Dubai Islamic Insurance & Reinsurance Company (AMAN) (P.J.S.C)

Directors' report, independent auditor's report and consolidated financial statements
for the year ended 31 December 2021

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AMAN

P.O. Box 157, Dubai - UAE
Tel 00971 4 319 3111
Fax 00971 4 319 3112
info@aman.ae
www.aman.ae

Dubai Islamic Insurance & Reinsurance Company (Aman) (PJSC)
Board of Directors' report

The Board of Directors has pleasure in submitting their report and the audited consolidated financial statements for the year ended 31 December 2021.

Incorporation and registered offices

Dubai Islamic Insurance & Reinsurance Company (Aman) (PJSC) is registered as a public shareholding company in Dubai, United Arab Emirates. The Company carries out general Takaful (insurance) business in accordance with the principles of Islamic Sharia'a as interpreted by its Fatwa and Sharia Board. The Company is also licensed to engage in Retakaful and life Takaful business. The registered address of the Company is P.O. Box 157, Dubai, United Arab Emirates.

Principal activities

The Company mainly issues Takaful contracts in connection with motor, marine, fire and engineering, general accident risks and medical risks (collectively known as general Takaful), group life, credit life and individual life. The Company also invests in investment securities and properties.

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:

– Dr. Saleh Hashem Sayed Al Hashimi	Chairman
– Mr. Mohammed Ahmed Abdulla Mohammed Al Malik	Vice Chairman
– Mr. Naser Falah Hamood Jarra Al Qahtani	Member
– Ms. Maha Khadem Khalfan Khadem Al Mheiri	Member
– Mr. Omran Mohammed Saleh Mahmood Husain Al Khoori	Member

Auditors

The consolidated financial statements for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers [PwC (Middle East)].

By order of the Board of Directors

Dr. Saleh Hashem Sayed Al Hashimi
Chairman

Independent auditor's report to the shareholders of Dubai Islamic Insurance & Reinsurance Company (AMAN) (P.J.S.C)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dubai Islamic Insurance & Reinsurance Company (AMAN) (P.J.S.C) (the "Company") and its subsidiaries (together 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.

What we have audited
The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of income for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code.

Emphasis of matter

We draw attention to Note 37 to the consolidated financial statements, which describes that financial assets measured at fair value through other comprehensive income, with a total carrying value of AED 9.1 million at 31 December 2021 are continue to be held in the name of the former Chief Executive Officer of the Company for the beneficial interest of the Group. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

Key Audit Matters	• Valuation of takaful contract liabilities

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

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 period. 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.

Key Audit Matter | **How our audit addressed the Key audit matter**

Valuation of takaful contract liabilities

As disclosed in note 7 to these consolidated financial statements, the Group's gross takaful contract liabilities amounted to AED 1,094 million as at 31 December 2021.

Note 7 to these consolidated financial statements presents the elements that make up the takaful contract liabilities balance, the most judgemental elements of which are as follows:

Claims reported unsettled

Claims reported unsettled is a material balance within the consolidated financial statements and is also highly judgmental and can be complex to calculate in certain instances. The claims reported unsettled are a best estimate of all claims incurred but not settled at the reporting date.

Claims incurred but not reported

This reserve represents the liability for claims incurred but not reported at the end of the reporting period which is determined through an independent actuarial valuation, considering the Group's historical loss experience.

As part of our audit procedures, we:

- understood, evaluated and tested key controls relating to the review process of quarterly and annual reserves by management and the external appointed actuary;
- understood, evaluated and tested key controls relating to the reserve setting process of the Group.

For claims reported unsettled, we:

- checked on a sample basis the claims reported unsettled against supporting documentation, such as loss adjusters' reports;
- compared on a sample basis the claims reported unsettled with the subsequent payments, if settled or subsequent reserve amounts, if unsettled.

For incurred but not reported claims reserve, we:

- re-performed reconciliations between the data used in the actuarial reserving calculations and the underlying accounting records of the Group;
- evaluated the competence, objectivity and independence of the Group's appointed external actuaries as well as our internal actuarial experts;

Independent auditor's report to the shareholders of Dubai Islamic Insurance & Reinsurance Company (AMAN) (P.J.S.C) (continued)

Our audit approach (continued)

Key Audit Matter (continued)	How our audit addressed the Key Audit Matter (continued)
Valuation of takaful contract liabilities (continued) <u>Claims incurred but not reported</u> (continued) Significant assumptions are applied in the valuation of claims that have been incurred at the reporting date but have not yet been reported to the Group. In addition, lines of business where there is a greater length of time between the initial claim event and the settlement tend to display greater variability between initial estimates and final settlement amounts. The valuation of the other elements of the Group's takaful contract liabilities was also carried out by independent third party actuaries. We consider the valuation of takaful contract liabilities a key audit matter because of the complexity involved in the estimation process and the significant judgements that management make in determining the reasonableness and adequacy of the takaful contract liabilities.	• using our internal actuarial experts, we compared the methodology, models and assumptions used against recognised actuarial practices. In particular we: ➢ checked whether the data used and checks applied to it are reasonable and sufficient to determine the Group's actuarial reserves; ➢ assessed the reasonableness of assumptions and methods used in the underlying calculations of reserves; ➢ assessed the effect on the current year's reserves estimate based on the review performed by the Group on the incurred but not reported claims reserve at prior year end in the light of subsequent development /settlement of these claims; and ➢ recalculated incurred but not reported claims reserve for major lines of business. • checked the appropriateness of the disclosures made in relation to the valuation of takaful contract liabilities included in the consolidated financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the Board of Directors' report (but does not include the consolidated financial statements and our auditor's report thereon).

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information 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.

Independent auditor’s report to the shareholders of Dubai Islamic Insurance & Reinsurance Company (AMAN) (P.J.S.C) (continued)

Responsibilities of 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, the UAE Federal Law No. (6) of 2007, as amended and the related Financial Regulations for Takaful Companies issued by the Central Bank of the United Arab Emirates (“CBUAE”) (formerly the UAE Insurance Authority (“IA”)), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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.

Independent auditor's report to the shareholders of Dubai Islamic Insurance & Reinsurance Company (AMAN) (P.J.S.C) (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, actions taken to eliminate threats or safeguards applied.

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 period 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

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

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

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

(iii) the Group has maintained proper books of account;

(iv) the financial information included in the Board of Directors' report is consistent with the books of account of the Group;

(v) as disclosed in note 9 to the consolidated financial statements the Group has purchased and invested in shares during the year ended 31 December 2021;

(vi) note 29 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

(vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015, as amended or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2021; and

Report on other legal and regulatory requirements (continued)

(viii) the Group has not made any social contributions during the year ended 31 December 2021.

Further as required by the UAE Federal Law No. (6) of 2007, as amended, and the related Financial Regulations for Takaful Insurance Companies issued by CBUAE (formerly IA), we report that we have obtained all the required information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers
31 March 2022

Rami Sarhan
Registered Auditor Number 1152
Place: Dubai, United Arab Emirates

Consolidated statement of financial position

	Notes	As at 31 December 2021 AED	As at 31 December 2020 AED (Restated)	As at 1 January 2020 AED (Restated)
ASSETS				
Cash and cash equivalents	5.1,41	**88,039,122**	54,532,907	81,353,713
Financial assets measured at fair value through profit or loss (FVTPL)	9	**909,913,305**	874,284,320	756,890,551
Due from related parties	29	**-**	2,979,095	2,370,495
Prepayments and other receivables	10	**9,101,920**	7,071,414	7,578,690
Takaful receivables	8	**50,103,381**	58,602,525	52,040,295
Wakala deposits with banks with original maturities of more than three months	5.2,41	**10,000,000**	60,000,000	55,000,000
Financial assets measured at fair value through other comprehensive income (FVOCI)	9	**70,241,104**	58,244,499	67,498,024
Retakaful contract assets				
Unearned contribution and unexpired risk reserves	7	**27,536,803**	30,778,105	42,024,089
Claims reported unsettled	7	**63,804,981**	58,009,511	68,452,413
Mathematical reserve	7	**784,307**	700,293	816,173
Claims incurred but not reported	7	**31,996,117**	37,500,160	30,596,918
Deferred policy acquisition costs	20	**10,532,066**	7,642,874	8,465,105
Statutory deposit	6	**10,000,000**	10,000,000	10,000,000
Investment property	11	**56,896,500**	54,750,000	58,188,000
Property and equipment	12	**237,424**	281,753	301,259
Assets under discontinued operations	32	**1,583,321**	1,583,321	1,586,020
Total assets		**1,340,770,351**	1,316,960,777	1,243,161,745
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES				
Due to bank	13	**-**	19,981,327	19,972,520
Murabaha payable	14	**15,228,543**	15,239,606	15,351,053
Due to related parties	29	**-**	272,814	701,044
Trade and other payables	15	**57,375,515**	68,986,770	68,856,494
Takaful payables	16	**59,067,328**	55,291,582	74,246,673
Amounts held under retakaful treaties		**6,753,321**	6,374,916	5,459,240
Takaful contract liabilities				
Unearned contribution and unexpired risk reserves	7	**89,999,681**	81,204,057	91,713,761
Claims reported unsettled	7	**84,155,390**	71,931,439	84,577,517
Mathematical reserve	7	**2,470,951**	2,847,862	3,540,063
Claims incurred but not reported	7	**49,954,086**	62,602,479	49,565,462
Unallocated loss adjustment expenses	7	**3,673,555**	2,343,996	2,368,573
Unit linked liabilities	7	**863,256,172**	839,410,979	750,500,215
Deferred discount	20	**5,744,747**	6,456,898	5,099,181
Liabilities directly associated with assets under discontinued operations	32	**12,947,356**	13,022,356	13,022,356
Total liabilities before takaful operations' surplus		**1,250,626,645**	1,245,967,081	1,184,974,152
Surplus in takaful operations' fund	39,41	**4,931,803**	6,870,801	4,308,305
Total liabilities		**1,255,558,448**	1,252,837,882	1,189,282,457

The accompanying notes on pages 16 to 85 form an integral part of these consolidated financial statements

Consolidated statement of financial position (continued)

	Notes	As at 31 December 2021 AED	As at 31 December 2020 AED (Restated)	As at 1 January 2020 AED (Restated)
LIABILITIES AND SHAREHOLDERS' EQUITY (continued)				
SHAREHOLDERS' EQUITY				
Share capital	18	**225,750,000**	225,750,000	225,750,000
Legal reserve	19.1	**6,309,669**	5,080,128	3,163,978
General reserve	19.2	**6,309,669**	5,080,128	3,163,978
Accumulated losses		**(78,961,422)**	(88,293,501)	(102,648,627)
Investments revaluation reserve – FVOCI	9.1,41	**(74,975,644)**	(83,479,100)	(74,225,575)
Retakaful placement provision	19.3,41	**2,106,721**	1,311,762	-
Equity attributable to shareholders of the parent		**86,538,993**	65,449,417	55,203,754
Non-controlling interest		**(1,327,090)**	(1,326,522)	(1,324,466)
Total equity		**85,211,903**	64,122,895	53,879,288
Total liabilities and shareholders' equity*		**1,340,770,351**	1,316,960,777	1,243,161,745

The breakdown of the assets and liabilities between the takaful operations and the shareholders is shown in Note 42.

These consolidated financial statements were authorised for issue on 29 March 2022 by the Board of Directors and signed on its behalf by:

Rached Diab
Acting Chief Executive Officer

Dr. Saleh Hashem Sayed Al Hashimi
Chaiman of the Board of Directors

Consolidated statement of income

	Notes	For the year ended 31 December 2021 AED	2020 AED (Restated)
Takaful income			
Gross takaful contributions	21	**249,455,606**	229,156,782
Retakaful share of gross takaful contributions	21	**(134,805,428)**	(129,224,309)
Net takaful contributions written		**114,650,178**	99,932,473
Change in unearned contributions and unexpired risk reserves - gross		**(8,795,624)**	10,509,704
Change in unearned contributions and unexpired risk reserves -retakaful		**(3,241,302)**	(11,245,984)
Net takaful contributions earned		**102,613,252**	99,196,193
Policy fees	23	**9,077,821**	11,369,429
Discount received on ceded retakaful	20	**17,415,921**	18,259,940
Total takaful income		**129,106,994**	128,825,562
Takaful expenses			
Gross claims paid	22	**(107,974,404)**	(112,263,146)
Retakaful share of gross claims paid	22	**37,501,886**	61,474,819
Net takaful claims paid		**(70,472,518)**	(50,788,327)
Change in provision for claims reported unsettled – gross		**(12,223,951)**	12,646,078
Change in provision for claims reported unsettled – retakaful		**5,795,470**	(10,442,902)
Change in incurred but not reported claims – gross		**12,648,393**	(13,037,017)
Change in incurred but not reported claims – retakaful		**(5,504,043)**	6,903,242
Change in unallocated loss adjustment expenses reserve		**(1,329,559)**	24,577
Change in mathematical reserve – gross		**376,911**	692,201
Change in mathematical reserve - retakaful	7.3	**84,014**	(115,880)
Net claims incurred		**(70,625,283)**	(54,118,028)
Policy acquisition cost	20	**(24,602,878)**	(25,085,901)
Total takaful expenses		**(95,228,161)**	(79,203,929)
Net takaful income		**33,878,833**	49,621,633
Investment income	24	**7,349,308**	7,393,182
General and administrative expenses	25	**(31,972,809)**	(34,821,037)
Reversal of / (provision for) impairment on financial assets		**1,841,738**	(225,492)
Net operating loss of subsidiaries		**-**	(25,041)
Other operating income		**-**	335,199
Profit for the year from continuing operations		**11,097,070**	22,278,444
Loss for the year from discontinued operations	31	**(5,677)**	(23,104)
Profit for the year before attribution		**11,091,393**	22,255,340
Deficit / (surplus) from takaful operations for the year	43(a)	**16,302,700**	(3,141,986)
Contribution from Qard Hassan to takaful operations	39	**(15,104,360)**	-
Profit for the year		**12,289,733**	19,113,354
Attributable to:			
Shareholders of the parent		**12,290,301**	19,115,410
Non-controlling interest		**(568)**	(2,056)
		12,289,733	19,113,354
Earnings per share	26	**0.054**	0.085

The accompanying notes on pages 16 to 85 form an integral part of these consolidated financial statements

Consolidated statement of comprehensive income

	For the year ended 31 December	
	2021	2020
	AED	AED
		(Restated)
Profit for the year	**12,289,733**	19,113,354
Other comprehensive income / (loss)		
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets carried at fair value through other comprehensive income	**8,503,456**	(9,253,525)
Total comprehensive income for the year	**20,793,189**	9,859,829
Attributable to:		
Shareholders of the parent	**20,793,757**	9,861,885
Non-controlling interest	**(568)**	(2,056)
	20,793,189	9,859,829

The separate consolidated statements of income and comprehensive income for the takaful operations and the shareholders is shown in note 43(a) and 43(b).

Consolidated statement of changes in equity

	Share capital AED	Legal reserve AED	General reserve AED	Accumulated losses AED	Investments revaluation reserve – FVOCI AED	Retakaful placement provision AED	Equity attributable to shareholders of the parent AED	Non-controlling interest AED	Total AED
Balance at 1 January 2020 – as previously reported	225,750,000	3,163,978	3,163,978	(102,648,627)	(55,163,447)	-	74,265,882	(1,324,466)	72,941,416
Adjustment due to change in presentation - note 41	-	-	-	-	(19,062,128)	-	(19,062,128)	-	(19,062,128)
Balance at 1 January 2020 – as restated	225,750,000	3,163,978	3,163,978	(102,648,627)	(74,225,575)	-	55,203,754	(1,324,466)	53,879,288
Profit for the year	-	-	-	19,115,410	-	-	19,115,410	(2,056)	19,113,354
Other comprehensive loss for the year	-	-	-	-	(9,253,525)	-	(9,253,525)	-	(9,253,525)
Total comprehensive (loss) / income for the year	-	-	-	19,115,410	(9,253,525)	-	9,861,885	(2,056)	9,859,829
Transfer during the year from takaful operations' surplus – note 39	-	-	-	-	-	579,490	579,490	-	579,490
Other movements during the year	-	-	-	-	-	732,272	732,272	-	732,272
Transfer to legal and general reserve	-	1,916,150	1,916,150	(3,832,300)	-	-	-	-	-
Directors' fee	-	-	-	(500,000)	-	-	(500,000)	-	(500,000)
Zakat	-	-	-	(427,984)	-	-	(427,984)	-	(427,984)
Balance at 31 December 2020 – as restated	225,750,000	5,080,128	5,080,128	(88,293,501)	(83,479,100)	1,311,762	65,449,417	(1,326,522)	64,122,895

The accompanying notes on pages 16 to 85 form an integral part of these consolidated financial statements

Consolidated statement of changes in equity (continued)

	Share capital AED	Legal reserve AED	General reserve AED	Accumulated losses AED	Investments revaluation reserve – FVOCI AED	Retakaful placement provision AED	Equity attributable to shareholders of the parent AED	Non-controlling interest AED	Total AED
Balance at 1 January 2021 – as restated	225,750,000	5,080,128	5,080,128	(88,293,501)	(83,479,100)	1,311,762	65,449,417	(1,326,522)	64,122,895
Profit / (loss) for the year	-	-	-	12,290,301	-	-	12,290,301	(568)	12,289,733
Other comprehensive income for the year	-	-	-	-	8,503,456	-	8,503,456	-	8,503,456
Total comprehensive income / (loss) for the year	-	-	-	12,290,301	8,503,456	-	20,793,757	(568)	20,793,189
Transfer during the year from takaful operations' surplus – note 39	-	-	-	-	-	674,027	674,027	-	674,027
Adjustment of retakaful placement provision	-	-	-	-	-	120,932	120,932	-	120,932
Transfer to legal and general reserve	-	1,229,541	1,229,541	(2,459,082)	-	-	-	-	-
Zakat	-	-	-	(499,140)	-	-	(499,140)	-	(499,140)
Balance at 31 December 2021	225,750,000	6,309,669	6,309,669	(78,961,422)	(74,975,644)	2,106,721	86,538,993	(1,327,090)	85,211,903

The accompanying notes on pages 16 to 85 form an integral part of these consolidated financial statements

Consolidated statement of cash flows

	For the year ended 31 December	
	2021	**2020**
	AED	**AED**
Cash flows from operating activities		
Profit for the year	**12,289,733**	19,113,354
Adjustments for:		
Depreciation of property and equipment	**136,417**	174,434
Loss / (gain) on investments measured at FVTPL, net	**6,597,862**	(7,704,731)
(Gain) / loss on revaluation of investment property	**(2,146,500)**	3,438,000
Dividend income	**(11,145,681)**	(1,370,659)
Provision for employees' end of service benefits	**721,555**	826,887
Profit income	**(287,439)**	(1,481,417)
Impairment on financial assets	**(1,841,738)**	225,492
	4,324,209	13,221,360
Changes in operating assets and liabilities:		
Retakaful contract assets	**2,865,861**	14,901,524
Takaful receivables	**8,965,147**	(4,750,380)
Prepayments and other receivables	**(2,030,506)**	507,276
Takaful contract liabilities	**33,169,023**	78,075,221
Amounts held under retakaful treaties	**378,405**	915,676
Takaful payables	**3,775,746**	(18,955,091)
Trade and other payables	**(12,079,015)**	1,814,208
Due from related parties	**5,142,234**	(850,227)
Due to related parties	**(272,814)**	(428,230)
Deferred discount	**(712,151)**	1,357,717
Deferred policy acquisition costs	**(2,889,192)**	822,231
Surplus in takaful operations' fund	**(1,938,998)**	2,562,496
Assets under discontinued operations	**-**	2,699
Liabilities directly associated with assets under discontinued operations	**(75,000)**	-
Cash generated from operations	**38,622,949**	89,196,480
Employees' end of service benefits paid	**(419,961)**	(1,741,885)
Net cash generated from operating activities	**38,202,988**	87,454,595
Cash flows from investing activities		
Purchase of property and equipment	**(92,088)**	(154,928)
Investment in wakala deposits with banks with original maturity of more than three months	**(10,000,000)**	(5,000,000)
Maturity of wakala deposits with banks with original maturity of more than three months	**60,000,000**	-
Purchase of investments in financial assets measured at FVTPL	**(18,381,654)**	(22,044,000)
Purchase of investments in financial assets measured at FVOCI	**(3,493,149)**	-
Profit income received	**287,439**	1,481,417
Net increase in unit linked investments	**(23,845,193)**	(88,910,764)
Dividend income received	**11,145,681**	1,370,659
Net cash generated from / (used in) investing activities	**15,621,036**	(113,257,616)

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

Consolidated statement of cash flows (continued)

	For the year ended 31 December	
	2021	**2020**
	AED	**AED**
Cash flows from financing activities		
Murabaha payable	**(11,063)**	(111,447)
Due to bank	**(19,981,327)**	8,807
Directors' remuneration paid	**-**	(500,000)
Zakat paid	**(332,974)**	(410,344)
Net cash used in financing activities	**(20,325,364)**	(1,012,984)
Net increase / (decrease) in cash and cash equivalents	**33,498,060**	(26,816,005)
Cash and cash equivalents at the beginning of the year	**55,567,060**	82,383,065
Cash and cash equivalents at the end of the year	**89,065,720**	55,567,060
	===========	===========

For the purpose of the consolidated statement of cash flows, the cash and cash equivalents are analysed as follows:

	2021	2020
	AED	AED
Cash and cash equivalents - note 5.1	**88,056,744**	54,558,084
Cash and cash equivalents included in assets under discontinued operations - note 32	**1,008,976**	1,008,976
	89,065,720	55,567,060
	===========	===========

Cash and cash equivalents are before the provision for impairment as per IFRS 9 as disclosed in note 5.

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

1 General information

Dubai Islamic Insurance & Reinsurance Company (Aman) (P.J.S.C.) (the "Company") is registered as a public shareholding company in Dubai, United Arab Emirates. The Company carries out general takaful, retakaful and life takaful business in accordance with the teachings of Islamic Sharia'a. The Company is also licensed to engage in retakaful and life Takaful business. The registered address of the Company is P.O. Box 157, Dubai, United Arab Emirates (UAE) and operates through its branches in Dubai, Abu Dhabi and Sharjah. The Company's ordinary shares are listed on the Dubai Financial Market, United Arab Emirates.

The Company obtained its commercial license on 12 March 2003 and commenced operations on 8 April 2003. The Company issues short term takaful contracts in connection with motor, marine, fire and engineering, general accident and medical risks and life takaful risks. The Company also invests in investment securities and properties.

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

On 29 September 2020, the Board of Directors approved the resignation of Mr. Mubarak Matar Al Shamisi, and re-constituted the Board of Directors by electing Dr. Saleh Hashem Sayed Shareef Al Hashimi as Chairman, and Mr. Mohamed Omeir Yousuf Al Muhari as Vice Chairman.

On 28 June 2021, the Annual General Meeting was held remotely and approved the following:
- Resignation of the Board Members: Mr. Muhammad Amir Yusef Ahmed Al Muhairi, Mr. Abdul Rahman Ahmed Abdullah Senan and Mr. Muhammad Ali Al Hosani.
- Election of new three Board members until the end of the current term in (2022). Ms. Maha Khadem Khalfan Khadem Al Mheiri., Mr. Omran Mohammed Saleh Mahmood Husain AlKhoori and Mr. Mohammed Ahmed Abdulla Mohammed Al Malik.

The Company with its subsidiaries are together referred to as the "Group" in this consolidated financial statements. At 30 September 2021 and 2020, the Company had the following subsidiaries:

Name of subsidiary	Place of incorporation (or registration) and operation	Proportion of ownership profit %	Proportion of voting power held %	Principal activity	Status
Nawat Investments L.L.C.	United Arab Emirates	100.00	100.00	Investment in commercial, industrial and agricultural enterprises and management	Active
Technik Auto Service Centre Co. L.L.C	United Arab Emirates	100.00	100.00	Vehicles' repair services	Under liquidation
Amity Health L.L.C.	United Arab Emirates	90.00	90.00	Medical billing services	Under liquidation

The ex-Vice Chairman of the Group holds 1% of Nawat Investments L.L.C. and 1% of Technik Auto Service Centre Co. L.L.C on behalf and for the benefit of the Group.

The Group did not make social contributions during the year ended 31 December 2021.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

1 General information (continued)

The Company is registered under the UAE Federal Law No. (2) of 2015, as amended relating to commercial companies. The Company is subject to the regulations of the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of the Central Bank of the United Arab Emirates ("CBUAE") (formerly, the UAE Insurance Authority ("IA")) under registration number 070.

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015. The Company has 12 months from 2 January 2022 to comply with the provisions of the Companies Law.

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 Organization 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 Central Bank of the United Arab Emirates ("CBUAE").

As of the date of approval of these consolidated financial statements, the Group is not in compliance with the solvency requirements as well as the single counter-party exposure limits as stipulated in Article 8 of Section 2 and Article 3 of Section 1 of the Financial Regulations respectively. However, the Group continues to prepare these consolidated financial statements on a going concern basis. Refer note 33 for details.

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

2.1 New standards, amendments to published standards or IFRIC interpretations effective for the Group's accounting period beginning on 1 January 2021

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these consolidated financial statements. The application of these revised IFRSs, except where stated, have not had any material impact on the amounts reported for the current and prior years.

New standards and significant amendments to standards applicable to the Group	Effective for annual periods beginning on or after
Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	1 January 2021
Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Effective date 1 January 2021) In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.1 January 2021.	1 January 2021

There are no other IFRSs, IFRIC interpretations or amendments to standards that were effective for the first time for the financial year beginning 1 January 2021 that have had a material impact on the Group's consolidated financial statements.

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

2.2 New standards, amendments to published standards or IFRIC interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2021 and which have not been early adopted by the Group

New standards and significant amendments to standards applicable to the Group	Effective for annual periods beginning on or after
IFRS 17, 'Insurance contracts' On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17, 'Insurance Contracts'. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. IFRS 17 requires a current measurement model, where estimates are re-measured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows. For presentation and measurement, entities are required at initial recognition to disaggregate a portfolio (that is, contracts that are subject to similar risks and managed together as a single pool) into three groups of contracts: onerous; no significant risk of becoming onerous; and remaining contracts. Contracts that are issued more than one year apart should not be in the same group. The standard applies to annual periods beginning on or after 1 January 2023, with earlier application permitted if IFRS 15, 'Revenue from contracts with customers' and IFRS 9, 'Financial instruments' are also applied. Management anticipates that IFRS 17 will be adopted in the Group's consolidated financial statements on its application date. An optional, simplified premium allocation approach (PAA) is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model (GMM) called the 'variable fee approach' (VFA) for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach. The Group expects that the new standard will result in a change to the accounting policies for insurance contracts and reinsurance, together with amendments to presentation and disclosures. The Group expects that the adoption of IFRS 17 will have an impact on the amounts reported and disclosures made in these consolidated financial statements in respect of its insurance contracts issued and reinsurance contracts held. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review post the design phase of implementation which is in progress.	1 January 2023

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

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

2.2 New standards, amendments to published standards or IFRIC interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2021 and which have not been early adopted by the Group (continued)

New standards and significant amendments to standards applicable to the Group	Effective for annual periods beginning on or after
Amendments to IFRS 17, 'Insurance contracts' and Amendments to IFRS 4 'Insurance contracts' The IASB issued the amendments to IFRS 17, 'Insurance contracts', on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB's targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17. On 28 October 2021, the IASB ('Board') redeliberated the Exposure Draft proposing a narrow-scope amendment relating to the presentation of comparative information on initial application of both IFRS 9, 'Financial Instruments', and IFRS 17, 'Insurance Contracts', considering the feedback from the comment letters received. The amendment would permit an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17 and IFRS 9. The overlay would allow such assets to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. Following feedback on the proposals, the Board extended the scope of the overlay to include all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. The overlay could also be applied by entities that already apply IFRS 9. The Board issued the amendment to IFRS 17 on 9 December 2021.	1 January 2023
Narrow scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 Amendments to IFRS 3, 'Business combinations' updates a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibits a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related costs in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.	1 January 2022
Amendments to IAS 1, Presentation of financial statements on classification of liabilities These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	1 January 2023

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

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

2.2 New standards, amendments to published standards or IFRIC interpretations issued but not yet effective for the Group's accounting period beginning on 1 January 2021 and which have not been early adopted by the Group (continued)

New standards and significant amendments to standards applicable to the Group	Effective date
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	1 January 2023
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions - Extension of the practical expedient As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	1 April 2021
Amendments to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.	1 January 2023

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 17, are not expected to have a material impact on the consolidated financial statements of the Group in the period of initial application.

There are no other relevant applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Group's financial year beginning on or after 1 January 2022 that would be expected to have a material impact on these consolidated financial statements.

3 Significant accounting policies

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

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS and the applicable requirements of United Arab Emirates (U.A.E.) Federal Law No. (2) of 2015, as amended and United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations and the Financial Regulations for Insurance Companies issued by the Central Bank of the United Arab Emirates ("CBUAE") (formerly, the UAE Insurance Authority ("IA")). The consolidated financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

3 Significant accounting policies (continued)

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for, provision for employees' end of service benefits which is measured using the projected unit method under IAS 19, and the following which are measured at fair value

- Financial assets measured at fair value through profit or loss (FVTPL);
- Financial assets measured at fair value through other comprehensive income (FVOCI);
- Investment property; and
- Unit linked liabilities.

Historical cost is generally based on the fair value of the consideration given in exchange for assets, goods and services.

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

The Group's consolidated statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: Cash and cash equivalents, financial assets measured at FVTPL, prepayments and other receivables, due from related parties, takaful receivables, wakala deposits with banks with original maturities of more than three months, assets under discontinued operations, due to bank, murabaha payable, due to related parties, trade and other payables, takaful payables, amounts held under retakaful treaties and liabilities directly associated with assets under discontinued operations. The following balances would generally be classified as non-current: statutory deposit, investment property, and property and equipment. The following balances are of mixed nature (including both current and non-current portions): financial assets measured at FVTOCI, retakaful contract assets, deferred policy acquisition costs, takaful contract liabilities and deferred discount.

The consolidated financial statements are presented in Arab Emirates Dirham (AED). The principal accounting policies are set out below.

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Group and entities controlled by the Group. Control is achieved where the Group has:

- Power over an investee,
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect the amount of the investor's returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- The size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Group, other vote holders and other parties;
- Rights raising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns and previous shareholders' meetings.

3 Significant accounting policies (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the financial period are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

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

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount 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 the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

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

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

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

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

3 Significant accounting policies (continued)

Business combinations (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from acquisition date) about facts and circumstances that existed at the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 and IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit and loss.

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

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

Product classification

Takaful contracts are those contracts where a group of participants (the policyholders) mutually cover one another against prescribed uncertain future events of loss or damage. The Group acts as an agent (Wakil) on their behalf in managing the Islamic Takaful operations, in consideration of a Wakala fee. Wakala fee is charged on gross Takaful contributions where the Group retained significant risk on such contributions. No Wakala fee is charged on those Takaful contributions where they retain insignificant risk. The Takaful amounts (contributions) paid net of the Wakala fee are considered as Mudaraba capital, where the Group acts as Mudarib, investing these funds in consideration of a pre-agreed share of the realised profit or loss, if any. The policyholders further donate their contributions (tabarru) 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.

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified profit rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable provided in case of a non-financial variable, that the variable is not specific to a party to the contract.

Once a contract has been classified as a Takaful contract, it remains as a Takaful contract for the remainder of its lifetime, even if the Takaful risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. An investment contract can however be classified as an takaful contract after its inception if the takaful risk becomes significant. The policyholder bears the financial risk relating to some takaful contracts or investment contracts. Such products are usually called unit-linked contracts.

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.

3 Significant accounting policies (continued)

Gross takaful contributions (continued)

Unearned contributions are those proportions of contributions written in a year that relate to periods of risk after the reporting date. The proportion attributable to subsequent periods is deferred as a provision for unearned contributions.

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 Claims reported unsettled and reflected in the consolidated income statement. 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 period.

Retakaful

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 consolidated statement of profit or loss. Ceded Retakaful arrangements do not relieve the Group from its obligations to policyholders.

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

The Group also assumes reinsurance 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.

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 insurance 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.

Retakaful share of claims are recognised when the related gross claim is recognised according to the terms of the relevant contract. Retakaful assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Policy acquisition costs

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

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.

3 Significant accounting policies (continued)

Receivables and payables related to Takaful and Retakaful contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and Takaful contract holders. If there is objective evidence that the receivable is impaired, the Group reduces the carrying amount of the Takaful receivable accordingly and recognizes that impairment loss in the consolidated statement of income.

Takaful contract liabilities

Unearned contributions reserve ('UCR')
At the end of each year a proportion of net retained contributions of the general Takaful, medical and group life Takaful is reserved to cover portions of risks which have not expired at the reporting date. These reserves are calculated using 1/365th method relating to general Takaful except marine cargo and engineering. The UCR for the marine cargo is recognised as fixed proportion of written premium and UCR for engineering is recognized on a daily increasing basis over the term of the policy period.

Claims reported unsettled
Takaful contract liabilities are recognised when contracts are entered into and contributions are charged. These liabilities are known as claims reported unsettled, 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.

Claims incurred but not reported
A provision is made for the estimated excess of potential claims over unearned contribution and for claims incurred but not reported at the financial position date using chain ladder method (2018: chain ladder method). The reserves represent management's best estimates on the basis of:
(a) claims reported during the year
(b) delay in reporting these claims

Unit linked liabilities
For unit linked policies, liability is equal to the policy account values. The account value is the number of unit multiplied by the bid price per unit. The investment component of these takaful contract are designated as at fair value through profit and loss.

Unexpired risk reserve
Provision is made for unexpired risk reserve arising from general takaful contract where the expected value of claim and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned contribution reserve and already recorded claim liabilities in relation to such policies .The provision for unexpired risk reserve is calculated by reference to classes of business, which are managed together, after taking into account the future investment return on investment held to back the Unearned contributions reserve and claims reported unsettled.

Mathematical reserve
The mathematical reserve is determined by independent actuarial valuation of future policy benefit at the end of each reporting period. Mortality and withdrawal rates used in actuarial valuation of Mathematical reserve are based on experience and the most current industry standard mortality table.

Salvage and subrogation reimbursements

Some takaful contracts permit the Group to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Group may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the takaful contract liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the property. Subrogation reimbursements are also considered as an allowance in the measurement of the takaful contract liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

3 Significant accounting policies (continued)

Deferred policy acquisition costs (DAC)

Policy acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses, when incurred. The DAC is subsequently amortised, as per the below:

- For short term takaful contracts, DAC is amortised over the term of the policy as premium is earned;
- For long-term takaful contracts, DAC is amortised over a period of time, which is determined based on the expected life of the contract.

Liability adequacy test

At the end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities (net of related DAC). In performing these tests, current best estimates of future contractual cash flows and associated expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the consolidated income statement by establishing a provision for losses arising from liability adequacy tests.

Surplus / deficit in policyholders' fund

If the surplus in the participants' fund at the end of a year is sufficiently large, a percentage of the surplus shall be distributed between participants 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 Shari'a Supervisory Board. Any remaining surplus after the distribution will remain in the participants' fund.

Any surplus in the participants' fund outstanding as of year end and not distributed is recognized as a liability in the consolidated statement of financial position.

A deficiency in participants' fund is made good by a profit free loan (Qard Hassan) from the shareholders' fund. This loan is to be repaid from future surpluses arising from takaful operations on a priority basis.

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

Any deficit in the participants' fund, except for deficits arising from a decline in the fair value of securities, is financed by the shareholders through a Qard Hassan (a finance cost free loan with no repayment terms). The Group maintains a full provision against the Qard Hassan.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The condition is regarded as met only when the assets (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal group) and its sale is highly probable. Management be committed to sale, which should be expected to qualify for recognition as a completed sale within one year for the date of classification.

When the group is committed to a sale plan involving loss control of a subsidiary, all assets and liabilities of the subsidiaries are classified as held for sale when the criteria described above are met regardless of whether the Group will retain a non- controlling interest in its former subsidiary after sale.

Non-current assets (and disposal group) classified as held for sale are measured at the lower of their carrying amount and the fair value less cost to complete.

3 Significant accounting policies (continued)

Leases

The Group does not have leases that should be accounted for in accordance with IFRS 16 since all the Group's leases are assessed as short-term in nature and the payments made under the leases (net of any incentives received from the lessor) were charged to the income statement on a straight-line basis over the period of the lease. The Group did not need to make any adjustments to the accounting for assets held as lessee as a result of adopting the new leasing standard due to the short-term nature of the lease contracts.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

General and administration expenses

Administration expenses are charged to the shareholders' consolidated statement of income. Expenses related to participants are allocated to consolidated statement of income of participant's fund on the basis of guidelines issued by the Sharia'a and Supervisory board.

Provisions

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

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

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

Employee benefits

Defined contribution plan

U.A.E. National employees in the United Arab Emirates are members of the Government-managed retirement pension and social security benefit scheme established pursuant to U.A.E. Federal Labour Law No. 7 of 1999. The Group is required to contribute 12.5% of the "contribution calculation salary" to the retirement benefit scheme to fund the benefits. These employees are also required to contribute 5% of the "contribution calculation salary" to the scheme. The only obligation of the Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to the consolidated statement of profit or loss.

Provision for employees' end of service indemnity

Provision is also made for the full amount of end of service indemnity due to non-U.A.E. national employees in accordance with the UAE Labour Law and is calculated annually using the projected unit credit method in accordance with IAS 19. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using profit rates on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

3 Significant accounting policies (continued)

Financial instruments

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective profit rate is the rate that exactly discounts estimate future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate. When the Group revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss (“FVTPL”), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (“ECL”) is recognized for financial assets measured at amortised cost and investments in debt instruments measured at FVOCI, which results in an accounting loss being recognised in profit or loss when the asset is newly originated.

Financial assets

(i) Classification and subsequent measurement

The Group classifies its financial assets in the following measurement categories:

- fair value through profit or loss (“FVTPL”);
- fair value through other comprehensive income (“FVOCI”); or
- amortised cost

The classification requirements for debt and equity instruments are described below:

Debt instruments
Debt instruments are those instruments that meet the definition of a financial liability from the issuer’s perspective, such as loans and government and corporate bonds.

Classification and subsequent measurement of debt instruments depends on:
- the Group’s business model for managing the assets; and
- the cash flow characteristics of the asset.

Based on those factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest on the principal amount outstanding (“SPPI”), and that are not designated at FVTPL are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in this note. Interest income from these financial assets is included in “Interest income” using the effective interest rate method.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Debt instruments (continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding ("SPPI"), and that are not designated at FVTPL, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated income statement and recognised in "Investment income". Profit income from these financial assets is included in "Investment income" using the effective interest rate method.
- FVTPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in the income statement and presented net within "Investment income – Net" in the period in which it arises. Interest income from these assets is included in "Interest income" using the effective interest rate method.

Business model
The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the asset or is to collect the contractual cash flows and cash flows arising from the sale of the assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting periods, the Group has not identified a change in its business models.

SPPI
Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial assets' cash flows represent solely payments of principal and interest on the principal amount outstanding (the "SPPI test"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified at FVTPL. The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent, and none occurred during the period.

Equity instruments
Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares. The Group subsequently measures all equity investments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Group's policy is to designate equity investments at FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as "Investment income" when the Group's right to receive payments is established.

3 Significant accounting policies (continued)

Financial instrumrents (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVOCI, Takaful receivables and due from related parties. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for Takaful receivables and due from related parties. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) Definition of default

The Group employs statistical models to analyse the data collected and generate estimates of probability of default ("PD") of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors across various geographies of the Group.

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event (see (ii) above);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective profit rate.

De-recognition of financial assets

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

Gains and losses on the disposal of investments are calculated as the difference between net sales proceeds and the carrying amount and are recorded on occurrence of the sale transaction.

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired financial assets are derecognised when they are assessed as uncollectible.

Financial liabilities

The Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract. All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVTPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are subsequently measured at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

3 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

Financial liabilities included in insurance and other payables are recognised initially at fair value and subsequently measured at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Offsetting

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are within the scope of IFRS 9 expected credit loss calculations for the assessment of impairment.

Wakala deposits with banks with original maturities of more than three months

Wakala deposits with banks with original maturities of more than three months are initially measured at fair value and subsequently measured at amortised cost. Deposits held with banks are within the scope of IFRS 9 expected credit loss calculation for the assessment of impairment. Profit from wakala deposits with banks is recognised on a time proportion basis using the effective profit method and is recognised within 'Investment income' in the consolidated income statement.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of income in the period in which they arise.

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 profit or loss in the year in which they arise.

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

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation or 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 and consultants or broker's quotes.

Rental income from investment properties which is leased under an operating lease is recognised on a straight-line basis over the term of the lease.

3 Significant accounting policies (continued)

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss.

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

Depreciation is charged so as to write off the cost, over their estimated useful lives, using the straight-line method, as follows:

Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	4 years

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash‑generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash‑generating units, or otherwise they are allocated to the smallest group of cash‑generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre‑tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash‑generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash‑generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash‑generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash‑generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated

Exchange differences are recognized in consolidated statement of income the year in which they arise except for:

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to finance costs on foreign currency financings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

Zakat

Zakat as approved by the Group's Sharia'a Supervisory Board is computed on the following basis:

- Zakat on shareholders' equity is deducted from retained earnings and is computed on their Zakat Pool (Legal Reserve, General Reserve, Retained Earnings and employees' end of service benefits).
- Zakat is distributed by a committee appointed by the Board of Directors and operating as per the by-law set by the Board.
- Zakat on paid up capital and proposed dividend is not included in the Zakat computation and is payable directly by the shareholders themselves.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

Dividend distribution

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs. Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Profit expense is recognised in the consolidated statement of income as it accrues and is calculated by using the effective profit rate method.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3 to these consolidated financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The significant judgments and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

4.1 Measurement of the expected credit loss ("ECL") allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring Expected Credit Loss (ECL) is further detailed in note 35B.

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

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

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

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

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

A 10% increase or decrease in PD and LGD estimates at 31 December 2021 would result in an increase or decrease in total expected credit loss allowances on takaful receivables and balances with banks of AED 1,032,927 (2020: AED 1,282,587).

4.2 The ultimate liability arising from claims made under takaful contracts

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the reporting date. The liability for outstanding claims includes the cost of claims reported but yet to be paid, claims incurred but not reported ("IBNR"), and the estimated expenses to be incurred in settling claims.

The process of establishing liability estimates is subject to considerable variability as it requires the use of informed estimates and judgments. These estimates and judgments are based on numerous factors, and may be revised as additional experience becomes available or as regulations change. The liability for outstanding claims is estimated using the input of assessment for individual cases reported to the Group as well as assessments performed by external loss adjustors where deemed necessary. Claims requiring court or arbitration decisions are estimated individually. The Group takes all reasonable steps to ensure that it has appropriate information regarding the risk of major storm, tempest and flood scenarios that exist in the UAE to estimate its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

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

4.2 The ultimate liability arising from claims made under takaful contracts (continued)

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims, where more information about the claim event is available. Classes of business which have a longer reporting tail and where the IBNR proportion of the total reserve is therefore high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty in estimating these liabilities. For the short-tailed classes, claims are typically reported soon after the claim event, and tend to display less variation. In calculating the required levels of provisions, the Group's external independent actuary use a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

Provision for claims, whether reported or not

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

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the financial position date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Mathematical reserve

Mortality and withdrawal rates used in actuarial valuation of Mathematical reserve are based on experience and the most current industry standard mortality table as shown below.

Age	Mortality rate
19-30	0.53-0.44
31-40	0.46-0.89
41-50	0.96-2.51
51-60	2.81-7.58
61-70	8.13-18.81

Unit linked investments

The Group recognizes the unit linked investments and its related liabilities pertaining to the deposit component of the Takaful contract on gross basis on its consolidated statement of financial position. These were recorded in net, as based on the management judgement, financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position if, and only if, as required by IAS 32, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously; which is not the case for the unit linked investments provided by the Group.

4.3 Valuation of unquoted equity investments

Where the fair values of financial assets recorded on the consolidated statement of financial position cannot be derived from active markets, management have determined it using internal valuation that includes the use of mathematical model. Management has used the comparable multiples method to determine the fair value of its financial assets; this method derives the value of the investments using the valuation multiples of other businesses similar in industry, sector and size; assuming that similar companies will have similar valuation multiples. A median of the identified valuation multiples for similar industry in various countries in the MENA was used. This median of multiples and the investment's earnings was used to determine the investment's value. Where actual costs related to performance under contracts differ significantly from management's estimates, the amount of revenue recognised on contracts to date could be materially impacted.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

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

4.4 Valuation of investment property

The Group values its investment properties at fair value on the basis of market valuations prepared by independent property consultants. The valuations are based on assumptions which are mainly based on market conditions existing at each reporting date. Therefore, any future change in the market conditions could have an impact on the fair value. For further details of the judgments and assumptions made, refer to note 11.

5 Cash and bank balances (excluding statutory deposit)

5.1 Cash and cash equivalents

	2021	2020
	AED	AED (Restated)
Cash in hand	**10,252**	18,576
Bank balances in current accounts	**88,046,492**	54,539,508
	88,056,744	54,558,084
Less: Provision for impairment	**(17,622)**	(25,177)
Total	**88,039,122**	54,532,907

Details of provision for impairment as per IFRS 9 are as follows:

	2021	2020
	AED	AED
Balance as at 1 January	**25,177**	20,376
(Reversal) / charge for the year	**(7,555)**	4,801
Balance as at 31 December	**17,622**	25,177

5.2 Wakala deposits with banks with original maturities of more than three months

	2021	2020
	AED	AED (Restated)
Maturing within 1 year (current)	**10,000,000**	60,000,000

The profit rates on Wakala deposits with Banks ranges from 0.65% to 1.25% (2020: 1.0% to 1.3%).

Wakala deposits with banks with original maturities of more than three months amounting to AED Nil (31 December 2020: AED 20 million) were pledged against Mudarabah financing under "Due to bank" – refer note 13.

6 Statutory deposit

A deposit of AED 10 million (2020: AED 10 million) has been placed with a bank, in accordance with Article (42) of the UAE Federal Law No. (6) of 2007. This deposit has been pledged to the bank as security against a guarantee issued by the bank in favour of the CBUAE for the same amount. This deposit cannot be withdrawn without prior approval of the CBUAE and bears a profit rate of 0.6% per annum (2020: 1% per annum).

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

7 Retakaful contract assets and takaful contract liabilities

	2021 AED	2020 AED
Takaful contract liabilities – gross – (A)		
Unearned contribution and unexpired risk reserves (note 7.2)	**89,999,681**	81,204,057
Claims reported unsettled (note 7.1)	**84,155,390**	71,931,439
Mathematical reserve (note 7.3)	**2,470,951**	2,847,862
Claims incurred but not reported (note 7.1)	**49,954,086**	62,602,479
Unallocated loss adjustment expenses (note 7.1)	**3,673,555**	2,343,996
Unit linked liabilities	**863,256,172**	839,410,979
	1,093,509,835	1,060,340,812
Retakaful contract assets – (B)		
Unearned contribution and unexpired risk reserves	**27,536,803**	30,778,105
Claims reported unsettled	**63,804,981**	58,009,511
Mathematical reserve	**784,307**	700,293
Claims incurred but not reported	**31,996,117**	37,500,160
	124,122,208	126,988,069
Takaful contract liabilities – net – (A-B)		
Unearned contribution and unexpired risk reserves (note 7.2)	**62,462,878**	50,425,952
Claims reported unsettled (note 7.1)	**20,350,409**	13,921,928
Mathematical reserve (note 7.3)	**1,686,644**	2,147,569
Claims incurred but not reported (note 7.1)	**17,957,969**	25,102,319
Unallocated loss adjustment expenses (note 7.1)	**3,673,555**	2,343,996
Unit linked liabilities	**863,256,172**	839,410,979
	969,387,627	933,352,743

As at 31 December 2021, the gross and net insurance contract liabilities as certified by the Company's appointed actuary, SHMA Consulting DMCC amounted to AED 1,094 million and AED 969 million respectively (31 December 2020: AED 1,060 million and AED 933 million respectively).

7.1 Movement in the provision for claims reported unsettled, claims incurred but not reported and unallocated loss adjustment expenses

	2021		2020	
	Gross AED	**Net AED**	Gross AED	Net AED
At 1 January	**136,877,914**	**41,368,243**	136,511,552	37,462,221
Claims incurred during the year	**108,879,521**	**71,086,208**	112,629,505	54,694,346
Claims settled during the year	**(107,974,404)**	**(70,472,518)**	(112,263,143)	(50,788,324)
At 31 December	**137,783,031**	**41,981,933**	136,877,914	41,368,243
Claims reported unsettled	**84,155,390**	**20,350,409**	71,931,439	13,921,928
Claims incurred but not reported	**49,954,086**	**17,957,969**	62,602,479	25,102,319
Unallocated loss adjustment expenses	**3,673,555**	**3,673,555**	2,343,996	2,343,996
	137,783,031	**41,981,933**	136,877,914	41,368,243

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

7 Retakaful contract assets and takaful contract liabilities (continued)

7.2 Unearned contribution and unexpired risk reserves

	2021		2020	
	Gross AED	**Net AED**	Gross AED	Net AED
Unearned contributions reserve (UCR)	**85,185,149**	**57,648,346**	78,058,055	47,279,950
Unexpired risk reserve (URR)	**4,814,532**	**4,814,532**	3,146,002	3,146,002
	89,999,681	**62,462,878**	81,204,057	50,425,952

The movement in the provision for unearned contributions and unexpired risk reserves – gross and net was as follows:

	2021		2020	
	Gross AED	**Net AED**	Gross AED	Net AED
At 1 January	**81,204,057**	**50,425,952**	91,713,761	49,689,672
Contributions written	**249,455,606**	**114,650,178**	229,156,782	99,932,473
Change in unexpired risk reserve	**1,668,530**	**1,668,530**	(2,118,469)	(2,118,469)
Contributions earned during the year	**(242,328,512)**	**(104,281,782)**	(237,548,017)	(97,077,724)
At 31 December	**89,999,681**	**62,462,878**	81,204,057	50,425,952

7.3 Mathematical reserve

	2021		2020	
	Gross AED	**Net AED**	Gross AED	Net AED
At 1 January	**2,847,862**	**2,147,569**	3,540,063	2,723,890
Net movement during the year	**(376,911)**	**(460,925)**	(692,201)	(576,321)
At 31 December	**2,470,951**	**1,686,644**	2,847,862	2,147,569

The following table presents the sensitivity of the value of mathematical reserves to movements in the assumptions used in the estimation of takaful contract liabilities. For liabilities under long-term takaful contracts with fixed and guaranteed terms, changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. No losses arose in either 2021 or 2020, based on the results of the liability adequacy test. The table below indicates the level of the respective variable that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration in the variable.

Scenario	**Change in assumptions**	**Increase / (decrease) on net liability** 2021 AED	2020 AED
Mortality / morbidity	+10%	**12,119**	11,172
Discount rate	+75 bps	**(439)**	(410)
Mortality / morbidity	-10%	**(12,120)**	(11,173)
Discount rate	-75 bps	**446**	417

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

7 Retakaful contract assets and takaful contract liabilities (continued)

Takaful contract liabilities-gross, comprises of the following:

	Unearned contribution and unexpired risk reserves AED	Claims reported unsettled AED	Mathematical reserve AED	Claims incurred but not reported AED	Unallocated loss adjustment expenses AED	Unit linked liabilities AED	Total AED
At 31 December 2021							
Motor	**39,150,981**	**38,445,994**	**-**	**5,313,583**	**2,317,547**	**-**	**85,228,105**
Engineering	**2,539,805**	**6,383,580**	**-**	**1,392,297**	**31,450**	**-**	**10,347,132**
Marine & aviation	**543,609**	**5,700,460**	**-**	**1,331,395**	**41,163**	**-**	**7,616,627**
Fire	**10,478,501**	**3,868,142**	**-**	**10,439,600**	**81,911**	**-**	**24,868,154**
General insurance & liabilities	**8,992,556**	**24,982,432**	**-**	**23,002,284**	**827,527**	**-**	**57,804,799**
Medical	**23,429,322**	**2,150,509**	**-**	**4,496,774**	**317,487**	**-**	**30,394,092**
Life	**4,864,907**	**2,624,273**	**2,470,951**	**3,978,153**	**56,470**	**863,256,172**	**877,250,926**
	89,999,681	**84,155,390**	**2,470,951**	**49,954,086**	**3,673,555**	**863,256,172**	**1,093,509,835**
At 31 December 2020							
Motor	34,484,194	26,549,714	-	10,733,951	1,459,273	-	73,227,132
Engineering	2,186,527	5,845,137	-	2,654,440	35,009	-	10,721,113
Marine & aviation	1,585,398	3,971,792	-	1,696,191	14,746	-	7,268,127
Fire	10,480,633	5,240,311	-	12,527,702	53,996	-	28,302,642
General insurance & liabilities	11,850,506	24,354,824	-	24,688,031	601,121	-	61,494,482
Medical	15,613,787	1,568,182	-	5,480,998	88,871	-	22,751,838
Life	5,003,012	4,401,479	2,847,862	4,821,166	90,980	839,410,979	856,575,478
	81,204,057	71,931,439	2,847,862	62,602,479	2,343,996	839,410,979	1,060,340,812

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

7 Retakaful contract assets and takaful contract liabilities (continued)

Takaful contract liabilities-net, comprises of the following:

	Unearned contribution and unexpired risk reserves AED	Claims reported unsettled AED	Mathematical reserve AED	Claims incurred but not reported AED	Unallocated loss adjustment expenses AED	Unit linked liabilities AED	Total AED
At 31 December 2021							
Motor	**35,951,676**	**13,316,714**	**-**	**5,223,654**	**2,317,547**	**-**	**56,809,591**
Engineering	**499,895**	**245,357**	**-**	**147,774**	**31,450**	**-**	**924,476**
Marine & aviation	**118,249**	**321,593**	**-**	**192,948**	**41,163**	**-**	**673,953**
Fire	**895,850**	**247,458**	**-**	**776,428**	**81,911**	**-**	**2,001,647**
General insurance & liabilities	**2,504,727**	**3,895,889**	**-**	**6,448,200**	**827,527**	**-**	**13,676,343**
Medical	**21,355,910**	**1,852,961**	**-**	**4,496,774**	**317,487**	**-**	**28,023,132**
Life	**1,136,571**	**470,437**	**1,686,644**	**672,191**	**56,470**	**863,256,172**	**867,278,485**
	62,462,878	**20,350,409**	**1,686,644**	**17,957,969**	**3,673,555**	**863,256,172**	**969,387,627**
At 31 December 2020							
Motor	29,699,334	7,297,080	-	9,870,821	1,459,273	-	48,326,508
Engineering	193,156	419,195	-	280,986	35,009	-	928,346
Marine & aviation	583,560	130,751	-	164,177	14,746	-	893,234
Fire	757,259	216,276	-	863,636	53,996	-	1,891,167
General insurance & liabilities	3,254,032	3,727,742	-	8,294,684	601,121	-	15,877,579
Medical	14,555,572	1,217,006	-	4,707,737	88,871	-	20,569,186
Life	1,383,039	913,878	2,147,569	920,278	90,980	839,410,979	844,866,723
	50,425,952	13,921,928	2,147,569	25,102,319	2,343,996	839,410,979	933,352,743

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

8 Takaful receivables

	2021 AED	2020 AED
Due from policyholders	**24,173,025**	28,025,280
Less: Provision for impairment	**(4,330,886)**	(4,117,920)
	19,842,139	23,907,360
Due from takaful / retakaful companies	**21,962,614**	25,101,769
Due from brokers / agents	**14,279,388**	16,436,142
Less: Provision for impairment	**(5,980,760)**	(6,842,746)
	50,103,381	58,602,525

Inside United Arab Emirates	2021 AED	2020 AED
Due from policyholders	**24,140,129**	28,025,280
Less: Provision for impairment	**(4,330,886)**	(4,117,920)
	19,809,243	23,907,360
Due from takaful / retakaful companies	**17,713,395**	15,892,629
Due from brokers / agents	**14,279,388**	16,436,142
Less: Provision for impairment	**(5,980,760)**	(6,842,746)
	45,821,266	49,393,385

Inside United Arab Emirates **2021**	Policyholders AED	Takaful and retakaful companies AED	Brokers and agents AED	Total AED
Aging of takaful receivables				
Not due	3,123,569	692,790	3,721,992	7,538,351
Past due and not impaired				
Less than 30 days	5,898,542	1,580,062	3,031,386	10,509,990
30-90 days	5,068,853	1,588,667	2,384,038	9,041,558
91-180 days	2,970,409	3,116,406	217,335	6,304,150
181-270 days	1,639,132	1,920,410	-	3,559,542
271-365 days	728,571	2,061,695	-	2,790,266
More than 365 days	380,167	5,697,242	-	6,077,409
	19,809,243	16,657,272	9,354,751	45,821,266
Past due and impaired				
31-90 days	-	-	4,794	4,794
91-180 days	-	-	603,432	603,432
181-270 days	-	-	1,227,720	1,227,720
271-365 days	1,278,978	-	585,932	1,864,910
More than 365 days	3,051,908	1,056,123	2,502,759	6,610,790
Total takaful receivables (gross)	24,140,129	17,713,395	14,279,388	56,132,912

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

8 Takaful receivables (continued)

Inside United Arab Emirates 2020	Policyholders AED	Takaful and retakaful companies AED	Brokers and agents AED	Total AED
Aging of takaful receivables				
Not due	4,015,697	145,306	2,044,994	6,205,997
Past due and not impaired				
Less than 30 days	6,722,698	744,052	4,402,016	11,868,766
30-90 days	7,499,660	2,660,435	4,573,937	14,734,032
91-180 days	4,030,194	2,619,704	27,808	6,677,706
181-270 days	1,544,793	1,381,377	44,641	2,970,811
271-365 days	94,318	1,365,955	-	1,460,273
More than 365 days	-	5,475,800	-	5,475,800
	23,907,360	14,392,629	11,093,396	49,393,385
Past due and impaired				
31-90 days	-	-	780,643	780,643
91-180 days	95,908	-	1,297,003	1,392,911
181-270 days	586,349	-	303,738	890,087
271-365 days	864,008	-	323,382	1,187,390
More than 365 days	2,571,655	1,500,000	2,637,980	6,709,635
Total takaful receivables (gross)	28,025,280	15,892,629	16,436,142	60,354,051

Outside United Arab Emirates	**2021 AED**	2020 AED
Due from policyholders	**32,896**	-
Less: Provision for impairment	**-**	-
	32,896	-
Due from takaful / retakaful companies	**4,249,219**	9,209,140
Less: Provision for impairment	**-**	-
	4,282,115	9,209,140

Outside United Arab Emirates 2021	**Policy holders AED**	**Takaful and retakaful companies AED**	**Brokers and agents AED**	**Total AED**
Aging of takaful receivables				
Not due	-	-	-	-
Past due but not impaired				
Less than 30 days	**23,971**	**622,104**		**646,075**
30-90 days	**5,325**	**143,719**	-	**149,044**
91-180 days	**3,600**	**617,121**	-	**620,721**
181-270 days	-	**210,338**	-	**210,338**
271-365 days	-	**1,197,788**	-	**1,197,788**
More than 365 days	-	**1,458,149**	-	**1,458,149**
Total takaful receivables (gross)	**32,896**	**4,249,219**	-	**4,282,115**

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

8 Takaful receivables (continued)

Outside United Arab Emirates **2020**	**Policy holders** AED	**Takaful and retakaful companies** AED	**Brokers and agents** AED	**Total** AED
Aging of takaful receivables				
Not due	-	-	-	-
Past due but not impaired				
Less than 30 days	-	440,841	-	440,841
30-90 days	-	896,248	-	896,248
91-180 days	-	1,507,607	-	1,507,607
181-270 days	-	4,543,790	-	4,543,790
271-365 days	-	1,048,590	-	1,048,590
More than 365 days	-	772,064	-	772,064
Total takaful receivables (gross)	-	9,209,140	-	9,209,140

The Group measures the loss allowance for takaful receivables at an amount equal to lifetime ECL. The expected credit losses on takaful receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against due from policyholder and broker / agents over 90 days and 45% to 100% against takaful / retakaful companies over 180 days past due based on historical experience.

There has been no changes in the estimation techniques or significant assumptions made during the current reporting period.

The Group writes off a takaful receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the takaful receivables are over three years past due, whichever occurs earlier. None of the trade receivables that have been written off are subject to enforcement activities.

Movement in provision for impairment is as follows:

	2021 **AED**	2020 AED
Balance at the beginning of the year	**10,960,666**	9,481,602
(Reversal of) / provision for impairment	**(1,834,183)**	1,479,064
Transferred from due from related parties (note 29(a))	**2,163,139**	-
Written off during the year	**(977,976)**	-
Balance at the end of the year	**10,311,646**	10,960,666

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

9 Investment in financial assets

	2021 AED	2020 AED
Financial assets measured at fair value through other comprehensive income (FVOCI) (A)		
- Listed	**35,927,826**	27,588,001
- Unlisted	**34,313,278**	30,656,498
	70,241,104	58,244,499
Financial assets measured at fair value through profit and loss (FVTPL) (B)		
- Listed	**5,427,599**	4,072,568
- Unlisted	**41,229,534**	30,800,773
- Unit linked investments	**863,256,172**	839,410,979
	909,913,305	874,284,320
Total investment in financial assets measured at fair value (A+B)	**980,154,409**	932,528,819

Movement in financial assets measured at fair value through other comprehensive income (FVOCI) and financial assets measured at fair value through profit or loss (FVTPL), excluding the purchases and disposals of unit linked investments. is as follows:

	2021		2020	
	FVOCI AED	**FVTPL AED**	FVOCI AED	FVTPL AED
At 1 January	**58,244,499**	**34,873,341**	67,498,024	6,390,336
Additions	**3,493,149**	**18,381,654**	-	22,044,000
Disposals	-	-	-	(21,350,702)
Change in the fair value	**8,503,456**	**(6,597,862)**	(9,253,525)	27,789,707
At 31 December	**70,241,104**	**46,657,133**	58,244,499	34,873,341

Equity shares included within financial assets measured at FVTPL and FVTOCI amounting to AED 727,500 and AED 21,938,779 (2020: AED 421,500 and AED 16,941,981) respectively are pledged against Murabaha finance facility under "Murabaha payable" – note 14.

The Group owns shares of Al Salam Bank - Algeria which are held by the former CEO (who resigned during 2013) for the beneficial interest of the Group - note 37).

9.1 Currency distribution

	2021		2020	
	FVOCI AED	**FVTPL AED**	FVOCI AED	FVTPL AED
United Arab Emirates Dirhams	**35,484,348**	**46,657,133**	27,170,516	34,873,341
United States Dollars	**4,000,500**	-	417,485	-
Algerian Dinars	**30,756,256**	-	30,656,498	-
	70,241,104	**46,657,133**	58,244,499	34,873,341

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

9 Investment in financial assets (continued)

9.2 Geographical concentration

Investments by geographic concentration are as follows:

	2021		2020	
	FVOCI AED	**FVTPL AED**	FVOCI AED	FVTPL AED
Within UAE (A)				
- Listed	**35,570,479**	**4,365,192**	27,409,985	3,306,172
- Unlisted	**-**	**41,229,534**	-	30,800,773
	35,570,479	**45,594,726**	27,409,985	34,106,945
Outside UAE (B)				
- Listed	**357,347**	**1,062,407**	178,016	766,396
- Unlisted	**34,313,278**	**-**	30,656,498	-
- Unit linked investments	**-**	**863,256,172**	-	839,410,979
	34,670,625	**864,318,579**	30,834,514	840,177,375
Total investment in financial assets measured at fair value (A+B)	**70,241,104**	**909,913,305**	58,244,499	874,284,320

Unlisted securities carried at a fair value of AED 75,542,812 (2020: AED 61,457,271) mainly represent the Group's investments in shares of companies registered in United Arab Emirates and Algeria.

10 Prepayments and other receivables

	2021 AED	2020 AED
Prepayments	**2,515,182**	2,105,504
Receivables from employees	**561,359**	816,549
Advance to suppliers	**1,015,000**	1,090,000
Refundable deposits	**258,169**	258,169
Other receivables	**4,752,210**	2,801,192
	9,101,920	7,071,414

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

11 Investment property

	2021 AED	2020 AED
Balance at beginning of the year	**54,750,000**	58,188,000
Gain / (loss) on revaluation of investment property – note 24	**2,146,500**	(3,438,000)
Balance at end of the year	**56,896,500**	54,750,000

11.1 Valuation process and techniques underlying management's estimation of fair value

The Group has complied with the requirements of the UAE Insurance Authority Board Decision No. (26) of 2014 with regards to valuation of the investment properties and were accounted accordingly for the purpose of financial reporting. The fair value of the investment property has been arrived at on the basis of a valuation carried by a professional, independent valuation expert, not related to the Group. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties, in accordance with Royal Institute of Chartered Surveyors (RICS) appraisal and valuation standards. The property was valued by two independent valuers and the Group has recognised the fair value as the average of the valuation estimated by the independent valuers. In estimating the fair value of the property, the highest and best use of the property is their current use.

The following table shows the valuation technique used in measuring the fair value of the investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurements
Comparison method	The comparison approach involves examining and analysing recent market transaction/data and making adjustments to this data to account for differences in location, building area, quality of accommodation, finish, date of sale, view, aspect and other individual characteristics	The estimated fair value increase / decrease if the inputs to the comparison method varies.

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11.2 Fair value hierarchy

Fair value hierarchy of the Group's investment property is as follows:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
At 31 December 2021				
Investment property	-	-	**56,896,500**	**56,896,500**
At 31 December 2020				
Investment property	-	-	54,750,000	54,750,000

11.3 Sensitivity of fair value

If the prices of the comparable properties were to increase / decrease by 1%, the fair value would increase / decrease by AED 568,965 (2020: AED 547,500).

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

12 Property and equipment

	Motor vehicles AED	Furniture and fixtures AED	Office equipment AED	Total AED
Cost				
At 1 January 2020	547,290	5,404,991	5,691,173	11,643,454
Additions	-	-	154,928	154,928
Disposals	(320,000)	-	-	(320,000)
At 31 December 2020	**227,290**	**5,404,991**	**5,846,101**	**11,478,382**
Additions	**-**	**-**	**92,088**	**92,088**
Disposals	**-**	**-**	**(61,055)**	**(61,055)**
At 31 December 2021	**227,290**	**5,404,991**	**5,877,134**	**11,509,415**
Accumulated depreciation				
At 1 January 2020	495,914	5,302,435	5,543,846	11,342,195
Charge for the year – note 25	26,680	47,606	100,148	174,434
Disposals	(320,000)	-	-	(320,000)
At 31 December 2019	**202,594**	**5,350,041**	**5,643,994**	**11,196,629**
Charge for the year – note 25	**16,074**	**29,993**	**90,350**	**136,417**
Disposals	**-**	**-**	**(61,055)**	**(61,055)**
At 31 December 2021	**218,668**	**5,380,034**	**5,673,289**	**11,271,991**
Net carrying amount				
At 31 December 2021	**8,622**	**24,957**	**203,845**	**237,424**
At 31 December 2020	24,696	54,950	202,107	281,753

13 Due to bank

In prior years, the Group obtained a Sharia'a Compliant secured overdraft facility with a total limit of AED 20 million from an Islamic bank in the UAE to meet business requirements. The facility was secured by lien over wakala deposits with banks with original maturities of more than three months based on a Mudarabah financing structure of AED 20 million as margin in favour of the bank – refer note 5.2. The facility was repaid during the year ended 31 December 2021.

14 Murabaha payable

The Group have a Murabaha finance from an Islamic bank in the UAE which carries a profit rate of 6 months EIBOR + 2.5% per annum and is secured by a pledge / electronic custody with the bank's brokerage entity for the eligible shares (category A and B) – refer note 9.

In addition, the murabaha payable is subject to covenants, and the Group is inline and comply with these covenants.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

15 Trade and other payables

	2021 AED	2020 AED
Trade payables and accruals	**50,547,275**	62,626,290
Employees' end of service benefits (i)	**6,199,433**	5,897,839
Zakat payable	**628,807**	462,641
	57,375,515	68,986,770

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

	2021 AED	2020 AED
Balance at beginning of the year	**5,897,839**	6,812,837
Amounts charged during the year	**721,555**	826,887
Amounts paid during the year	**(419,961)**	(1,741,885)
Balance at end of the year	**6,199,433**	5,897,839

Provision for employees' end of service indemnity required to cover employees' end of service indemnity at the reporting date as per UAE. Labour Law.

In accordance with the provisions of IAS 19 "Employee Benefits", management has carried out an exercise to assess the present value of its obligations as at 31 December 2021 and 2020, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. The expected liability at the date of leaving the service has been discounted to net present value using a discount rate of 1% (2020: 1%). Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service. Management has assumed average increment / promotion costs of 0.3% (2020: 0.3%). The present value of the obligation as at 31 December 2021 and 2020 is not materially different from the provision computed in accordance with the UAE Labour Law.

16 Takaful payables

	2021 AED	2020 AED
Within U.A.E	**42,390,478**	40,152,401
Outside U.A.E	**16,676,850**	15,139,181
Total	**59,067,328**	55,291,582
Within U.A.E.		
Payable to policyholders	**6,886,200**	5,910,144
Payable to takaful and retakaful companies	**32,563,604**	30,071,843
Payable to brokers / agents	**2,940,674**	4,170,414
	42,390,478	40,152,401
Outside U.A.E.		
Payable to takaful and retakaful companies	**16,619,837**	15,095,178
Payable to brokers / agents	**57,013**	44,003
	16,676,850	15,139,181

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

17 Contingencies

At the reporting date, the Group has contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business amounting to AED 0.4 million (2020: AED 0.4 million).

The Group is involved as a defendant in a number of legal cases with other insurance and reinsurance companies and customers. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Group in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made. The expected outcome of the cases is dependent on future legal proceedings.

18 Share capital

	2021	2020
	AED	AED
Issued and fully paid:		
225,750,000 ordinary shares of AED 1 each		
(2020: 225,750,000 ordinary shares of AED 1 each)	**225,750,000**	225,750,000
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19 Other reserves

19.1 Legal reserve

In accordance with the United Arab Emirates Federal Law No. (2) of 2015, as amended the Group has established a legal reserve by appropriation of 10% of the profit of the Company for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law.

19.2 General reserve

The Group is required to transfer 10% of the profit of the Company for the year to a general reserve in accordance with its Articles of Association. The reserve is available for distribution by a resolution of the shareholders of the Group at an ordinary general meeting, on the recommendation of the Board of Directors.

19.3 Retakaful placement provision

In accordance with Article 34 of the Insurance Authority's Board of Directors Decision No. (23) of 2019 effective eighteen months from 15 May 2019, the Group created a retakaful placement provision amounting to AED 2,106,721 as at 31 December 2021 (2020: AED 1,311,762), being 0.5% of the total retakaful contributions ceded by the Group in the United Arab Emirates in all classes of business. The Group shall accumulate such provision year on year and not dispose of the provision without the written approval of the Director General of the CBUAE (formerly, the UAE Insurance Authority).

20 Deferred policy acquisition costs and deferred discount

	2021		2020	
	Deferred policy acquisition costs AED	**Deferred discount* AED**	Deferred policy acquisition costs AED	Deferred discount* AED
At 1 January	**7,642,874**	**6,456,898**	8,465,105	5,099,181
Incurred during the year	**27,492,070**	**16,703,770**	24,263,670	19,617,657
Charge for the year	**(24,602,878)**	**(17,415,921)**	(25,085,901)	(18,259,940)
At 31 December	**10,532,066**	**5,744,747**	7,642,874	6,456,898
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* Discounts received on ceded retakaful amounting to AED 16.7 million (2020: AED 19.6 million) relates to income earned on outwards retakaful contracts.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

21 Net takaful contributions

	Gross takaful contribution AED	Retakaful share of gross takaful contribution AED	Net takaful contribution AED
For the year ended 31 December 2021			
Motor	**70,327,066**	**7,787,733**	**62,539,333**
Engineering	**3,187,989**	**2,908,693**	**279,296**
Marine & aviation	**1,744,721**	**1,461,984**	**282,737**
Fire	**23,466,686**	**21,989,072**	**1,477,614**
General insurance & liabilities	**59,411,080**	**52,890,433**	**6,520,647**
Medical	**38,792,071**	**3,724,073**	**35,067,998**
Life	**52,525,993**	**44,043,440**	**8,482,553**
Total	**249,455,606**	**134,805,428**	**114,650,178**
For the year ended 31 December 2020			
Motor	61,363,441	9,361,465	52,001,976
Engineering	2,994,582	2,750,161	244,421
Marine & aviation	3,346,364	2,601,624	744,740
Fire	23,892,892	22,546,420	1,346,472
General insurance & liabilities	55,750,069	48,758,333	6,991,736
Medical	33,400,181	2,171,834	31,228,347
Life	48,409,253	41,034,472	7,374,781
Total	229,156,782	129,224,309	99,932,473

22 Net takaful claims

	Gross claims settled AED	Retakaful share of gross claims settled AED	Net takaful claims AED
For the year ended 31 December 2021			
Motor	**47,836,430**	**6,640,199**	**41,196,231**
Engineering	**2,425,844**	**2,199,541**	**226,303**
Marine & aviation	**2,776,447**	**2,639,864**	**136,583**
Fire	**2,867,794**	**2,758,284**	**109,510**
General insurance & liabilities	**8,898,689**	**7,022,548**	**1,876,141**
Medical	**25,472,957**	**1,661,112**	**23,811,845**
Life	**17,696,243**	**14,580,338**	**3,115,905**
Total	**107,974,404**	**37,501,886**	**70,472,518**
For the year ended 31 December 2020			
Motor	40,536,522	12,455,224	28,081,298
Engineering	1,617,997	1,559,093	58,904
Marine & aviation	5,657,206	5,518,508	138,698
Fire	6,148,443	5,723,564	424,879
General insurance & liabilities	12,346,084	8,696,769	3,649,315
Medical	28,386,195	13,435,106	14,951,089
Life	17,570,699	14,086,555	3,484,144
Total	112,263,146	61,474,819	50,788,327

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

23 Wakala fees, mudarib's share and policy fees

The Group manages the Takaful operations for the Policyholders and charges 33% (2020: 33%) of the gross takaful contributions net of fronting contribution as Wakala fees. In addition, the Group charges 2% (2020: 2%) on fronting contribution as Wakala fees and 100% (2020: 100%) on certain unit linked takaful contracts. These Wakala fees rates were approved by the Group's Fatwa and Sharia'a Supervisory Board.

The Group also manages the policyholders' investment funds and is entitled to 25% (2020: 25%) of net investment income earned by the takaful operations' investment funds as the Mudarib's share. The Mudarib's share amounted to AED 260,427 (2020: AED 35,672).

Policy fees amounting to AED 9.1 million (2020: AED 11.4 million) relate to income earned on the issuance of policies across all lines of businesses which includes administration fees, fronting fees, acquisition fees. Policy fees are earned by the Group during the initiation of the policies.

24 Investment income

	2021 AED	2020 AED
Gain / (loss) on revaluation of investment property – note 11	**2,146,500**	(3,438,000)
Unrealized (loss) / gain on investments in financial assets measured at FVTPL – note 9	**(6,597,862)**	7,704,731
Realized loss on investments in financial assets measured at FVTPL	**-**	(256,958)
Income from wakala deposits with banks	**287,439**	1,481,417
Dividend income	**11,145,681**	1,370,659
Rental income on investment property	**416,290**	531,333
Investment expenses	**(48,740)**	-
	7,349,308	7,393,182
Allocated to:		
Takaful operations	**1,044,867**	142,687
Shareholders	**6,304,441**	7,250,495
	7,349,308	7,393,182

Investment income and losses are allocated among the shareholders and takaful operations are based on their holding. All the investment requests are identified for shareholders and takaful operations separately.

25 General and administrative expenses

	2021 AED	2020 AED
Salaries and benefits	**22,349,898**	24,046,768
Legal and professional fees	**3,352,687**	2,742,857
Rent – note 27	**1,362,170**	1,507,200
Communication	**788,911**	747,187
Repairs and maintenance	**779,569**	712,894
Depreciation – note 12	**136,417**	174,434
Printing and stationary	**74,656**	94,507
Travelling and conveyance	**78,677**	84,943
Marketing and advertising	**355,455**	59,632
Tax expenses	**572,471**	2,826,745
Bank charges	**708,458**	895,985
Other	**1,413,440**	927,885
	31,972,809	34,821,037

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

26 Basic and diluted earnings per share

Earnings per share are calculated by dividing profit attributable to the shareholders for the year, by weighted average number of shares outstanding during the year.

	2021	2020
Profit for the year attributable to shareholders of the parent (AED)	**12,290,301**	19,115,410
Weighted average number of shares outstanding during the year	**225,750,000**	225,750,000
Earnings per share (AED per share)	**0.054**	0.085

No figure for diluted earnings per share has been presented since the Group has not issued any instruments which would have an impact on earnings per share when exercised. Accordingly, diluted earnings per share is equivalent to basic earnings per share.

27 Operating lease commitments

Operating leases relate to offices with a lease term of 1 year, with an option to extend. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

	2021 AED	2020 AED
Minimum lease payments under operating leases recognised as an expense during the year – note 25	**1,362,170**	1,507,200

28 Fatwa and Sharia'a Supervisory Board

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

29 Related party balances and transactions

The Group enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24: Related Party. Related parties comprise companies and entities under common ownership and/or common management and control, their partners and key management personnel. Transactions with such related parties are made on substantially the same terms, as those prevailing at the same time for comparable transactions with external customers and parties. The significant balances outstanding at reporting date in respect of related parties included in the consolidated financial statements were as follows:

	2021*			2020		
	Major shareholders AED	**Entities under common control AED**	**Total AED**	Major shareholders AED	Entities under common control AED	Total AED
Fair value of investments in financial assets	-	-	-	-	61,457,271	61,457,271
Due from related parties - note 29 (a)	-	-	-	5,087,451	54,783	5,142,234
Due to related parties - note 29 (b)	-	-	-	26,198	246,616	272,814

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

29 Related party balances and transactions (continued)

(a) Due from related parties represents the following:

	2021	2020
	AED	AED
Entities owned by the Vice Chairman of the Board of Directors		
Nation Hospital - UAE	-	1,789,012
Bin Omeir Education Foundation - UAE	-	2,447,222
Bin Omeir Holding Group - UAE	-	443,818
Bin Omeir Medical Group - UAE	-	360,584
International Market Group For General Services - UAE	-	46,815
Yas Mineral Water Bottling - UAE	-	37,959
Chocolatier - UAE	-	15,558
Al Massa Art Products - UAE	-	1,266
	-	5,142,234
Less: Provision for impairment	-	(2,163,139)
	-	2,979,095
	=========	=========

	2021	2020
	AED	AED
Movement in the provision for impairment:		
Balance at the beginning of the year	**2,163,139**	1,921,512
Provision during the year	-	241,627
Transferred to takaful receivables (note 8) *	**(2,163,139)**	-
Balance at the end of the year	-	2,163,139
	=========	=========

(b) Due to related parties represents the following:

	2021	2020
	AED	AED
Entities owned by the Vice Chairman of the Board of Directors		
Fast Rent A Car LLC - UAE	-	226,944
Omeir Bin Youssef & Sons - UAE	-	26,198
Emirates Taxi - UAE	-	19,672
	-	272,814
	=========	=========

* As disclosed in note 1 of these consolidated financial statements, the Company's directors were changed in the Annual General Meeting held on 28 June 2021 and accordingly the former directors and entities owned by the former directors ceased to be related parties of the Group as of the date of the Annual General meeting. There were no balances and transactions with the newly appointed directors as of and for the year ended 31 December 2021.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

29 Related party balances and transactions (continued)

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

	For the year ended 31 December 2021			For the year ended 31 December 2020		
	Major shareholders AED	**Other related parties AED**	**Total AED**	Major shareholders AED	Other related parties AED	Total AED
Gross contributions	**1,198,150**	**-**	**1,198,150**	1,529,187	36,151	1,565,338
Gross claims paid	**82,078**	**30,895**	**112,973**	124,030	197,226	321,256

Compensation of key management personnel is as follows:

	2021 AED	2020 AED
Short term employee benefits	**1,960,185**	2,440,186
End of service benefits	**84,000**	84,230
Directors' fee	**-**	500,000
	2,044,185	2,924,416
	=========	=========

30 Segmental information

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's management in order to allocate resources to the segment and to assess its performance. Information reported to the Group's Board of Directors for the purpose of resource allocation and assessment of performance is based on following strategic business activities:

- **Takaful activities** include the general, life and medical insurance business undertaken by the Group.

- **Investment activities** represent investment and cash management for the Group's own account.

- **Others** represent income and expense activities conducted by the subsidiaries and included in these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

30 Segmental information (continued)

The following table presents segment information for the year ended 31 December 2021 and 2020.

	For the year ended 31 December 2021				For the year ended 31 December 2020			
	Takaful AED	**Investments AED**	**Others AED**	**Total AED**	Takaful AED	Investments AED	Others AED	Total AED
Takaful income	**129,106,994**	-	-	**129,106,994**	128,825,562	-	-	128,825,562
Claims incurred - net	**(70,625,283)**	-	-	**(70,625,283)**	(54,118,028)	-	-	(54,118,028)
	58,481,711	-	-	**58,481,711**	74,707,534	-	-	74,707,534
Wakala fees	**(75,568,061)**	**75,568,061**	-	-	(71,672,563)	71,672,563	-	-
Mudarib's fees	**(261,217)**	**261,217**	-	-	(35,672)	35,672	-	-
Policy acquisition cost	-	**(24,602,878)**	-	**(24,602,878)**	-	(25,085,901)	-	(25,085,901)
	(75,829,278)	**51,226,400**	-	**(24,602,878)**	(71,708,235)	46,622,334	-	(25,085,901)
Investment income	**1,044,867**	**6,304,441**	-	**7,349,308**	142,687	7,250,495	-	7,393,182
Other income	-	-	-	-	-	335,199	-	335,199
General and administrative expenses	-	**(31,972,809)**	-	**(31,972,809)**	-	(34,821,037)	-	(34,821,037)
Reversal of / (provision for) impiarment on financial assets	-	**1,841,738**	-	**1,841,738**	-	(225,492)	-	(225,492)
Contributions from Qard Hassan to takaful operations	**15,104,360**	**(15,104,360)**	-	-	-	-	-	-
Net operating loss of subsidiaries	-	-	**(5,109)**	**(5,109)**	-	-	(46,089)	(46,089)
Net profit / (loss) for the year	**(1,198,340)**	**12,295,410**	**(5,109)**	**11,091,961**	3,141,986	19,161,499	(46,089)	22,257,396

	Takaful		**Investment**		**Total**	
	2021 AED	2020 AED	**2021 AED**	2020 AED	**2021 AED**	2020 AED
Segment assets	**1,194,033,698**	1,144,379,897	**193,794,737**	217,867,840	**1,387,828,435**	1,362,247,737
Segment liabilities	**1,297,684,729**	1,291,254,041	-	-	**1,297,684,729**	1,291,254,041

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

31 Discontinued operations

During the year ended 31 December 2018, the Board of Directors approved the liquidation and the disposal of Technik Auto Services Centre LLC and Amity Health L.L.C., subsidiaries of the Group.

The combined results of the discontinued operations included in the profit for the year are set out below.

	For the year ended 31 December	
	2021	2020
	AED	AED
Loss for the year from discontinued operations		
Revenues	**-**	-
Expenses	**(5,677)**	(23,104)
	(5,677)	(23,104)

32 Assets and liabilities under discontinued operations

	2021	2020
	AED	AED
Assets under discontinued operations	**1,583,321**	1,583,321
Liabilities directly associated with assets under discontinued operations	**12,947,356**	13,022,356

As described in Note 31, the Board of Directors approved the liquidation of two of the Group's subsidiaries. The Group is currently in the process of the liquidation, the carrying amount of the assets and liabilities have been written done to the fair value less cost to sell. The major class of assets and liabilities of the subsidiaries at the end of the reporting year are as follow:

	2021	2020
	AED	AED
Cash and cash equivalents	**1,008,976**	1,008,976
Other receivables	**574,345**	574,345
Assets under discontinued operations	**1,583,321**	1,583,321
Trade and other payable	**12,947,356**	13,022,356
Liabilities associated with assets under discontinued operations	**12,947,356**	13,022,356
Net liabilities associated with assets under discontinued operations	**(11,364,035)**	(11,439,035)

33 Capital management

(i) Governance framework

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

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

The Board of Directors meets regularly to approve any commercial, regulatory and organisational decisions. 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.

(ii) Capital management framework

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

(iii) Regulatory framework

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

As per Article (8) of Section 2 of the Financial Regulations, the Group is required, at all times, to comply with the requirements of Solvency Margin. The solvency position of the Group as of 30 September 2021 and 31 December 2020 is presented below. The Group has presented the solvency position as of 30 September 2021 which is the latest available solvency position as of the date of approval of these consolidated financial statements.

	As at 30 September 2021 (AED in 000's) (Un-audited)	As at 31 December 2020 **(AED in 000's) (Un-audited)**
Minimum Capital Requirement (MCR)	**100,000**	100,000
Solvency Capital Requirement (SCR)	**52,642**	51,098
Minimum Guarantee Fund (MGF)	**38,190**	32,025
Own Funds		
Basic Own Funds	**(76,647)**	(50,201)
Ancillary Own Funds		
MCR Solvency Surplus	**(176,647)**	(150,201)
SCR Solvency Surplus / (Deficit)	**(129,290)**	(101,299)
MGF Solvency Surplus / (Deficit)	**(114,838)**	(82,226)

As of 30 September 2021, the Group has a solvency deficit of AED 177 million which is mainly due to inadmissibility of certain assets as well as gap between the Group's takaful contract liabilities for its non- life business and the total invested assets allocated to its non-life business.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

33 Capital management (continued)

(iii) Regulatory framework (continued)

The Group's management is in the process of submitting a recovery plan to CBUAE to address the solvency deficit and the Group's management is confident that the solvency position will be restored by 30 September 2022 and that the Group will continue to operate for at least 12 months from the date of approval of these consolidated financial statements and accordingly these consolidated financial statements have been prepared on a going concern basis.

34 Financial instruments

(a) 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 recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

(b) Classification of financial instruments

	As at 31 December 2021			
	FVTPL AED	**FVOCI AED**	**Amortised cost AED**	**Total AED**
Financial assets				
Cash and cash equivalents	-	-	**88,039,122**	**88,039,122**
Financial assets measured at fair value through profit or loss (FVTPL)	**909,913,305**	-	-	**909,913,305**
Other receivables	-	-	**5,571,738**	**5,571,738**
Takaful receivables	-	-	**50,103,381**	**50,103,381**
Wakala deposits with banks with original maturities of more than three months	-	-	**10,000,000**	**10,000,000**
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	**70,241,104**	-	**70,241,104**
Statutory deposit	-	-	**10,000,000**	**10,000,000**
Assets under discontinued operations	-	-	**1,583,321**	**1,583,321**
	909,913,305	**70,241,104**	**165,297,562**	**1,145,451,971**
Financial liabilities				
Murabaha payable	-	-	**15,228,543**	**15,228,543**
Trade and other payables	-	-	**57,375,515**	**57,375,515**
Takaful payables	-	-	**59,067,328**	**59,067,328**
Amounts held under retakaful treaties	-	-	**6,753,321**	**6,753,321**
Liabilities directly associated with assets under discontinued operations	-	-	**12,947,356**	**12,947,356**
	-	-	**151,372,063**	**151,372,063**

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

34 Financial instruments (continued)

(b) Classification of financial instruments (continued)

	As at 31 December 2020			
	FVTPL AED	FVOCI AED	Amortised cost AED	Total AED
Financial assets				
Cash and cash equivalents	-	-	54,532,907	54,532,907
Financial assets measured at fair value through profit or loss (FVTPL)	874,284,320	-	-	874,284,320
Due from related parties	-	-	2,979,095	2,979,095
Other receiables	-	-	3,875,910	3,875,910
Takaful receivables	-	-	58,602,525	58,602,525
Wakala deposits with banks with original maturities of more than three months	-	-	60,000,000	60,000,000
Financial assets measured at fair value through other comprehensive income (FVOCI)	-	58,244,499		58,244,499
Statutory deposit	-	-	10,000,000	10,000,000
Assets under discontinued operations	-	-	1,583,321	1,583,321
	874,284,320	58,244,499	191,573,758	1,124,102,577
Financial liabilities				
Due to bank	-	-	19,981,327	19,981,327
Murabaha payable	-	-	15,239,606	15,239,606
Due to related parties	-	-	272,814	272,814
Trade and other payables	-	-	68,986,770	68,986,770
Takaful payables	-	-	55,291,582	55,291,582
Amounts held under retakaful treaties	-	-	6,374,916	6,374,916
Liabilities directly associated with assets under discontinued operations	-	-	13,022,356	13,022,356
	-	-	179,169,371	179,169,371

(c) Fair value of financial instruments

Management considers that the fair values of the financial assets and financial liabilities approximate their carrying amounts in the consolidated statement of financial position as at 31 December 2021 and 2020 due to their short term nature.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

35 Risk management

(i) Asset liability management (ALM) framework

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, retakaful contract assets and takaful contract liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its takaful contracts.

The Group manages these positions within an ALM framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance 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. For each distinct class of liabilities, a separate portfolio of assets is maintained. The Group has not changed the processes used to manage its risks from previous periods.

The Group's ALM is integrated with the management of the financial risks associated with the Group's other classes of financial assets and liabilities not directly associated with insurance liabilities. The notes below explain how financial risks are managed using the categories utilised in the Group's ALM framework. In particular, the ALM Framework requires the management of interest rate risk, equity price risk and liquidity risk at the portfolio level. Foreign currency and credit risk are managed on a group-wide basis.

The risks faced by the Group and the way these risks are mitigated by management are summarised below.

35A Takaful risk

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

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

Frequency and amounts of claims

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

Property and liability

Property and liability 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. In recent years, the Group has targeted policies for properties containing fire detection and/or fire fighting equipment

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. The Group has retakaful cover for such damage to limit losses for any individual claim to AED 500,000 (2020: AED 350,000).

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 Group has retakaful cover for such claims to limit losses for any individual claim to AED 300,000 (2020: AED 250,000). 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.

35 Risk management (continued)

35A Takaful risk (continued)

Frequency and amounts of claims (continued)

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. The Group has retakaful to limit losses for any individual claim to AED 500,000 (2020: AED 350,000).

Medical, group life and personal accident

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

For medical Takaful, the main risks are illness and related healthcare costs. For group life and personal accident, the main risks are claims from death and permanent or partial disability. The Group generally does not offer medical Takaful to walk-in customers. Medical, group life and personal accident Takaful are generally offered to corporate customers with large population to be covered under the policy. The Group has retakaful cover for such claims to limit losses for any individual claim to AED 50,000 (2020: AED 50,000) per annum per person for medical.

Individual life

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

Sources of uncertainty in the estimation of future claim payments

Claims on takaful contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, certain claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims ("IBNR"). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Group considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims' exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome will prove to be different from the original liability established. The amount of insurance claims is in certain cases sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

35 Risk management (continued)

35A Takaful risk (continued)

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

Where possible, the Group adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

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

The loss ratios for the current and prior year, before and after retakaful are summarised below by type of risk:

Line of business	As at 31 December 2021		As at 31 December 2020	
	Gross loss ratio	**Net loss ratios**	Gross loss ratio	Net loss ratios
	AED	**AED**	AED	AED
Non-Life	**68%**	**83%**	68%	72%
	==========	==========	==========	==========
Life	**56%**	**50%**	66%	39%
	==========	==========	==========	==========

Based on the simulations performed, the impact on profit of a change of 1% in the loss ratio for both gross and net of retakaful recoveries would be as follows:

	As at 31 December 2021		As at 31 December 2020	
	Gross	**Net**	Gross	Net
	AED	**AED**	AED	AED
Impact of an increase in 1% in loss ratio	**499,541**	**179,580**	626,025	251,023
	==========	==========	==========	==========
Impact of a decrease in 1% in loss ratio	**(499,541)**	**(179,580)**	(626,025)	(251,023)
	==========	==========	==========	==========

The sensitivity related to mathematical reserves is disclosed in note 7.3 of these consolidated financial statements.

Process used to decide on assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The Group uses assumptions based on a mixture of internal and market data to measure its claims liabilities. Internal data is derived mostly from the Group's claims reports and screening of the actual insurance contracts carried out at the end of the reporting period to derive data for the contracts held. The Group has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

35 Risk management (continued)

35A Takaful risk (continued)

Process used to decide on assumptions (continued)

The Group uses several statistical methods and actuarial techniques to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The two methods more commonly used are the Chain-Ladder and the Bornhuetter-Ferguson methods.

Chain-ladder methods may be applied to premiums, paid claims or incurred claims (for example, paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year.

Chain-ladder techniques are most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (recent accident years or new classes of business).

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same class of business.

The Group uses standard actuarial techniques to estimate its loss provisions as mentioned above. Actuarial techniques and / or methodologies used to estimate the loss provisions could vary based on the specific nature of the lines of business. The general excluding motor and group life business typically have a lower frequency and higher severity of claims while the medical and motor business are more attritional in nature i.e., higher frequency and lower severity. For the attritional lines, any inconsistencies in the claims processes could impact the loss development experience assumed in the technical provisions calculation and hence is one of the key assumptions in the estimation of the technical provisions. For the less attritional lines, typically the loss ratio assumptions under the Bornhuetter-Ferguson technique is a key assumption in the estimation of the technical provisions. The Group monitors closely and validates the key assumptions in the estimation of the technical provisions on a periodic basis.

Change in assumptions

There have been no changes in assumptions, and the same have been consistently applied.

Retakaful risk

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

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

To minimise its exposure to significant losses from retakaful insolvencies, the Group evaluates the financial condition of its retakaful, monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsures and ensure diversification of retakaful providers. The Group deals with retakaful approved by the higher management.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

35 Risk management (continued)

35A Takaful risk (continued)

Claims development table - gross

The following table reflects the development of the gross claims reported unsettled and claims incurred but not reported at the end of each year together with cumulative payments subsequent to the year of accident:

Accident year	Before 2017 AED	2017 AED	2018 AED	2019 AED	2020 AED	2021 AED	Total AED
Estimate of cumulative claims - gross							
2017	1,106,061,329	172,173,935	-	-	-	-	1,278,235,264
2018	1,095,702,744	126,251,423	143,748,441	-	-	-	1,365,702,608
2019	1,086,611,221	126,495,237	105,074,066	150,483,884	-	-	1,468,664,408
2020	1,080,242,548	119,452,800	106,104,070	127,553,647	147,965,427	-	1,581,318,492
2021	1,085,675,070	122,905,417	92,565,365	118,281,278	113,265,562	156,211,710	1,688,904,402
Current estimate of cumulative claims	1,085,675,070	122,905,417	92,565,365	118,281,278	113,265,562	156,211,710	1,688,904,402
Cumulative payments to date - gross	1,073,801,965	114,964,764	84,997,702	105,561,799	94,095,088	81,373,608	1,554,794,926
Total claims reported unsettled and claims incurred but not reported recognised in the consolidated statement of financial position - gross	11,873,105	7,940,653	7,567,663	12,719,479	19,170,474	74,838,102	134,109,476

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

35 Risk management (continued)

35A Takaful risk (continued)

Claims development table - net

The following table reflects the development of the net claims reported unsettled and claims incurred but not reported at the end of each year together with cumulative payments subsequent to the year of accident:

Accident year	**Before 2017 AED**	**2017 AED**	**2018 AED**	**2019 AED**	**2020 AED**	**2021 AED**	**Total AED**
Estimate of cumulative claims - net							
Before 2017							
2017	680,916,255	88,497,318	-	-	-	-	769,413,573
2018	694,942,115	87,517,746	50,898,675	-	-	-	833,358,536
2019	697,750,456	87,586,100	40,867,646	47,660,966	-	-	873,865,168
2020	695,773,190	84,325,293	41,611,054	43,092,966	63,805,438	-	928,607,941
2021	695,467,161	83,837,350	37,910,146	40,930,656	53,585,335	86,684,437	998,415,085
Current estimate of cumulative claims	695,467,161	83,837,350	37,910,146	40,930,656	53,585,335	86,684,437	998,415,085
Cumulative payments to date – net	696,259,792	83,360,684	36,121,462	37,181,553	49,088,073	58,095,143	960,106,707
Total claims reported unsettled and claims incurred but not reported recognised in the consolidated statement of financial position - net	(792,631)	476,666	1,788,684	3,749,103	4,497,262	28,589,294	38,308,378

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

35 Risk management (continued)

35A Takaful risk (continued)

Concentration of takaful risk

The Group's underwriting business is based mainly within the United Arab Emirates.

35B 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.
- The Group's investments are managed in accordance with the guidance 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.

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

	2021 AED	2020 AED
Cash and cash equivalents	**88,039,122**	54,532,907
Due from related parties	**-**	2,979,095
Other receivables	**5,571,738**	3,875,910
Takaful receivables	**50,103,381**	58,602,525
Wakala deposits with banks with original maturities of more than three months	**10,000,000**	60,000,000
Statutory deposit	**10,000,000**	10,000,000
Assets under discontinued operations	**1,583,321**	1,583,321
	165,297,562	191,573,758
	==========	==========

The Group's current credit risk grading framework for takaful receivables comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses**
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
In default	Amount is ≥90 days past due or there is evidence indicating the asset is credit-impaired except for Takaful and retakaful companies which are credit-impaired after 364 days	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

35 Risk management (continued)

35B Credit risk (continued)

For takaful receivables, the Group has applied the simplified approach under IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. The expected loss rates are based on the historical credit losses experienced. On that basis, the impairment provision as at 31 December 2021 and 31 December 2020 was determined as follows for all receivables:

	Not yet due AED	**< 30 days AED**	**30-89 days AED**	**90-364 days AED**	**≥365 days AED**	**Total AED**
31 December 2021						
Expected loss rate	**5.41%**	**5.09%**	**6.66%**	**36.72%**	**60.69%**	**19.08%**
Gross carrying amount – takaful	**26,306,420**	**4,683,280**	**5,040,893**	**10,890,653**	**7,113,187**	**54,034,433**
Impairment provision	**1,601,643**	**314,178**	**396,605**	**3,998,655**	**4,000,567**	**10,311,647**
	24,884,248	**4,444,680**	**4,705,332**	**6,891,997**	**2,796,529**	**43,722,786**
31 December 2020						
Expected loss rate	**5.63%**	**5.69%**	**6.10%**	**36.79%**	**62.05%**	**19.74%**
Gross carrying amount – takaful receivables	**32,512,477**	**5,232,652**	**5,625,710**	**11,880,610**	**9,602,014**	**64,853,462**
Impairment provision	**1,830,697**	**297,720**	**343,030**	**4,371,279**	**5,957,968**	**12,800,695**
	30,681,780	**4,934,932**	**5,282,679**	**7,509,331**	**3,644,045**	**52,052,767**

The impact on ECL due to changes in the loss rates increase / decrease by 1% as at 31 December 2021 and 31 December 2020 would result in an ECL increase / decrease by AED 540,344 and AED 648,535 respectively.

The retakaful contract assets are with highly rated reinsurers based on the Group internal Risk management framework. Takaful receivables include some unrated policy holders, however, exposures to policyholders and intermediaries with credit facilities are mitigated by ongoing credit evaluation of their financial condition including credit control policies adopted by the Group.

There is no significant concentration of credit risk with respect to cash and bank balances as the Group holds cash accounts in a large number of financial institutions. The credit risk on wakala deposits with banks with original maturities of more than three months, statutory deposits and bank balances and cash is limited because the counterparties are licensed banks with sound financial positions.

Credit quality of the financial assets of the Group is detailed below:

	As at 31 December 2021			
	AAA to A AED	**BBB to B AED**	**Unrated and others AED**	**Total AED**
Financial assets				
Cash and cash equivalents	**54,672,619**	**721,681**	**32,644,822**	**88,039,122**

	As at 31 December 2020			
	AAA to A AED	BBB to B AED	Unrated and others AED	Total AED
Financial assets				
Cash and cash equivalents	25,519,555	1,068,912	27,944,440	54,532,907

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

35 Risk management (continued)

35C 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 assets and liabilities of the Company based on remaining contractual obligations. As the Group does not have any significant profit-bearing liabilities, other than murabaha payable, the totals in the table match the statement of financial position. Maturity profile in the below table also approximates to the remaining undiscounted contractual obligations of the financial liabilities.

As at 31 December 2021	Less than 1 years AED	1 to 5 years AED	Over 5 years AED	No maturity date AED	Total AED
Assets					
Cash and cash equivalents	**88,039,122**	-	-	-	**88,039,122**
Financial assets measured at fair value through profit or loss (excluding unit linked investments)	-	-	-	**46,657,133**	**46,657,133**
Other receivables	**5,571,738**	-	-	-	**5,571,738**
Takaful receivables	**50,103,381**	-	-	-	**50,103,381**
Wakala deposits with banks with original maturities of more than three months	**10,000,000**	-	-	-	**10,000,000**
Financial assets measured at fair value through other comprehensive income	-	-	-	**70,241,104**	**70,241,104**
Statutory deposit	-	-	**10,000,000**	-	**10,000,000**
Assets under discontinued operations	**1,583,321**	-	-	-	**1,583,321**
	155,297,562	-	**10,000,000**	**116,898,237**	**282,195,799**
Liabilities					
Murabaha payable	**15,228,543**	-	-	-	**15,228,543**
Trade and other payables	**57,375,515**	-	-	-	**57,375,515**
Takaful payables	**59,067,328**	-	-	-	**59,067,328**
Amounts held under retakaful treaties	**6,753,321**	-	-	-	**6,753,321**
Liabilities directly associated with assets under discontinued operations	**12,947,356**	-	-	-	**12,947,356**
	151,372,063	-	-	-	**151,372,063**

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

35 Risk management (continued)

35C Liquidity risk (continued)

As at 31 December 2020	Less than 1 years AED	1 to 5 years AED	Over 5 years AED	No maturity date AED	Total AED
Assets					
Cash and cash equivalents	54,532,907	-	-	-	54,532,907
Due from related parties	2,979,095	-	-	-	2,979,095
Financial assets measured at fair value through profit or loss (excluding unit linked investments)	-	-	-	34,873,341	34,873,341
Other receivables	3,875,910	-	-	-	3,875,910
Takaful receivables	58,602,525	-	-	-	58,602,525
Wakala deposits with banks with original maturities of more than three months	60,000,000	-	-	-	60,000,000
Financial assets measured at fair value through other comprehensive income	-	-	-	58,009,511	58,009,511
Statutory deposit	-	-	-	10,000,000	10,000,000
Assets under discontinued operations	1,583,321	-	-	-	1,583,321
	181,573,758	-	-	102,282,852	284,456,610
Liabilities					
Due to bank	19,981,327	-	-	-	19,981,327
Murabaha payable	15,239,606	-	-	-	15,239,606
Due to related parties	272,814	-	-	-	272,814
Trade and other payables	68,986,770	-	-	-	68,986,770
Takaful payables	55,291,582	-	-	-	55,291,582
Amounts held under retakaful treaties	6,374,916	-	-	-	6,374,916
Liabilities directly associated with assets under discontinued operations	13,022,356	-	-	-	13,022,356
	179,169,371	-	-	-	179,169,371

35D 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 the Board of Directors.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group undertakes certain investments denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

35 Risk management (continued)

35D Market risk (continued)

Foreign currency risk (continued)

The carrying amounts of the Group's foreign currency denominated monetary assets at the reporting date are as follows:

	Assets	
	2021	2020
	AED	AED
Algerian Dinar (DZD)	**30,756,256**	30,656,498
	==========	==========

The majority of the assets and liabilities are denominated in either U.A.E. Dirhams or US Dollars, which is pegged to the U.A.E. Dirhams.

The following table details the Group's sensitivity to a 5% (decrease) / increase in the UAE Dirham against the relevant foreign currencies. 5% represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where the UAE Dirham strengthens 5% against the relevant currency. For a 5% weakening of the UAE Dirham against the relevant currency, there would be an equal and opposite impact on the profit, and the balances below would be negative.

	Other comprehensive income	
	2021	2020
	AED	AED
Algerian Dinar (DZD)	**1,537,813**	1,532,825
	==========	==========

This is attributable to the exposure to the FVOCI investments at each year end.

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 some of its investments and deposits. The Group limits its risk by monitoring changes in such rates. Details of maturities of the major classes of profit generating financial instruments as at 31 December 2021 and 2020 are as follows:

As at 31 December 2021	**Less than 1 years AED**	**1 to 5 years AED**	**Over 5 years AED**	**Total AED**	**Effective profit rate AED**
Assets					
Wakala deposits with banks with original maturities of more than three months	**10,000,000**	**-**	**-**	**10,000,000**	**0.70% to 1.00%**
Statutory deposit	**10,000,000**	**-**	**-**	**10,000,000**	**0.65%**
	20,000,000	**-**	**-**	**20,000,000**	
	==========	==========	==========	==========	
Liabilities					
Murabaha payable	**15,228,543**	**-**	**-**	**15,228,543**	**2.5%+6M EIBOR**
	15,228,543	**-**	**-**	**15,228,543**	
	==========	==========	==========	==========	

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

35 Risk management (continued)

35D Market risk (continued)

Profit rate risk (continued)

As at 31 December 2020	Less than 1 years AED	1 to 5 years AED	Over 5 years AED	Total AED	Effective profit rate AED
Assets					
Wakala deposits with banks with original maturities of more than three months	60,000,000	-	-	60,000,000	1.00% to 1.28%
Statutory deposit	10,000,000	-	-	10,000,000	1.00%
	70,000,000	-	-	70,000,000	
Liabilities					
Murabaha payable	15,239,606	-	-	15,239,606	2.5%+ 6M EIBOR
Due to bank	19,981,327	-	-	19,981,327	0% to 2%
	35,220,933	-	-	35,220,933	

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 except murabaha payable for which any change in profit rate will have an immaterial impact on these consolidated financial statements.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Group's investment portfolio.

The following table shows the sensitivity of fair values to 10% increase or decrease as at 31 December:

	Reflected in income statement		**Reflected in other comprehensive income**	
	Favourable change AED	**Unfavourable change AED**	**Favourable change AED**	**Unfavourable change AED**
As at 31 December 2021				
Financial assets measured at fair value	**90,991,331**	**(90,991,331)**	**7,024,110**	**(7,024,110)**
As at 31 December 2020				
Financial assets measured at fair value	87,428,432	(87,428,432)	5,824,450	(5,824,450)

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.

36 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

- Level 1 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).
- 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).

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

	Fair value as at					
Financial assets	**31 December 2021 AED'000**	31 December 2020 AED'000	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
Financial assets at FVOCI						
Quoted equity securities	35,928	27,588	Level 1	Quoted bid prices in an active market	None	Not applicable
Unquoted equity securities	34,313	30,656	Level 3	Net assets valuation method and comparable multiples approach	Net assets value	Higher the net assets value of the investees, higher the fair value
Financial assets at FVTPL						
Quoted equity securities	5,428	4,073	Level 1	Quoted bid prices in an active market	None	Not applicable
Unquoted equity securities	41,230	30,801	Level 3	Net assets valuation method	Net assets value	Higher the net assets value of the investees, higher the fair value
Unit linked investments	863,256	839,411	Level 3	Net assets valuation method	Net assets value	Higher the net assets value of the investees, higher the fair value

There were no transfers between each of the levels during the years ended 31 December 2021 and 2020.

There were no changes in the valuation techniques and key inputs during the year ended 31 December 2021 and 2020.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

36 Fair value of financial instruments (continued)

Reconciliation of level 3 fair value measurement of financial assets measured at FVOCI:

	2021	2020
	AED'000	AED'000
At 1 January	**30,656**	34,728
Additions	**3,493**	-
Changes in fair value	**164**	(4,072)
At 31 December	**34,313**	30,656

Reconciliation of Level 3 fair value measurement of financial assets measured at FVTPL:

	2021	2020
	AED'000	AED'000
Unit linked investments		
At 1 January	**839,411**	750,500
Net change during the year (change in fair value and net investment/withdrawal)	**23,845**	88,911
At 31 December	**863,256**	839,411
Unquoted equity securities		
At 1 January	**30,801**	-
Purchases during the year	**18,382**	22,044
Change in fair value during the year	**(7,953)**	8,757
At 31 December	**41,230**	30,801

The investments classified under Level 3 category have been fair-valued based on information available for each investment. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 (other than unit linked investments), changing one or more of the assumptions by 5% would have an impact of AED 3,777,150 (2020: AED 3,072,864).

37 Significant events

The former CEO of the Group resigned on 10 July 2013. The Group entered into an agreement with the former CEO on 9 July 2013 for the payment and / or transfer of certain investments that were held by him for the beneficial interest of the Group. As of 31 December 2021, investments with a total carrying value of AED 9.1 million (2020: AED 9.2 million) which are still in his name, have not yet been transferred to the legal ownership of the Group. The Group is currently in the process of selling the shares held by the former CEO for the beneficial interest of the Group with an undertaking from the former CEO that the proceeds from the sale of these shares will be transferred to the Group on completion of this transaction.

The Group also had other assets held by an entity controlled by the former CEO on behalf of the Group which have since been disposed of without the Group's approval. The total value of these assets on the date of purchase was approximately AED 11.3 million (2020: AED 11.3 million). The Group has initiated legal proceedings in regard to the recovery of the said amount. The assets have been fully provided for in the consolidated statement of financial position as of 31 December 2021 and 2020 and recognition of the contingent asset will only be made once the success of the legal action is certain.

38 Approval of consolidated financial statements

The consolidated financial statements for the year ended 31 December 2021 were approved by the Board of Directors and authorised for issue on 29 March 2022. The Directors have the power to amend the consolidated financial statements after issue.

39 Surplus / (deficit) in takaful operations' fund

	2021 AED	2020 AED
Balance at 1 January	**6,870,801**	4,308,305
(Deficit) / surplus for the period attributable to takaful operations – note 43(a)	**(16,302,700)**	3,141,986
Adjustment on retakaful placement provision	**(66,631)**	-
Transfer to retakaful placement provision during the period – note 19.3	**(674,027)**	(579,490)
(Deficit) / surplus in takaful operations' fund at 31 December	**(10,172,557)**	6,870,801
Surplus on non-life takaful operations' fund – note 44	**4,931,803**	-
Qard Hassan against deficit in life takaful operations' fund	**15,104,360**	-
Balance at 31 December	**4,931,803**	6,870,801

40 COVID-19 impact on the Group

The existence of novel coronavirus ("COVID-19") was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity. There has been macro-economic uncertainty across all sectors of the economy due to the price and demand for oil, reduced economic activity, disruption to global supply chains and the potential postponement of large-scale events. The scale and duration of these developments remain uncertain but could impact the earnings, cash flow and financial condition of the Group and those of our counter parties. The Group is monitoring these metrics on a regular basis and will respond to any threats identified.

COVID-19 impact on investment property
The Group has an investment property which has been valued at AED 57 million (2020: AED 55 million). The Group has carried a valuation of the investment property by independent internationally qualified valuation firms. The fair value has been determined based on market comparable approach that reflects recent transaction prices for similar properties.

COVID-19 impact on measurement of takaful contract liabilities
At the consolidated statement of financial position date, the Group had 119 reported claims in relation to COVID-19 which have been fully reflected in the consolidated financial statements. As at the date of the consolidated statement of financial position, the Group have not been notified of any business interruption claims.

COVID-19 impact on measurement of ECL
IFRS 9 framework requires the estimation of Expected Credit Losses ("ECL") based on current and forecast economic conditions. In order to assess ECL forecast under forecast economic conditions, the Group utilises a range of economic scenarios of varying severity, and with appropriate weightings, to ensure that ECL estimates are representative of a range of possible economic outcomes. The Group had reviewed the potential impact of COVID-19 outbreak on the inputs and assumptions for IFRS 9 ECL measurement in light of available information. Overall, the COVID-19 situation remains fluid and is rapidly evolving at this point, which makes it challenging to reliably reflect impacts on the ECL estimates. Notwithstanding this, recognising that the outbreak is expected to have an impact on the macro-economic environment beyond reasonable doubt.

Liquidity management / Business continuity planning
The management had taken prudent measures and controls to ensure adequate liquidity of the Group to meet its obligations. The Group has established remote working plans to ensure continuous services to its customers The Group ensures that the outbreak of epidemic has not caused any significant distractions in policy issuance and claims processing. The Group will monitor the effects closely and will take all the adequate measures as required.

41 Restatement of comparative financial information

Takaful operations' surplus

In previous years, the presentation of the consolidated statement of financial position was amended to conform with the requirements of IAS 1 – Presentation of Financial Statements. In the implementation of the changes in the presentation, certain balances, "Investments revaluation reserve – FVOCI" (debit balance of AED 21,026,921 as of 31 December 2020), "Retakaful placement provision" (credit balance of AED 1,311,762 as of 31 December 2020) and "Takaful operations surplus" (credit balance of AED 6,870,801) were aggregated which resulted in a net debit balance of AED 12,844,358 as of 31 December 2020. As the net amount was a debit balance, the Company recognised this amount as an asset referred to as "Policyholders' reserve" as of 31 December 2020.

Per the takaful requirements, losses arising from the FVOCI investments for takaful operations are not borne by the policyholders but by the Company. As such, such losses do not meet the recognition criteria under IFRS to be recognised as an asset. During interim periods, the amount of AED 21,026,921 was recognised in equity as a separate reserve but in the year-end financial statements, the reserve was included in the line-item Investments revaluation reserve – FVOCI as this is a better presentation for the understanding of the users. Furthermore, the takaful operations surplus should not have been aggregated and should have been recognised as a liability of AED 6,870,801 as of 31 December 2020 and the Retakaful placement provision of AED 1,311,762 should also not have been aggregated as per the regulations and should have been disclosed separately in equity.

The misstatements have been corrected by restating each of the affected financial statement line items for the prior periods as of 31 December 2020 and 1 January 2020 as follows:

As at 31 December 2020	**As previously reported**	**Adjustment**	**As restated**
	AED	**AED**	**AED**
Assets			
Policyholders' reserve	**12,844,358**	**(12,844,358)**	**-**
Liabilities			
Surplus in takaful operations' fund	**-**	**6,870,801**	**6,870,801**
Shareholders' equity			
Investments revaluation reserve – FVOCI	**(62,452,179)**	**(21,026,921)**	**(83,479,100)**
Retakaful placement provision	**-**	**1,311,762**	**1,311,762**

As at 1 January 2020	**As previously reported**	**Adjustment**	**As restated**
	AED	**AED**	**AED**
Assets			
Policyholders' reserve	**14,753,823**	**(14,753,823)**	**-**
Liabilities			
Surplus in takaful operations' fund	**-**	**4,308,305**	**4,308,305**
Shareholders' equity			
Investments revaluation reserve – FVOCI	**(55,163,447)**	**(19,062,128)**	**(74,225,575)**

The related movements in the restated "Investments revaluation reserve – FVOCI" and "Retakaful placement provision" for the year ended 31 December 2020 are included in the consolidated statement of changes in equity. There was no impact of the above restatement on the consolidated statements of income, comprehensive income and cash flows for the year ended 31 December 2020.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

41 Restatement of comparative financial information (continued)

Presentation of cash and bank balances on the consolidated statement of financial position

In terms of IAS 1 – Presentation of Financial Statements, there is a requirement to separately present cash and cash equivalents on the face of the statement of financial position. IAS 7 - Statement of Cash flows define cash and cash equivalents as highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Group has not previously disclosed cash and cash equivalents on the face of the statement of financial position. To comply with these requirements, the comparative information has been restated to reclassify 'wakala deposits with banks with original maturities of more than three months' from "cash and bank balances" to "Wakala deposits with banks with original maturities of more than three months", and to separately present "Cash and cash equivalents" on the face of the consolidated statement of financial position.

The comparative information has been restated to reflect the appropriate classification. There was no impact of the above restatement relating to presentation of cash and cash equivalents to the consolidated statements of income, comprehensive income and cash flows for the year ended 31 December 2020.

The following tables shows the adjustments made to each financial statement line items to the corresponding periods:

As at 31 December 2020	**As previously reported AED**	**Adjustment AED**	**As restated AED**
Cash and bank balances	**114,532,907**	**(114,532,907)**	**-**
Cash and cash equivalents	**-**	**54,532,907**	**54,532,907**
Wakala deposits with banks with original maturities of more than three months	**-**	**60,000,000**	**60,000,000**

As at 1 January 2020	**As previously reported AED**	**Adjustment AED**	**As restated AED**
Cash and bank balances	**136,353,713**	**(136,353,713)**	**-**
Cash and cash equivalents	**-**	**81,353,713**	**81,353,713**
Wakala deposits with banks with original maturities of more than three months	**-**	**55,000,000**	**55,000,000**

Presentation of the consolidated statements of income and comprehensive income

a) *Presentation as a single statement of income on a Company level*

The Company's statements of income and comprehensive income were previously disclosed separately for takaful operations and shareholders. These separate statements were previously consolidated to form the Group's consolidated statement of income and comprehensive income attributable to shareholders and takaful operations. During the current year, management reassessed this presentation and concluded that in order to conform with IFRS, they should have presented single statements of income and comprehensive income on a Company level, which would be consolidated into the Group's consolidated statement of income and comprehensive income.

As a result of the presentation of one statement of comprehensive income, certain transactions between the takaful operations and the shareholders were eliminated whereas previously these were shown gross. In addition, the investment income which was shown separately is now combined into one line on the statement of comprehensive income namely "investment income". Furthermore, the reserves related to the takaful funds in FVOCI which were disclosed previously have now been removed and shown as one FVOCI reserve.

The presentation previously adopted by the Group for its consolidated statements of income and comprehensive income was in line with the Financial Regulations issued by CBUAE (formerly IA) and has been included in note 43 of these consolidated financial statements.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

41 Restatement of comparative financial information (continued)

Presentation of the consolidated statements of income and comprehensive income (continued)

b) *Presentation of change in takaful contract liabilities and retakaful contract assets in the statement of income*

During the current year, management noted that the change in claims reported unsettled, change in reported but not incurred claims, change in mathematical reserve and change in unearned contributions and unexpired risk reserve were recorded in the statement of income - net of retakaful. IFRS requires such amounts to be shown gross and not on a net basis. For the year ended 31 December 2020, management corrected the classification. The reclassification of balances are presented below:

For the year ended 31 December 2020	As previously reported AED	Adjustment AED	As restated AED
Provision for claims reported unsettled			
Change in provision for claims reported unsettled - gross	-	12,646,078	12,64,078
Change in provision for claims reported unsettled - retakaful	-		(10,442,902)
	-	2,203,176	2,203,176
Change in provision for claims reported unsettled – net	2,203,176	(2,203,176)	-
Impact on consolidated statement of income	2,203,176	-	2,203,176
Incurred but not reported claims			
Change in incurred but not reported claims – gross	-	(13,037,017)	(13,037,017)
Change in incurred but not reported claims – retakaful	-	6,903,242	6,903,242
	-	(6,113,775)	(6,113,775)
Change in incurred but not reported claims - net	(6,113,775)	6,113,775	-
Impact on consolidated statement of income	(6,113,775)	-	(6,113,775)
Mathematical reserve			
Change in mathematical reserve – gross	-	692,201	692,201
Change in mathematical reserve – retakaful	-	(115,880)	(115,880)
	-	576,321	576,321
Change in mathematical reserve - net	576,321	(576,321)	-
Impact on consolidated statement of income	576,321	-	576,321
Unearned contributions			
Change in unearned contributions and unexpired risk reserve– gross	-	10,509,704	10,509,704
Change in unearned contributions and unexpired risk reserve– retakaful	-	(11,245,984)	(11,245,984)
	-	(736,200)	(736,200)
Change in unearned contributions and unexpired risk reserve– net	(736,200)	736,200	-
Impact on consolidated statement of income	(736,200)	-	(736,200)

There was no impact of the above restatement to the consolidated statements of financial position, comprehensive income, changes in equity and cash flows for the year ended 31 December 2020.

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

42 Consolidated statement of financial position - shareholders and takaful operations' assets and liabilities

	2021 AED	2020 AED
ASSETS		
Takaful operations assets		
Cash and cash equivalents	**63,475,541**	20,615,858
Financial assets measured at fair value through profit and loss (FVTPL)	**864,124,067**	840,072,560
Takaful receivables	**50,103,381**	58,602,525
Wakala deposits with banks with original maturities of more than three months	**3,000,000**	23,000,000
Financial assets measured at fair value through other comprehensive income (FVOCI)	**13,705,475**	11,560,619
Retakaful contract assets:		
Unearned contribution and unexpired risk reserves	**27,536,803**	30,778,105
Claims reported unsettled	**63,804,981**	58,009,511
Mathematical reserve	**784,307**	700,293
Claims incurred but not reported	**31,996,117**	37,500,160
Investment property	**10,642,270**	10,240,775
Due from shareholders	**47,058,085**	45,286,960
Total takaful operations' assets	**1,176,231,027**	1,136,367,366
Shareholders' assets		
Cash and cash equivalents	**24,563,581**	33,917,049
Financial assets measured at fair value through profit and loss (FVTPL)	**45,789,238**	34,211,760
Due from related parties	**-**	2,979,095
Prepayments and other receivables	**9,101,921**	7,071,414
Wakala deposits with banks with original maturities of more than three months	**7,000,000**	37,000,000
Financial assets measured at fair value through other comprehensive income (FVOCI)	**56,535,629**	46,683,880
Deferred policy acquisition costs	**10,532,066**	7,642,874
Statutory deposit	**10,000,000**	10,000,000
Investment property	**46,254,230**	44,509,225
Property and equipment	**237,423**	281,753
Assets under discontinued operations	**1,583,321**	1,583,321
Total shareholders assets	**211,597,409**	225,880,371
Total assets	**1,387,828,436**	1,362,247,737

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

42 Consolidated statement of financial position - shareholders and takaful operations' assets and liabilities (continued)

	2021 AED	2020 AED
TAKAFUL OPERATIONS' LIABILITIES AND DEFICIT		
Takaful operations liabilities		
Trade and other payables	**22,999,333**	20,747,516
Takaful payables	**59,067,328**	55,291,582
Amounts held under retakaful treaties	**6,753,321**	6,374,916
Takaful contract liabilities:		
Unearned contribution and unexpired risk reserves	**89,999,681**	81,204,057
Claims reported unsettled	**84,155,390**	71,931,439
Mathematical reserve	**2,470,951**	2,847,862
Claims incurred but not reported	**49,954,086**	62,602,479
Unallocated loss adjustment expenses	**3,673,555**	2,343,996
Unit linked liabilities	**863,256,172**	839,410,979
Deferred discount	**5,744,747**	6,456,898
Total takaful operations' liabilities	**1,188,074,564**	**1,149,211,724**
Takaful operations' deficit		
(Deficit) / surplus in takaful operations' fund	**(10,172,558)**	6,870,801
Qard Hassan from shareholders	**15,104,360**	-
Takaful operations' investments revaluation reserve	**(18,882,063)**	(21,026,921)
Retakaful placement provision	**2,106,723**	1,311,762
Total deficit from takaful operations	**(11,843,538)**	**(12,844,358)**
Total takaful operations' liabilities and surplus	**1,176,231,026**	**1,136,367,366**
SHAREHOLDERS' LIABILITIES AND EQUITY		
Shareholders liabilities		
Due to bank	-	19,981,327
Murabaha payable	**15,228,543**	15,239,606
Due to related parties	-	272,814
Trade and other payables	**34,376,182**	48,239,254
Due to takaful operations	**47,058,084**	45,286,960
Liabilities directly associated with assets under discontinued operations	**12,947,356**	13,022,356
Total shareholders' liabilities	**109,610,165**	**142,042,317**
Shareholders' equity		
Share capital	**225,750,000**	225,750,000
Legal reserve	**6,309,669**	5,080,128
General reserve	**6,309,669**	5,080,128
Investments revaluation reserve - FVOCI	**(56,093,581)**	(62,452,179)
Accumulated losses	**(78,961,422)**	(88,293,501)
Equity attributable to shareholders of the Parent	**103,314,335**	85,164,576
Non-controlling interest	**(1,327,090)**	(1,326,522)
Total equity	**101,987,245**	83,838,054
Total shareholders' liabilities and equity	**211,597,410**	225,880,371
Total takaful operations liabilities and deficit, shareholders' liabilities and equity	**1,387,828,436**	1,362,247,737

Notes to the consolidated financial statements for the year ended 31 December 2021 (continued)

43(a) Consolidated statement of income – attributable to shareholders and takaful operations

	Notes	For the year ended 31 December 2021 AED	2020 AED (Restated)
Attributable to takaful operations			
Takaful income			
Gross takaful contributions	21	**249,455,606**	229,156,782
Retakaful share of gross takaful contributions	21	**(134,805,428)**	(129,224,309)
Net takaful contributions		**114,650,178**	99,932,473
Change in unearned contributions and unexpired risk reserves - gross		**(8,795,624)**	10,509,704
Change in unearned contributions and unexpired risk reserves - retakaful		**(3,241,302)**	(11,245,984)
Net takaful contributions earned		**102,613,252**	99,196,193
Policy fees	23	**9,077,821**	11,369,429
Discount received on ceded retakaful	20	**17,415,921**	18,259,940
		129,106,994	128,825,562
Takaful expenses			
Gross claims paid	22	**(107,974,404)**	(112,263,146)
Retakaful share of gross claims paid	22	**37,501,886**	61,474,819
Net takaful claims		**(70,472,518)**	(50,788,327)
Change in provision for claims reported unsettled – gross		**(12,223,951)**	12,646,078
Change in provision for claims reported unsettled – retakaful		**5,795,470**	(10,442,902)
Change in incurred but not reported claims – gross		**12,648,393**	(13,037,017)
Change in incurred but not reported claims – retakaful		**(5,504,043)**	6,903,242
Change in unallocated loss adjustment expenses reserve		**(1,329,559)**	24,577
Change in mathematical reserve – gross		**376,911**	692,201
Change in mathematical reserve - retakaful	7.3	**84,014**	(115,880)
Net claims incurred		**(70,625,283)**	(54,118,028)
		58,481,711	74,707,534
Wakala fees	23	**(75,568,061)**	(71,672,563)
Mudarib's share	23	**(261,217)**	(35,672)
Investment income	24	**1,044,867**	142,687
(Deficit) / surplus from takaful operations for the year		**(16,302,700)**	3,141,986

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

43(a) Consolidated statement of income – attributable to shareholders and takaful operations (continued)

	Notes	For the year ended 31 December 2021 AED	2020 AED
Attributable to shareholders			
Income			
Wakala fees	23	**75,568,061**	71,672,563
Mudarib's share	23	**261,217**	35,672
Investment income	24	**6,304,441**	7,250,495
Other operating income		-	335,199
		82,133,719	79,293,929
Expenses			
Policy acquisition cost	20	**(24,602,878)**	(25,085,901)
General and administrative expenses	25	**(31,972,809)**	(34,821,037)
Reversal of / (provision for) impairment on financial assets		**1,841,738**	(225,492)
Contributions from Qard Hassan to takaful operations	39	**(15,104,360)**	-
Net operating loss of subsidiaries		-	(25,041)
		(69,838,309)	(60,157,471)
Profit for the year from continuing operations		**12,295,410**	19,136,458
Loss for the year from discontinued operations	31	**(5,677)**	(23,104)
Profit for the year		**12,289,733**	19,113,354
Attributable to:			
Shareholders of the parent		**12,290,301**	19,115,410
Non-controlling interest		**(568)**	(2,056)
		12,289,733	19,113,354
Earnings per share	26	**0.054**	0.085

Notes to the consolidated financial statements
for the year ended 31 December 2021 (continued)

43(b) Consolidated statement of comprehensive income – attributable to shareholders and takaful operations

	For the year ended 31 December 2021 AED	For the year ended 31 December 2020 AED
Attributable to takaful operations		
(Deficit) / surplus from takaful operations for the year	**(16,302,700)**	3,141,986
Other comprehensive income / (loss)		
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets carried at fair value through other comprehensive income	**2,144,859**	(1,964,793)
Total comprehensive (loss) / income for the year attributable to takaful operations	**(14,157,841)**	1,177,193
Attributable to shareholders:		
Profit for the year	**12,289,733**	19,113,354
Other comprehensive income / (loss)		
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets carried at fair value through other comprehensive income	**6,358,597**	(7,288,732)
Total comprehensive income for the year	**18,648,330**	11,824,622
Attributable to:		
Shareholders of the parent	**18,648,898**	11,826,678
Non-controlling interest	**(568)**	(2,056)
	18,648,330	11,824,622

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

44 Consolidated statement of financial position – Takaful operations' assets and liabilities (Life and Non-Life)

	2021 Total	**2021 Non-life**	**2021 Life**	2020 Total	2020 Non-life	2020 Life
TAKAFUL OPERATIONS' ASSETS						
Cash and cash equivalents	**63,475,541**	**45,788,228**	**17,687,313**	20,615,858	16,546,164	4,069,694
Financial assets measured at fair value through profit and loss	**864,124,067**	**867,895**	**863,256,172**	840,072,560	661,581	839,410,979
Takaful receivables	**50,103,381**	**50,103,381**	**-**	58,602,525	58,602,525	-
Wakala deposits with banks with original maturities of more than three months	**3,000,000**	**3,000,000**	**-**	23,000,000	23,000,000	-
Financial assets measured at fair value through other comprehensive income	**13,705,475**	**13,705,475**	**-**	11,560,619	11,560,619	-
Retakaful contract assets						
Unearned contribution and unexpired risk reserves	**27,536,803**	**23,808,467**	**3,728,336**	30,778,105	27,158,132	3,619,973
Claims reported unsettled	**63,804,981**	**61,651,145**	**2,153,836**	58,009,511	54,521,910	3,487,601
Mathematical reserve	**784,307**	**-**	**784,307**	700,293	-	700,293
Claims incurred but not reported	**31,996,117**	**28,690,155**	**3,305,962**	37,500,160	33,599,272	3,900,888
Investment property	**10,642,270**	**10,642,270**	**-**	10,240,775	10,240,775	-
Due from shareholders	**50,405,108**	**50,405,108**	**-**	45,286,960	39,108,146	6,178,814
Total takaful operations' assets	**1,179,578,050**	**286,142,957**	**890,915,926**	1,136,367,366	274,999,124	861,368,242
TAKAFUL OPERATIONS' LIABILITIES						
Trade and other payables	**22,999,333**	**22,999,333**	**-**	20,747,516	20,747,516	-
Takaful payables	**59,067,328**	**47,056,612**	**12,010,716**	55,291,582	42,216,302	13,075,280
Amounts held under retakaful treaties	**6,753,321**	**6,753,321**	**-**	6,374,916	6,374,916	-
Takaful contract liabilities:						
Unearned contribution and unexpired risk reserves	**89,999,681**	**85,134,774**	**4,864,907**	81,204,057	76,201,045	5,003,012
Claims reported unsettled	**84,155,390**	**81,531,117**	**2,624,273**	71,931,439	67,529,960	4,401,479
Mathematical reserve	**2,470,951**	**-**	**2,470,951**	2,847,862	-	2,847,862
Claims incurred but not reported	**49,954,086**	**45,975,933**	**3,978,153**	62,602,479	57,781,313	4,821,166
Unallocated loss adjustment expenses	**3,673,555**	**3,617,085**	**56,470**	2,343,996	2,253,016	90,980
Unit linked liabilities	**863,256,172**	**-**	**863,256,172**	839,410,979	-	839,410,979
Deferred discount	**5,744,747**	**5,528,340**	**216,407**	6,456,898	6,149,719	307,179
Due to shareholders	**3,347,024**	**-**	**3,347,024**			
Total takaful operations' liabilities	**1,191,421,587**	**298,596,515**	**892,825,073**	1,149,211,724	279,253,787	869,957,937
TAKAFUL OPERATIONS' DEFICIT						
(Deficit) / surplus in takaful operations' fund	**(10,172,558)**	**4,931,802**	**(15,104,360)**	6,870,801	15,729,366	(8,858,565)
Qard Hassan from shareholders	**15,104,360**	**-**	**15,104,360**	-	-	-
Takaful operations' investments revaluation reserve	**(18,882,063)**	**(18,882,063)**	**-**	(21,026,921)	(21,026,921)	-
Retakaful placement provision	**2,106,723**	**1,496,703**	**610,020**	1,311,762	1,042,892	268,870
Total (deficit) / surplus from takaful operations	**(11,843,538)**	**(12,453,558)**	**610,020**	(12,844,358)	(4,254,663)	(8,589,695)
Total takaful operations liabilities and deficit	**1,179,578,050**	**286,142,957**	**893,435,093**	1,136,367,366	274,999,124	861,368,242

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

45 Consolidated statement of income - Life and Non-Life

	2021 TOTAL	2021 NON-LIFE	2021 LIFE	2020 TOTAL	2020 NON-LIFE	2020 LIFE
Takaful income						
Gross takaful contributions	**249,455,606**	**196,929,613**	**52,525,993**	229,156,782	180,747,529	48,409,253
Retakaful share of gross takaful contributions	**(134,805,428)**	**(90,761,988)**	**(44,043,440)**	(129,224,309)	(88,189,837)	(41,034,472)
Net takaful contributions written	**114,650,178**	**106,167,625**	**8,482,553**	99,932,473	92,557,692	7,374,781
Change in unearned contributions and unexpired risk reserves – net	**(12,036,926)**	**(12,283,394)**	**246,468**	(736,280)	(724,360)	(11,920)
Net takaful contributions earned	**102,613,252**	**93,884,231**	**8,729,021**	99,196,193	91,833,332	7,362,861
Policy fees	**9,077,821**	**727,417**	**8,350,404**	11,369,429	747,168	10,622,261
Discount received on ceded Retakaful	**17,415,921**	**15,267,999**	**2,147,922**	18,259,940	15,785,980	2,473,960
Total takaful income	**129,106,994**	**109,879,647**	**19,227,347**	128,825,562	108,366,480	20,459,082
Takaful expenses						
Gross claims paid	**(107,974,404)**	**(90,278,161)**	**(17,696,243)**	(112,263,146)	(94,692,447)	(17,570,699)
Retakaful share of gross claims paid	**37,501,886**	**22,921,548**	**14,580,338**	61,474,819	47,388,265	14,086,554
Net takaful claims	**(70,472,518)**	**(67,356,613)**	**(3,115,905)**	(50,788,327)	(47,304,182)	(3,484,145)
Change in provision for claims reported unsettled – net	**(6,428,481)**	**(6,871,922)**	**443,441**	2,203,176	(2,392,276)	189,100
Change in incurred but not reported claims – net	**7,144,350**	**6,896,263**	**248,087**	(6,133,775)	(5,640,744)	(493,031)
Change in unallocated loss adjustment expenses reserve	**(1,329,559)**	**(1,364,069)**	**34,510**	24,577	59,876	(35,299)
Change in mathematical reserve - net	**460,925**	**-**	**460,925**	576,321	-	576,321
Net claims incurred	**(70,625,283)**	**(68,696,341)**	**(1,928,942)**	(54,118,028)	(50,492,774)	(3,625,254)
	58,481,711	**41,183,306**	**17,298,405**	74,707,534	57,873,706	16,833,828
Wakala fees	**(75,568,061)**	**(52,310,709)**	**(23,257,352)**	(71,672,563)	(49,025,819)	(22,646,744)
Mudarib's share	**(261,217)**	**(261,217)**	**-**	(35,672)	(35,672)	-
Investment income	**1,044,867**	**1,044,867**	**-**	142,687	142,687	-
Net profit / (loss) from takaful operation for the year	**(16,302,700)**	**(10,343,753)**	**(5,958,947)**	3,141,986	8,954,902	(5,812,916)