021 AED	2020 AED
Accrued expenses and other payables	19,851,931	30,072,282
Acquisition cost payable	35,363,763	48,226,600
Employees' end of service benefits*	6,368,235	6,014,272
Lease liabilities	9,101,161	12,457,753
Accrued leave salary	736,063	1,224,129
Other payable	8,058,349	8,910,066
	79,479,502	106,905,102

* Movements in the provision for employees' end of service benefits during the year were as follows:

	2021 AED	2020 AED
As at 1 January	6,014,272	2,541,158
Amount transferred on acquisition of subsidiaries	-	4,458,000
Charged during the year	1,552,533	430,799
Paid during the year	(1,198,570)	(1,415,685)
As at 31 December	6,368,235	6,014,272

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21. Murabaha payable

The Group got engaged in Murabaha facility of AED 215 million with bank on 27 February 2020 held at amortised cost. The facility was obtained for the purpose of acquiring Noor Takaful Family PJSC ("NTF") and Noor Takaful General PJSC ("NTG"). The facility includes two tranches as given below:

Tranche A consist of AED 100 million carrying flexible profit rate of 3 months EIBOR plus 2.25% having a maturity period of 12 months from the date of acquisition of NTF and NTG. Full amount of Tranche A is repaid during the year ended 31 December 2021.

Tranche B consist of AED 115 million carrying flexible profit rate of 3 months EIBOR plus 2.9% having a maturity period of 5 years ending 30 June 2025.

Other Murabaha arrangements are as follows:

Pledged collateral

- Registered mortgage over investment properties and other real estate properties valued up to AED 45 million;
- Pledge over wakala deposits worth at least AED 40 million;
- Pledge over the shares of target entities i.e. NTF and NTG;
- Marketable securities (equities and sukuk) worth AED 15 million;
- A profit service reserve account will be maintained by the Company with bank that holds 6 months of profit service for Tranche B at all the times;
- All proceeds from the operating target entities shall be deposited into a dividend account that the Group maintains with the bank; and
- Pledge over profit service reserve account and dividend account maintained with the bank.

Financial covenants

- A minimum capital requirement of AED 300 million so long as the 3 licenses are outstanding and AED 200 million post cancellation of Company's license;
- A minimum solvency coverage ratio of 100%;
- A minimum consolidated Liquid Assets Cover (cash plus marketable securities) of 100%; and
- Compliance with minimum guaranteed fund and net admissible assets requirements.

Other covenants

- Company to complete re-organisation within 12 months from the completion of acquisition;
- Operating accounts of the Company and the targets (NTF and NTG) to move to the bank within 6 months from the completion of acquisition; and
- Company to shift 100% wakala deposits of the Company to specified bank within 6 months from the completion of acquisition.

22. Share capital

	2021 AED	2020 AED
Issued and fully paid:		
150,000,000 ordinary shares of AED 1 each		
(31 December 2020: 150,000,000 ordinary shares)	<u>150,000,000</u>	<u>150,000,000</u>

Dividend of AED (fils) 0.092 per share amounting to AED 13,800,000 was declared and paid during the year ended 31 December 2021 (2020: AED 4,905,000).

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23. Reserves

Statutory reserve

In accordance with the Commercial Companies Law and the Company's Articles of Association, 10% of profit for the year is required to be transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid-up share capital. The reserve is not available for distribution except in the circumstances stipulated by the law. For the year ended 31 December 2021, balance amounting to AED 2,157,993 was transferred to statutory reserves (2020: AED 2,264,385).

Retakaful reserve

In accordance with Central Bank of the United Arab Emirates's (formerly, the UAE Insurance Authority) Board of Directors' Decision No. 23, Article 34, an amount of AED 1,430,530 (2020: AED 642,503) was transferred from retained earnings to retakaful reserve. The reserve is not available for distribution and will not be disposed of without prior approval from Central Bank of the United Arab Emirates (formerly, the UAE Insurance Authority).

24. Net contributions

	Motor AED	Medical AED	General takaful AED	Life AED	Total AED
2021					
Takaful contracts:					
Gross contribution written	90,665,481	325,957,089	226,343,708	63,163,464	706,129,742
Movement in unearned contributions	22,567,493	(5,014,201)	(32,281,728)	-	(14,728,436)
Takaful contribution revenues	113,232,974	320,942,888	194,061,980	63,163,464	691,401,306
Retakaful share of contribution	(7,617,369)	(89,369,267)	(185,163,737)	(3,955,621)	(286,105,994)
Movement in unearned contributions	(3,005,809)	18,782,231	25,786,796	-	41,563,218
Retakaful contribution revenues	(10,623,178)	(70,587,036)	(159,376,941)	(3,955,621)	(244,542,776)
Total contribution revenues	102,609,796	250,355,852	34,685,039	59,207,843	446,858,530
2020					
Takaful contracts:					
Gross contribution written	81,603,008	231,214,261	88,748,917	37,020,537	438,586,723
Movement in unearned contributions	18,613,900	99,731,316	4,398,268	-	122,743,484
Takaful contribution revenues	100,216,908	330,945,577	93,147,185	37,020,537	561,330,207
Retakaful share of contribution	(4,995,399)	(47,552,786)	(74,165,453)	(1,786,967)	(128,500,605)
Movement in unearned contributions	(5,540,679)	(15,290,098)	(2,670,659)	-	(23,501,436)
Retakaful contribution revenues	(10,536,078)	(62,842,884)	(76,836,112)	(1,786,967)	(152,002,041)
Total contribution revenues	89,680,830	268,102,693	16,311,073	35,233,570	409,328,166

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25. Claims incurred

	Motor AED	Medical AED	General takaful AED	Life AED	Total AED
2021					
Gross					
Takaful claims paid	66,198,387	289,267,416	66,157,051	305,554	421,928,408
Movement in provision for claims reported unsettled	(2,722,274)	(26,791,075)	(8,827,544)	1,150,000	(37,190,893)
Movement in provision for incurred but not reported	(5,321,171)	241,223	1,757,328	-	(3,322,620)
Movement in provision for ULAE	1,506,097	(967,988)	(685,181)	-	(147,072)
Movement in provision for URR/CDR	-	(1,966,193)	(72,777)	-	(2,038,970)
Change in investment contracts and mathematical reserves	-	-	-	112,734,050	112,734,050
Net gain on assets held at fair value through profit or loss	-	-	-	(68,918,419)	(68,918,419)
Total	59,661,039	259,783,383	58,328,877	45,271,185	423,044,484
Retakaful					
Retakaful share of claims paid	(8,628,094)	(66,999,838)	(61,468,208)	(110,728)	(137,206,868)
Movement in provision for claims reported unsettled	1,193,242	(1,850,160)	9,783,156	(703,160)	8,423,078
Movement in provision for incurred but not reported	3,023,586	(1,308,351)	(1,618,155)	-	97,080
Total	(4,411,266)	(70,158,349)	(53,303,207)	(813,888)	(128,686,710)
Claims recorded in the consolidated statement of income	55,249,773	189,625,034	5,025,670	44,457,297	294,357,774
2020					
Gross					
Takaful claims paid	40,417,066	242,248,076	59,753,091	(6,320)	342,411,913
Movement in provision for claims reported unsettled	13,977,454	33,741,934	3,994,220	150,000	51,863,608
Movement in provision for incurred but not reported	885,829	(5,007,803)	(2,883,124)	-	(7,005,098)
Movement in provision for ULAE	(409,771)	1,985,298	(133,171)	-	1,442,356
Movement in provision for CDR	(167,056)	1,544,519	(426,978)	-	950,485
Change in investment contracts and mathematical reserves	-	-	-	66,804,255	66,804,255
Net gain on assets held at fair value through profit or loss	-	-	-	(40,741,508)	(40,741,508)
Total	54,703,522	274,512,024	60,304,038	26,206,427	415,726,011
Retakaful					
Retakaful share of claims paid	(6,157,788)	(68,619,345)	(54,676,419)	-	(129,453,552)
Movement in provision for claims reported unsettled	(3,650,328)	6,467,660	(4,225,165)	(71,840)	(1,479,673)
Movement in provision for incurred but not reported	(169,515)	3,169,325	2,433,002	-	5,432,812
Total	(9,977,631)	(58,982,360)	(56,468,582)	(71,840)	(125,500,413)
Claims recorded in the consolidated statement of income	44,725,891	215,529,664	3,835,456	26,134,587	290,225,598

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26. Other Takaful expenses

	2021 AED	2020 AED
Provision for doubtful debts (note 8)	194,524	6,592,758
Other expenses	4,637,553	1,732,024
	<u>4,832,077</u>	<u>8,324,782</u>

27. Wakala fees and Mudarib's fee

Wakala fees

Wakala fee for the year ended 31 December 2021 amounted to AED 176,080,714 (2020: AED 123,754,852). The fee is calculated at maximum of 25% (2020: 29%) without any deduction of policy acquisition cost. Wakala fee is charged to the consolidated statement of income when incurred.

Mudarib's fee

The shareholders also manage the policyholders' investment funds and charge Mudarib's fee. Mudarib fee is charged at 35% (2020: 35%) of realised investment income. During the year, Mudarib's fee amounted to AED 468,637 (2020: AED 1,271,443).

28. General and administrative expenses

	2021 AED	2020 AED
Staff cost	34,898,853	38,144,308
Administrative expenses	24,362,517	9,948,423
Depreciation and amortisation	13,164,772	10,274,446
Marketing expenses	763,708	1,229,616
Other expenses	-	10,210,066
	<u>73,189,850</u>	<u>69,806,859</u>

29. Investment and other income

	Policyholders AED	Shareholders AED	Total AED
2021			
Fair value gain			
Fair value gain on investment properties (note 11)	-	3,614,093	3,614,093
Fair value gain on financial assets at FVTPL	-	3,246,704	3,246,704
Realised gain			
Other investment income			
Income from available-for-sale investments	-	746,428	746,428
Income from wakala deposits	1,390,533	1,089,197	2,479,730
Dividend income	-	225,394	225,394
Income from debt securities	551,015	714,971	1,265,986
Fund management income	-	4,928,372	4,928,372
Surrender income	-	10,369,237	10,369,237
Rebates	-	1,590,604	1,590,604
Rental income from investments properties - net (note 11)	151,297	851,636	1,002,933
Other income	876	88,544	89,420
	<u>2,093,721</u>	<u>27,465,180</u>	<u>29,558,901</u>

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29. Investment and other income (continued)

	Policyholders AED	Shareholders AED	Total AED
2020			
Fair value losses			
Fair value loss on investment properties (note 11)	(3,762,954)	(6,611,689)	(10,374,643)
Impairment in value of property and equipment (note 13)	-	(4,007,282)	(4,007,282)
Impairment in fair value of available-for-sale investments	-	(1,575,870)	(1,575,870)
Realised loss			
Loss on sale of available-for-sale investments	(208,245)	-	(208,245)
Other investment income			
Income from wakala deposits	2,629,121	3,397,810	6,026,931
Dividend income	-	304,286	304,286
Income from debt securities	555,266	534,276	1,089,542
Fund management income	-	1,789,856	1,789,856
Surrender income	-	3,901,094	3,901,094
Rebates	-	1,038,416	1,038,416
Rental income from investments properties - net (note 11)	635,769	494,122	1,129,891
Other income	962,230	914,638	1,876,868
	<u>811,187</u>	<u>179,657</u>	<u>990,844</u>

Investment income has been allocated to the shareholders and policyholders on the basis of investments held by each fund.

30. Acquisition of subsidiaries

Acquisition of Noor Takaful Family PJSC

On 26 July 2020, the Group acquired 100% of the equity instruments of Noor Takaful Family PJSC (NTF), a UAE based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the takaful business. NTF is a significant business, with life assurance portfolio, in UAE which is the Group's targeted market.

NTF's contribution to the Group results

NTF incurred a net profit of AED 2.7 million for the period from 26 July 2020 to 31 December 2020. Gross contributions for the five months from 26 July 2020 were AED 146 million. If NTF had been acquired on 1 January 2020, revenue of the Group for 2020 would have been AED 634.6 million, and profit for the period 31 December 2020 would have increased to AED 26.6 million.

Acquisition of Noor Takaful General PJSC

On 26 July 2020, the Group acquired 100% of the equity instruments of Noor Takaful General PJSC (NTG), a UAE based business, thereby obtaining control. The acquisition was made to enhance the Group's position in the takaful business. NTG is a significant business, with general takaful portfolio, in UAE which is the Group's targeted market.

NTG's contribution to the Group results

NTG incurred a net profit of AED 5.9 million for the period from 26 July 2020 to the reporting date. Revenue for the five months from 26 July 2020 was AED 66.8 million. If NTG had been acquired on 1 January 2020, revenue of the Group for 2020 would have been AED 511.7 million, and profit for the period 31 December 2020 would have increased to AED 26.3 million.

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30. Acquisition of subsidiaries (continued)

The details of net assets acquired in business combination at fair values are as follows:

	Noor Takaful Family PJSC AED	Noor Takaful General PJSC AED	Total AED
Recognised amounts of identifiable net assets			
Assets			
Cash and cash equivalents	88,943,000	15,950,400	104,893,400
Wakala deposits	119,500,000	116,499,600	235,999,600
Investments at fair value through profit and loss	396,587,000	-	396,587,000
Contribution receivables	62,270,596	39,979,000	102,249,596
Retakaful receivables	78,396,000	86,714,000	165,110,000
Property and equipment	2,158,827	16,383,933	18,542,760
Software	1,738,173	2,286,067	4,024,240
Other current assets including related party balances	11,779,000	44,917,000	56,696,000
Tradename	4,440,000	2,288,000	6,728,000
Life takaful contracts	70,034,000	-	70,034,000
Existing contracts	2,310,000	1,029,000	3,339,000
Customer relationships	7,468,000	4,494,000	11,962,000
Total assets	845,624,596	330,541,000	1,176,165,596
Liabilities			
Takaful and related payables	227,296,000	156,610,000	383,906,000
Takaful and investment contract liabilities	396,586,913	-	396,586,913
Mathematical reserve	10,963,087	-	10,963,087
Retakaful payables	24,340,000	26,233,000	50,573,000
Accruals and other payables	46,185,000	18,307,000	64,492,000
Employees' end of service benefits	2,737,000	1,721,000	4,458,000
Total liabilities	708,108,000	202,871,000	910,979,000
Fair value of consideration transferred			
Amount settled in cash	(105,327,000)	(109,673,000)	(215,000,000)
Identifiable net assets	137,516,596	127,670,000	265,186,596
Gain on bargain purchase	32,189,596	17,997,000	50,186,596
Consideration transferred - settled in cash	(105,327,000)	(109,673,000)	(215,000,000)
Cash and cash equivalents acquired	88,943,000	15,950,400	104,893,400
Net cash outflow on acquisition	(16,384,000)	(93,722,600)	(110,106,600)
Acquisition costs charged to expenses *	7,822,737	7,822,737	15,645,474

* Acquisition-related costs amounting to AED 15,645,474 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss, shown as a separate line item in consolidated statement of income.

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31. Earnings per share

Earnings per share are calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year as follows:

	2021	2020
Profit for the year attributable to shareholders (in AED)	21,579,926	22,643,850
Weighted average number of shares outstanding at 31 December	150,000,000	150,000,000
Basic and diluted earnings per share (in AED)	0.144	0.151

Diluted earnings per share as of 31 December 2021 and 2020 are equivalent to basic earnings per share as the Group did not issue any new instrument that would impact earnings per share when executed.

32. Available-for-sale investments reserve

This reserve records gains and losses arising from changes in fair value of available-for-sale investments (AFS).

33. Related party transactions

Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. The management decides on the terms and conditions of the transactions with related parties.

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

Balances with related parties

Balances with related parties included in the consolidated statement of financial position are as follows:

	2021 AED	2020 AED
<i>Takaful and other receivables</i>		
Other related parties	(58,093)	58,602

Transactions with related parties

Transactions with related parties included in the consolidated financial statements are as follows:

	2021 AED	2020 AED
<i>Contributions earned</i>		
Other related parties	-	1,736,966
		1,736,966

Compensation of key management personnel

	2021 AED	2020 AED
Short-term benefits	8,158,572	4,029,717
Employees' end of service benefits	310,645	114,593
	8,469,217	4,144,310

Outstanding balances at the year-end arise in the normal course of business. For the years ended 31 December 2021 and 31 December 2020, the Group has not recorded any impairment of amounts owed by related parties.

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34. Fatwa and Sharia'a supervisory board

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

According to the Group's FSSB, the Group is required to identify any income deemed to be derived from transactions not acceptable under Islamic Shari'a rules and principles, as interpreted by FSSB, and to set aside such amount in a separate account for Shareholders who may resolve to pay the same for local charitable causes and activities.

35. Zakat

Zakat as approved by the Group's Sharia'a Supervisory Board amounted to 0.01630 per share (2020: AED 0.00446 per share).

The Management has opted to communicate the amount of Zakat payable to each shareholder, requiring them to pay their share of Zakat directly.

36. Segmental information

For management purposes the Group is organised into two business segments; general takaful management and investment. The general takaful segment comprises the takaful business undertaken by the Group on behalf of Policyholders. Investment comprises investment 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 Wakala fees, Mudarib's fees and Qard Hassan, no other inter-segment transactions occurred during the year. If any other transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation as shown following.

2021	General takaful AED	Group life (employee benefits) AED	Life AED	Investment AED	Total AED
Attributable to policyholders					
Takaful income					
Gross contribution written	534,139,341	108,682,765	63,163,464	-	705,985,570
Accepted business	144,172	-	-	-	144,172
Retakaful share of ceded Business	(185,630,798)	(96,519,576)	(3,955,620)	-	(286,105,994)
Net takaful contributions	348,652,715	12,163,189	59,207,844	-	420,023,748
Net transfer to unearned contributions reserve	28,631,522	(1,796,740)	-	-	26,834,782
Net takaful contributions					
Earned	377,284,237	10,366,449	59,207,844	-	446,858,530
Discount earned	19,279,925	3,741,976	-	-	23,021,901
Total takaful income	396,564,162	14,108,425	59,207,844	-	469,880,431
Takaful expenses					
Takaful claims paid/(recovered)	(367,686,919)	(53,935,935)	(305,554)	-	(421,928,408)
Retakaful share of ceded business paid	86,496,620	50,599,520	110,728	-	137,206,868
Net takaful claims paid	(281,190,299)	(3,336,415)	(194,826)	-	(284,721,540)

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36. Segmental information (continued)

2021	General takaful AED	Group life (employee benefits) AED	Life AED	Investments AED	Total AED
Provision for outstanding claims	31,300,762	7,040,131	(1,150,000)	-	37,190,893
Retakaful share of outstanding claims	(1,485,683)	(7,640,555)	703,160	-	(8,423,078)
Change in incurred but not reported claims	3,150,228	75,312	-	-	3,225,540
Change in unallocated loss adjustment expenses reserve	(190,811)	337,883	-	-	147,072
Changes in contribution deficiency reserve	1,966,193	72,777	-	-	2,038,970
Change in investment contracts and mathematical reserves	-	-	(112,734,050)	-	(112,734,050)
Net gain on assets held at fair value through profit or loss	-	-	68,918,419	-	68,918,419
Net claims incurred	(246,449,610)	(3,450,867)	(44,457,297)	-	(294,357,774)
Excess of loss of takaful contribution	(11,631,919)	-	-	-	(11,631,919)
Other takaful (expenses)/recoveries	(1,859,858)	1,423,702	(4,395,921)	-	(4,832,077)
Total takaful income	136,622,775	12,081,260	10,354,626	-	159,058,661
Wakala (fee)/income	(143,660,821)	(22,127,196)	(10,292,697)	176,080,714	-
Mudarib's (fee)/income	(459,099)	(2,762)	(6,776)	468,637	-
Policy acquisition cost	-	-	-	(83,013,406)	(83,013,406)
Other underwriting expenses	-	-	-	(3,396,674)	(3,396,674)
General and administrative expenses	-	-	-	(73,189,850)	(73,189,850)
Finance cost	-	-	-	(5,156,174)	(5,156,174)
Investment and other income	1,897,790	128,170	67,761	27,465,180	29,558,901
Bonus reserve	-	-	-	(2,281,532)	(2,281,532)
(Loss)/profit for the year	(5,599,355)	(9,920,528)	122,914	36,976,895	21,579,926

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36. Segmental information (continued)

2020	General takaful AED	Group life (employee benefits) AED	Life AED	Investments AED	Total AED
Attributable to policyholders					
Takaful income					
Gross contribution written	358,610,502	37,415,851	37,020,537	-	433,046,890
Accepted business	5,539,833	-	-	-	5,539,833
Retakaful share of ceded business	(93,761,872)	(32,951,766)	(1,786,967)	-	(128,500,605)
Net takaful contributions	270,388,463	4,464,085	35,233,570	-	310,086,118
Net transfer to unearned contributions reserve	99,053,394	188,654	-	-	99,242,048
Net takaful contributions earned	369,441,857	4,652,739	35,233,570	-	409,328,166
Discount earned	8,853,020	285,248	-	-	9,138,268
Policy fee	23,684	-	-	-	23,684
Total takaful income	378,318,561	4,937,987	35,233,570	-	418,490,118
Takaful expenses					
Takaful claims paid/(recovered)	(295,780,834)	(46,637,399)	6,320	-	(342,411,913)
Retakaful share of ceded business paid	85,456,641	43,996,911	-	-	129,453,552
Net takaful claims paid	(210,324,193)	(2,640,488)	6,320	-	(212,958,361)
Provision for outstanding claims	(67,317,262)	15,603,654	(150,000)	-	(51,863,608)
Retakaful share of outstanding claims	16,848,807	(15,440,974)	71,840	-	1,479,673
Change in incurred but not reported claims	1,080,511	491,775	-	-	1,572,286
Change in unallocated loss adjustment expenses reserve	(1,966,835)	524,479	-	-	(1,442,356)
Changes in contribution deficiency reserve	(1,208,090)	257,605	-	-	(950,485)
Change in investment contracts and mathematical reserves	-	-	(66,804,255)	-	(66,804,255)
Net gain on assets held at fair value through profit or loss	-	-	40,741,508	-	40,741,508
Net claims incurred	(262,887,062)	(1,203,949)	(26,134,587)	-	(290,225,598)

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36. Segmental information (continued)

2020	General takaful AED	Group life (employee benefits) AED	Life AED	Investments AED	Total AED
Excess of loss of takaful contribution	(3,056,369)	-	-	-	(3,056,369)
Other takaful (expenses)/ recoveries	(11,863,926)	3,539,144	-	-	(8,324,782)
Total takaful income	100,511,204	7,273,182	9,098,983	-	116,883,369
Wakala (fee)/income	(78,640,640)	(37,596,628)	(7,517,584)	123,754,852	-
Mudarib's (fee)/income	(1,247,100)	(24,123)	-	1,271,223	-
Policy acquisition cost	-	-	-	(56,915,886)	(56,915,886)
Other underwriting expenses	-	-	-	(1,977,333)	(1,977,333)
General and administrative expenses	-	-	-	(69,806,859)	(69,806,859)
Acquisition cost of subsidiaries	-	-	-	(15,645,474)	(15,645,474)
Finance cost	-	-	-	(1,696,178)	(1,696,178)
Investment and other income	756,115	55,072	-	179,657	990,844
Bonus reserve	-	-	-	624,771	624,771
Gain on bargain purchase of subsidiaries	-	-	-	50,186,596	50,186,596
Profit/(loss)/ for the year	21,379,579	(30,292,497)	1,581,399	29,975,369	22,643,850

The following tables demonstrate other information related to each business segments:

	Takaful AED	Investment AED	Total AED
2021			
Total assets	1,216,631,910	366,418,578	1,583,050,488
Total liabilities	1,215,318,529	215,496,785	1,430,815,314
2020			
Total assets	1,158,258,832	504,268,676	1,662,527,508
Total liabilities	1,164,281,440	352,810,820	1,517,092,260

37. Capital management

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 delegated authorities and responsibilities from the Board of Directors to the Managing Director.

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37. Capital management (continued)

Governance framework (continued)

The Board of Directors meets regularly to approve any commercial, regulatory and organisational decisions. The Management under the authority delegated from the Board of Directors defines the Group's risk and its interpretation, limits structure to ensure the appropriate quality and diversification of assets, aligns underwriting and retakaful strategy to the corporate goals, and specifies reporting requirements.

Capital management framework

The primary objective of the Group's capital management is to comply with the regulatory requirements in the U.A.E. 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 has 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 2021 and 2020.

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 jurisdictions 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 takaful companies to meet unforeseen liabilities as these arise.

38. Financial instruments

Significant accounting policies

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

Categories of financial instruments

	2021 AED	2020 AED
Financial assets		
At amortised cost	624,156,488	812,180,942
At fair value	508,779,600	436,828,226
	<u>1,132,936,088</u>	<u>1,249,009,168</u>
Financial liabilities		
At amortised cost	<u>879,989,606</u>	<u>941,855,631</u>

39. Risk management

Asset liability management (ALM) framework

Financial risks arise from open positions in profit 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.

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39. Risk management (continued)

Asset liability management (ALM) framework (continued)

The Managing Director actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from Takaful contracts.

The Managing Director regularly monitors the financial risks associated with the Group's other financial assets and liabilities not directly associated with Takaful liabilities.

The risks faced by the Group and the way these risks are mitigated by management are summarised as follows:

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 variability of risks is improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

i) Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Group underwrites mainly property, motor, marine, fire and medical 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.

Motor

Motor takaful is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Property

Property takaful is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the actual loss caused by the inability to use the insured properties.

For property takaful contracts the main risks are fire and business interruption. The Group's policies aim careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims.

Liability

For miscellaneous accident classes of takaful such as loss of money, infidelity of employees, personal accident, workmen's compensation, travel, general third party liability and professional indemnity are underwritten.

Medical

Medical takaful is designed to compensate the contract holders for medical costs. Personal accident takaful entitles the contract holders or their beneficiaries to specified amounts in case of death or permanent or partial disability.

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39. Risk management (continued)

Takaful risk (continued)

i) Frequency and amounts of claims (continued)

Medical (continued)

For medical takaful, the main risks are illness and related healthcare costs. The Group generally does not offer medical takaful to walk-in customers and is mainly offered to corporate customers with large population to be covered under the policy. The Group has retakaful to limit losses for any individual claim to 75%-80% of the claim amount.

Marine

Marine takaful is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

For marine takaful the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

Fire

Fire takaful is designed to compensate contract holders for damage and liability arising through loss or damage to the insured assets.

The Group's policies aim careful selection and implementation of underwriting strategy guidelines, as well as the use of retakaful arrangements.

Long term takaful contracts (life)

For unit-linked contracts, the capital risk element of the takaful liabilities can be matched against the investment for policyholders and therefore any change in the variables used to calculate these liabilities does not have any impact on the net asset or profit of the Group. In respect of unit-linked contracts, there is no uncertainty as to the amount to be paid by the Group on mortality or disability, as these are normally the coverage amounts under the policy. Reserves for mortality risk under unit-linked contracts include the reasonable possibility of significant loss due to the uncertainty of deaths among policyholders and rates of disability among policyholders.

ii) Concentration of risks

The Takaful risk arising from Takaful contracts is concentrated mainly in the United Arab Emirates. The geographical concentration of risks is similar to prior year.

The table below sets out the concentration of contract liabilities by type of contract:

	Gross liabilities AED	Retakaful share of liabilities AED	Net liabilities AED
2021			
Medical	49,032,198	(10,041,565)	38,990,633
Motor	54,057,192	(15,125,357)	38,931,835
Marine	11,867,331	(11,011,028)	856,303
Engineering	6,691,268	(5,813,780)	877,488
Fire	44,060,295	(41,702,317)	2,357,978
Liability	3,245,273	(1,643,610)	1,601,663
General Accident	14,979,195	(14,188,479)	790,716
Group Family	40,070,167	(31,854,291)	8,215,876
Individual Family	2,222,600	(1,340,269)	882,331
Total	226,225,519	(132,720,696)	93,504,823

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39. Risk management (continued)

Takaful risk (continued)

ii) Concentration of risks (continued)

	Gross liabilities AED	Retakaful share of liabilities AED	Net liabilities AED
2020			
Medical	75,823,273	(8,191,405)	67,631,868
Motor	56,779,466	(16,318,599)	40,460,867
Marine	10,896,588	(10,288,097)	608,491
Engineering	6,355,987	(5,676,708)	679,279
Fire	48,472,820	(45,656,878)	2,815,942
Liability	2,957,790	(1,294,394)	1,663,396
General Accident	22,467,786	(21,510,018)	957,768
Group Family	38,590,103	(31,570,563)	7,019,540
Individual Family	1,072,600	(637,109)	435,491
Total	263,416,413	(141,143,771)	122,272,642

iii) Retakaful risk

As general industry practice and 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 retakaful contracts.

To minimise its exposure to significant losses from retakaful insolvencies, the Group evaluates the financial condition of its retakaful and ensure diversification of retakaful providers. The Group deals with retakaful approved by the Board of Directors.

Financial risk

The Group's principal financial instruments are investment securities, wakala deposits, takaful receivables, other receivables and cash and cash equivalents.

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

The Group does not enter into any derivative transactions.

i) 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 against defaults.
- 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.

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39. Risk management (continued)

Financial risk (continued)

i) Credit risk (continued)

- The Group's investments are managed by the Managing Director in accordance with the guidance of the investment committee and the supervision 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.

ii) Impaired financial assets

At 31 December 2021, there are impaired contribution receivables and retakaful receivable of AED 18,702,656 (2020: AED 18,508,132). The Group records impairment allowances in a separate impairment allowance account.

iii) Collateral

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Collateral is mainly obtained in the form of postdated cheques and guarantees.

Financial instruments - investments

Investments in financial assets represent investments in quoted and unquoted equity and debt instruments of companies incorporated in the United Arab Emirates, and outside United Arab Emirates (note 5).

Cash and cash equivalents

Cash and cash equivalents of the Group are with Banks and other financial institutions registered and operate in the United Arab Emirates.

iv) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its commitments associated with its financial liabilities when they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The table below summarises the maturity profile of the Group's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements is given below:

	Less than one year AED	More than one year AED	No term AED	Total AED
2021				
Assets				
Investment securities	501,836,600	22,014,762	6,943,000	530,794,362
Restricted deposits	16,000,000	-	-	16,000,000
Wakala deposits	270,309,351	-	-	270,309,351
Takaful receivables	235,968,097	39,016,350	-	274,984,447
Other assets	7,009,429	-	-	7,009,429
Cash and cash equivalents	33,691,897	-	-	33,691,897
	1,064,815,374	61,031,112	6,943,000	1,132,789,486

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39. Risk management (continued)

Financial risk (continued)

iv) Liquidity risk (continued)

	Less than one year AED	More than one year AED	No term AED	Total AED
2021				
Liabilities				
Takaful and retakaful payables	250,250,306	-	-	250,250,306
Other liabilities	79,479,502	-	-	79,479,502
Murabaha payable	13,800,000	95,450,000	-	109,250,000
Takaful and investment contracts liabilities	450,903,939	-	-	450,903,939
	794,433,747	95,450,000	-	889,883,747
2020				
Assets				
Investment securities	429,885,226	22,112,966	6,943,000	458,941,192
Restricted deposits	16,000,000	-	-	16,000,000
Wakala deposits	387,067,837	-	-	387,067,837
Takaful receivables	196,767,285	46,030,663	-	242,797,948
Other assets	11,752,638	-	-	11,752,638
Cash and cash equivalents	132,202,225	-	-	132,202,225
	1,173,675,211	68,143,629	6,943,000	1,248,761,840
Liabilities				
Takaful and retakaful payables	197,302,099	-	-	197,302,099
Other liabilities	106,905,102	-	-	106,905,102
Murabaha payable	100,000,000	114,855,660	-	214,855,660
Takaful and investment contracts liabilities	429,885,226	-	-	429,885,226
	834,092,427	114,855,660	-	948,948,087

v) Market risk

Market risk arises from fluctuations in foreign exchange rates, profit rates and equity prices. The value of risk that may be accepted by the Group is monitored on a regular basis by management.

vi) 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 rates. Floating rate instruments expose the Group to cash flow risk.

The Group is exposed to profit rate risk on certain of its investments and bank balances and cash. The Group limits its risk by monitoring changes in such rates.

The sensitivity analysis below has been determined based on the exposure to profit rates for profit-bearing financial assets assuming the amount of assets at the end of the reporting period were outstanding for the whole year:

	Increase in basis points	Effect on profit for the year AED
2021		
Profit bearing assets	+100	3,561,998
2020		
Profit bearing assets	+100	4,261,808

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39. Risk management (continued)

Financial risk (continued)

vi) Profit rate risk (continued)

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

The impact of changes in profit rate risk is not expected to be significant for the Group, as all financial assets and financial liabilities bears fixed profit rates.

vii) 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 Group has no significant concentration of price risk. 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 20% increase or decrease as at 31 December:

	Reflected in profit or loss		Reflected in other comprehensive income	
	Favourable change AED	Unfavourable change AED	Favourable change AED	Unfavourable change AED
2021				
Equity securities	100,367,320	(100,367,320)	1,188,600	(1,188,600)
2020				
Equity securities	85,977,045	(85,977,045)	1,188,600	(1,188,600)

viii) 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.

40. Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market policyholders 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 operation or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost

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

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

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2020.

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40. Fair value measurements (continued)

Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Group 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).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	31 December 2021	31 December 2020				
	AED	AED				
Available for sale						
Unquoted equity securities	5,943,000	5,943,000	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value.
Unquoted debt securities	1,000,000	1,000,000	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value
Financial assets at fair value through profit						
Quoted equity securities	50,932,661	-	Level 1	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value
Mutual funds units	450,903,939	429,885,226	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value

The management considers that the carrying amounts of financial assets held to maturity in the consolidated financial statements approximate their fair values. The fair value is mainly based on unobservable inputs (i.e. Level 3).

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

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41. Contingencies and commitments

Commitments

The Group has capital commitments amounting to AED 4.01 million as at year end (2020: AED 2.40 million).

Guarantees

As at 31 December 2021, the Group has bank guarantees against labour and third-party commitments for AED 267,000 (2020: AED 299,940).

Legal claims

The Group is subject to litigation in the normal course of its business. Based on independent legal advice, the management does not believe that the outcome of these court cases will have a material impact on the Group's income or financial position

42. Social contribution

The social contribution (including donations and charities) made during the year 2021 amounted to AED 190,000 (2020: AED 150,820).

43. Comparatives

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

44. Post reporting date events

On 3 March 2022, the Board of Directors of the Company and National Takaful Company (Watania) PJSC have reached an agreement in relation to a potential merger between both companies. Completion of the proposed transaction is expected to take place during the third quarter of 2022 and is subject to shareholders and regulatory approvals.

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a 9% Federal Corporate Tax rate effective for fiscal years commencing on or after 1 June 2023. There is no impact of this announcement on the financial statements of the Group for the year ended 31 December 2021. Management will assess the implications of this Federal Corporate Tax in due course. Except for the events noted above, there are no adjusting or significant non-adjusting events which have occurred between the reporting date and the date of authorisation of these consolidated financial statements.