

Watania International Holding (PJSC)

Consolidated financial statements

For the year ended 31 December 2024

Directors' report

The directors submit their report on the audited consolidated financial statements for the year ended 31 December 2024.

Incorporation and registered offices

Watania International Holding (PJSC) (formerly, Dar Al Takaful (PJSC)) (the "Company") was incorporated as a public joint stock company and obtained its commercial license on 23 July 2008 while commenced operations on 1 September 2008. The address of the Company's registered office is P.O. Box. 235353, Dubai, United Arab Emirates.

Principal activities

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

Financial position and results

The financial position and results of the Group for the year ended 31 December 2024 are set out in the accompanying consolidated financial statements.

The Board of Directors have agreed to not to distribute dividends to its shareholders for the financial period ended on 31st December 2024. This decision is attributed to the following:

1. Watania International Holding Company's earnings are through its investment income and dividends earned from the profits of its Takaful operating subsidiaries, Watania Takaful General and Watania Takaful Family. During the year ended 31 December 2024, one of the companies, Watania Takaful General, faced financial losses due to floods in UAE. Even though the other subsidiary, Watania Takaful Family saw turnaround and improvement in its results, we believe any payment of dividend to Watania International Holding PJSC will impose a stress on its Solvency Margins.
2. The solvency position of the company requires a need for prudent capital allocation to support ongoing operations, strategic initiatives, and future growth endeavours. It is imperative to prioritize the retention of capital to fortify our financial resilience and ensure the sustainability of our business operations amidst the prevailing economic uncertainties.
3. The decision-making process surrounding dividend distribution involves a meticulous evaluation of various factors, including regulatory compliance, operating conditions, company expenses, financial liquidity, and capital requisites essential for sustained growth. Our board of directors has diligently assessed these factors considering the prevailing circumstances, leading to the conclusion that dividend distribution would not be viable or prudent at this juncture.
4. The Board of Directors are optimistic about the future and the performance of the Company and rewarding its shareholders in the near future.

In light of these considerations, the board of directors has made a conscientious decision to prioritize the financial stability and long-term growth prospects of our company by deferring dividend distribution to the holding company shareholders. While we understand the importance of dividends as a means of rewarding our shareholders, we believe that the prudent allocation of capital towards strengthening our financial position and pursuing strategic objectives is paramount at this juncture.

Directors' report (continued)

Financial position and results (continued)

We assure you that this decision has been made after thorough deliberation and with utmost consideration for the interests of our shareholders and the long-term sustainability of our business. We remain committed to transparent communication and will continue to keep our shareholders informed of any developments pertinent to dividend distribution in the future.

Directors

The following were the Directors of the Group for the year ended 31 December 2024:

Dr. Ali Saeed Bin Harmal Aldhaheeri	Chairman
Mr. Matar Hamdan Al Ameri	Vice Chairman
Dr. Mohamed Ali Al Barwani	Member
Eng. Usama Mohamed Al Barwani	Member
Mr. Abdallah Malek Osseiran	Member
Mr. Mohammed Nayel Rashed Al Nayeli Alshamsi	Member
Mr. Rashid Mahboob Ali AlQubaisi	Member

Auditors

The consolidated financial statements for the year ended 31 December 2024 have been audited by Grant Thornton UAE.

Approved by order of the Board of Directors on 19 March 2025



Chairman



Vice Chairman

Independent Auditor's Report To the Shareholders of Watania International Holding (PJSC) Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Watania International Holding (PJSC) (the "Company") and its subsidiaries (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including international independence standards)* ("IESBA Code") together with the other ethical requirements that are relevant to our audit of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent Auditor's Report

To the Shareholders of Watania International Holding (PJSC)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of takaful contract liabilities, takaful contract assets, retakaful contract assets and retakaful contract liabilities	
As at 31 December 2024, The Group's takaful contract liabilities, takaful contract assets, retakaful contract assets and retakaful contract liabilities are valued at AED 896 million, AED 0.02 million, AED 298 million and AED 52 million respectively. (Refer to note 9 to the consolidated financial statements). The valuation of takaful contract liabilities, takaful contract assets, retakaful contract assets and retakaful contract liabilities involves significant judgements and estimates particularly with respect to, estimation of the present value of future cash flows, the eligibility of the PAA model and estimation of the liabilities for incurred claims. These cashflows and liabilities primarily include determination of expected premium receipts, expected ultimate cost of claims and allocation of takaful acquisition cash flows which are within the contract boundaries. The calculation for these liabilities includes significant estimation and involvement of actuarial experts in order to ensure appropriateness of methodology, assumptions and data used to determine the estimated future cash flows and the appropriateness of the discount rates used to determine the present value of these cashflows. As a result of the above factors, we consider the valuation of takaful contract liabilities and assets, retakaful contract liabilities and assets as a key audit matter.	We performed the following procedures in conjunction with our actuarial specialists: • Understood and evaluated the process, the design and implementation of controls in place to determine valuation of Retakaful and takaful contract assets and liabilities; • Assessed the competence, capabilities and objectivity of the management appointed actuary; • Tested the completeness, and on sample basis, the accuracy and relevance of data used to determine future cashflows; • Evaluated the appropriateness of the methodology, significant assumptions including risk adjustment, PAA eligibility assessment, discount rates and expenses included within the fulfilment cashflows. This included consideration of the reasonableness of assumptions against actual historical experience and the appropriateness of any judgments applied; • We independently reperformed the calculation to assess the mathematical accuracy of the takaful contract liabilities, takaful contract assets, retakaful contract assets and retakaful contract liabilities on selected classes of business, particularly focusing on largest and most uncertain reserves; • Evaluated and tested the data used in the impairment model calculations for takaful receivables; and • Evaluated and tested the calculation of the expected credit loss allowance and the key assumption and judgements used.

Independent Auditor's Report

To the Shareholders of Watania International Holding (PJSC)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Group holds investment properties under the fair value model as at 31 December 2024 amounting to AED 73.1 million (2023: AED 67.8 million). (Refer to note 5 to the consolidated financial statements). The fair value requires significant judgement and estimates by management and independent valuers. The Group has involved two external valuers in order to value their investments properties for the purpose of determining the fair value for inclusion in the consolidated financial statements. The existence of significant judgement and estimation could result in material change. Therefore, the valuation of these investment properties were significant to our audit.	Our audit procedures, among others, included: - Assessed the competence, capabilities, and objectivity of external valuers; - Evaluated the accuracy and completeness of the source data used in the calculation of fair values; - Assessed the appropriateness of the key assumptions and methodologies used; - Performed an independent calculation after carrying out enquiries with management and independent valuer, including performing reasonableness computation by using publicly available sources of information to independently corroborate the valuation performed by management experts; and - Assessed the adequacy of disclosures included in consolidated financial statements.

Other Information

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

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

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

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

Independent Auditor's Report**To the Shareholders of Watania International Holding (PJSC)****Report on the Audit of the Consolidated Financial Statements (continued)****Responsibilities of the Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report**To the Shareholders of Watania International Holding (PJSC)****Report on the Audit of the Consolidated Financial Statements (continued)****Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Group and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Decree Law No. (32) of 2021, we report that:

- We have obtained all the information we considered necessary for the purposes of our audit;
- The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021;
- The Group has maintained proper books of account;
- The financial information included in the report of the Directors is consistent with the books of accounts of the Group;
- As disclosed in note 8 to the consolidated financial statements, the Group has investment in shares during the financial year ended 31 December 2024;

Independent Auditor's Report**To the Shareholders of Watania International Holding (PJSC)****Report on Other Legal and Regulatory Requirements (continued)**

- Note 22 to the consolidated financial statements reflects material related party transactions, and the terms under which they were conducted;
- Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has, during the financial year ended 31 December 2024, contravened any of the applicable provisions of the U.A.E. Federal Decree Law No. (32) of 2021, or in respect of the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2024; and
- Note 20 to the consolidated financial statements discloses the social contributions during the financial year ended 31 December 2024.

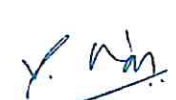
GRANT THORNTON UAE
Dr. Osama El-Bakry
Registration No. 935
Dubai, United Arab Emirates**19 March 2025**

Watania International Holding (PJSC)
Consolidated statement of financial position
As at 31 December 2024

	Notes	2024 AED'000	2023 AED'000
ASSETS			
Investment properties	5	73,069	67,807
Property and equipment	6	14,676	15,131
Intangible assets	7	76,636	83,065
Investments at amortised cost	8	20,915	33,737
Investments at fair value through other comprehensive income (FVTOCI)	8	1,000	6,197
Investments at fair value through profit or loss (FVTPL)	8	476,205	427,521
Retakaful contract assets	9	298,256	103,519
Takaful contract assets	9	19	-
Trade and other receivables	10	24,015	36,001
Cash and cash equivalents	11	339,190	409,949
TOTAL ASSETS		1,323,981	1,182,927
EQUITY AND LIABILITIES			
EQUITY			
Share capital	12	260,156	260,156
Statutory reserve	13	12,621	9,828
Restricted reserve	13	7,359	5,383
Cumulative change in fair value of securities		-	199
Accumulated losses		(38,660)	(45,972)
Treasury shares	13	(7,554)	-
Reserves for treasury shares	13	2,282	-
TOTAL EQUITY		236,204	229,594
LIABILITIES			
Employees' end of service benefits	14	20,025	19,893
Deferred tax liability	32	5,064	4,249
Lease liability		6,066	7,557
Takaful contract liabilities	9	895,576	722,413
Retakaful contract liabilities	9	51,833	53,171
Trade and other payables	15	60,315	71,300
Current tax liability	32	23	-
Borrowings	16	48,875	74,750
TOTAL LIABILITIES		1,087,777	953,333
TOTAL EQUITY AND LIABILITIES		1,323,981	1,182,927

These consolidated financial statements were approved by the Board of Directors on 19 March 2025 and were signed on their behalf by:


Dr. Ali Saeed Bin Harmal Aldhaheeri
Chairman


Ms. Gautam Datta
Chief Executive Officer

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

Watania International Holding (PJSC)
Consolidated statement of comprehensive income
For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Takaful income	17	869,585	954,363
Takaful expenses	18	(875,661)	(954,761)
Investment income	19	36,293	36,128
Net operating income		30,217	35,730
General and administrative expenses	20	(18,681)	(31,780)
Amortisation of intangibles		(6,301)	(6,301)
Finance cost		(4,680)	(6,066)
Other income		13,563	21,454
Profit before tax for the year		14,118	13,037
Income tax (credit) / expense	32	(838)	238
Profit after tax for the year		13,280	13,275
Other comprehensive (loss) / income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Unrealised (loss)/gain on equity investments at FVTOCI		(199)	199
Total Comprehensive Income for the Year		13,081	13,474
Earnings per share (AED)			
Basic and diluted	21	0.051	0.051

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

Watania International Holding (PJSC)
Consolidated statement of changes in equity
For the year ended 31 December 2024

	Share capital AED'000	Treasury shares AED'000	Statutory reserve AED'000	Restricted reserve AED'000	Cumulative change in fair value of securities AED'000	Accumulated losses AED'000	Reserve for treasury shares AED'000	Total AED'000
Balance at 1 January 2023	260,156	-	8,500	3,636	(1,655)	(52,176)	-	218,461
Impact of initial application of new standard IFRS 9	-	-	-	-	1,655	(3,996)	-	(2,341)
Net profit for the year	-	-	-	-	-	13,275	-	13,275
Cumulative change in fair value of securities	-	-	-	-	199	-	-	199
Total comprehensive income for the year	-	-	-	-	199	13,275	-	13,474
Transfer to statutory reserve (note 13)	-	-	1,328	-	-	(1,328)	-	-
Transfer to restricted reserve (note 13)	-	-	-	1,747	-	(1,747)	-	-
Balance at 31 December 2023	260,156	-	9,828	5,383	199	(45,972)	-	229,594
Balance at 1 January 2024	260,156	-	9,828	5,383	199	(45,972)	-	229,594
Board of directors' remuneration fees	-	-	-	-	-	(1,199)	-	(1,199)
Purchase of treasury shares (note 13)	-	(7,554)	-	-	-	-	2,282	(5,272)
Profit for the year	-	-	-	-	-	13,280	-	13,280
Other comprehensive loss for the year	-	-	-	-	(199)	-	-	(199)
Total comprehensive income for the year	-	-	-	-	(199)	13,280	-	13,081
Transfer to statutory reserve (note 13)	-	-	2,793	-	-	(2,793)	-	-
Transfer to restricted reserve (note 13)	-	-	-	1,976	-	(1,976)	-	-
Balance at 31 December 2024	260,156	(7,554)	12,621	7,359	-	(38,660)	2,282	236,204

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

Watania International Holding (PJSC)
Consolidated statement of cash flows
For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Cash flows from operating activities			
Profit for the year before tax		14,118	13,037
Adjustments for:			
Depreciation of property and equipment	6	3,444	4,722
Amortisation of intangible assets	7	9,085	9,720
Write-off of assets		(41)	1,243
Change in fair value of investment properties	5	(5,262)	(2,585)
Unrealised (gain)/loss on sale of financial assets at FVTPL		(6,189)	291
Realised gain on sale of financial assets at FVTPL		(2,325)	(14,201)
Income from wakala deposits	19	(16,206)	(14,477)
Income from debt securities	19	(3,300)	(2,188)
Dividend income on securities	19	(1,915)	(4,658)
Rental income		(5,046)	(1,518)
Finance cost		4,680	6,066
Finance cost on lease		224	-
Impairment on investments at FVTOCI	8	-	945
(Reversal)/allowance for expected credit losses	10	(1,469)	3,440
Provision for employees' end of service benefits	14	4,675	2,835
Operating cash flows before changes in operating assets and liabilities		(5,527)	2,672
Change in trade and other receivables		15,409	(10,273)
Change in retakaful contract assets and liabilities - net		(196,094)	51,798
Change in takaful contract liabilities		150,302	(93,694)
Change in trade and other payables		(10,985)	(13,607)
Cash used in operations		(46,895)	(63,104)
End of service benefits paid	14	(4,543)	(527)
Net cash used in operating activities		(51,438)	(63,631)
Cash flows from investing activities			
Purchase of property and equipment	6	(3,030)	(12,982)
Write-off of leases and fixed assets		82	5,448
Purchase of intangible assets	7	(2,656)	(142)
Purchase of investment securities	8	(146,187)	(150,210)
Proceeds from sale investment securities		128,872	259,227
IFRS 9 ECL Impact		(16)	-
Proceeds from redemption of FVTOCI investments	8	4,998	-
Amortisation of held to maturity investments	8	(329)	(8)
Proceeds from redemption of investments at amortized cost		13,173	-
Income received on wakala deposits		17,729	12,406
Rental income received		2,112	3,704
Dividend received		1,907	4,585
Finance costs paid		(4,680)	(6,066)
Income received from sukuk		2,765	1,839
Investment in wakala deposits – net		115,520	(56,833)
Net cash generated from investing activities		130,260	60,968

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

Watania International Holding (PJSC)
Consolidated statement of cash flows (continued)
For the year ended 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Cash flows from financing activities			
Net movement in lease liabilities		(1,715)	(1,342)
Board of directors' remuneration fees paid		(1,199)	-
Issuance of treasury shares	13	(5,272)	-
Repayment of borrowings	16	(25,875)	(20,700)
Net cash used in financing activities		(34,061)	(22,042)
Net change in cash and cash equivalents		44,761	(24,705)
Cash and cash equivalents at the beginning of year		78,350	103,055
Cash and cash equivalents at the end of the year	11	123,111	78,350

The accompanying notes 1 to 33 form an integral part of these consolidated financial statements.

Watania International Holding (PJSC)
Notes to the consolidated financial statements
For the year ended 31 December 2024

1. Legal status and activities

Watania International Holding (PJSC) (the “Company”) was incorporated as a public joint stock company. During the year 2023, the Company’s insurance license has been cancelled as it will be an investment holding company and changed its name from Dar Al Takaful (PJSC) to Watania International Holding (PJSC). The address of the Company is P.O. Box 235353, Dubai, United Arab Emirates. The Company’s ordinary shares are listed on the Dubai Financial Market (“DFM”), United Arab Emirates.

The Company obtained its commercial license on 23 July 2008 and commenced operations on 1 September 2008.

The primary activity of the company includes investment in subsidiaries and securities such as agricultural, commercial, educational, energy, industrial, technological, and tourist enterprises & management, outer space projects, health care, sports, and water enterprises & development, oil & natural gas projects.

The consolidated financial statements have been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Law No. (32) of 2021.

The Company with its subsidiaries is collectively referred to as the “Group” in these consolidated financial statements. At 31 December 2023, the Company had the following subsidiaries:

Name of subsidiary	Proportion of ownership interest		Principal activities
	2024	2023	
Watania Takaful Family (PJSC)	100%	100%	Family takaful and retakaful activities
Watania Takaful General (PJSC)	100%	100%	General takaful and retakaful activities

2. Statement of compliance with IFRS and basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by International Accounting Standards Board (IASB) and interpretations thereof issued by the International Financial Reporting Interpretation Committee and in compliance with the applicable requirements of UAE Federal Law No. (32) of 2021 relating to commercial companies. These consolidated financial statements are prepared in UAE Dirhams (“AED”).

Standards, interpretations, and amendments to existing standards

a) New and revised IFRSs and interpretations applied on the consolidated financial statements

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

Standard number	Title	Effective date
IAS 1	Amendments to IAS 1 – Non current liabilities with covenants and classification of liabilities as current or non-current	1 January 2024
IAS 7	Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements	1 January 2024
IFRS 16	Amendments to IFRS 16 – Lease on sale and leaseback	1 January 2024

Watania International Holding (PJSC)
Notes to the consolidated financial statements
For the year ended 31 December 2024

2. Statement of compliance with IFRS and basis of preparation (continued)

b) Standards and interpretations issued but not yet effective

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

Standard number	Title	Effective date
IAS 21	Amendments to IAS 21 Lack of exchangeability Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025
IFRS 9 & IFRS 7	Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures regarding the classification and measurement of financial instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability; Disclosures	1 January 2027

Basis of preparation

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

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, trade and other receivables, trade and other payables and current tax liability. The following balances would generally be classified as non-current: investment properties, property and equipment, intangible assets, investments at fair value through other comprehensive income, provision for employees' end of service, deferred tax liability and. The following balances are of mixed nature (including both current and non-current portions): investments at fair value through profit or loss, investments at amortised cost, retakaful contract assets and liabilities, takaful contract assets and liabilities, lease liability, and borrowings.

Basis of consolidation

The consolidated financial statements comprise the consolidated financial statements of the Company and all of its subsidiaries as of 31 December 2024. Control is achieved when the Group:

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

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

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

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

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

3. Material accounting policy information

IFRS 17 Insurance Contracts

IFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of takaful contracts, retakaful contracts and investment contracts with discretionary participation features.

It introduces a model that measures groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin.

Under IFRS 17, takaful revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of contributions that relate to recovering takaful acquisition cash flows. In addition, investment components are no longer included in takaful revenue and takaful service expenses.

The Group applies PAA to simplify the measurement of contracts in the non-family and group family takaful segment. When measuring liabilities for remaining coverage, PAA is similar to the Group's previous accounting treatment. However, when measuring liabilities for incurred claims, the Group now discounts the future cash flows and includes an explicit risk adjustment for non-financial risk. For individual life takaful contracts, the Group has applied the General Measurement Model (GMM) and Variable Fee Approach (VFA), as applicable.

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2024.

Recognition

Recognition requirements are slightly different for issued contracts and held contracts. For groups of issued contracts, a group should be recognised at the earliest of the following:

- Beginning of the coverage period;
- Date when the first payment from a policyholder becomes due; and
- For a group of onerous contracts when the group becomes onerous.

Retakaful contracts held by an entity are recognised on the earlier of:

- Beginning of the coverage period of the group of retakaful contracts held; and
- Date the entity recognises an onerous group of underlying takaful contracts provided the retakaful contract was in force on or before that date.

Regardless of the first point above, the recognition of proportional retakaful contracts held shall be delayed until the recognition of the first underlying contract issued under that retakaful contract.

Level of Aggregation

Level of aggregation relates to the unit of account under IFRS 17. The unit of account under IFRS 17 is referred to as a 'Group of Contracts' and requirements relating to level of aggregation define how groups of contracts have to be determined.

The standard has set out the following three requirements to determine a group of contracts:

- Portfolio – contracts that have similar risks and that are managed together can be grouped.
- Profitability – contracts with similar expected profitability (at inception or initial recognition) can be grouped.
- Cohorts – contracts from 1st January to 31st December based on issue date are combined into annual cohorts

3. Material accounting policy information (continued)

IFRS 17 Insurance Contracts (continued)

Level of Aggregation (continued)

For this purpose, the standard has mandated at least the following three classifications however it is permitted to use more granular classifications:

- Contracts that are onerous at inception;
- Contracts that are not onerous and have no significant possibility of becoming onerous; and
- All other contracts.

Cohorts

Contracts issued more than 12 months apart cannot be grouped together. However, in certain circumstances a one-time simplification upon transition for contracts as at the transition is allowed. The Group has used this simplification while calculating the transition impact of its individual life contracts using fair value approach.

A unique combination of the above three requirements forms a group of contracts i.e., contracts with same portfolio, same expected profitability and issued in the same year can be grouped together. This grouping is permanent and cannot be changed once assigned, regardless of how the actual experience emerges after initial recognition. For instance, as experience emerges an entity may realise that a contract which was thought to be onerous at initial recognition is not onerous, but the grouping will not be changed.

Measurement Models

Measurement model, in rudimentary terms, refers to the basis or a set of methodologies for the computation of takaful contract assets and liabilities and associated revenues and expenses. IFRS 17 has provided the following three measurement models:

Premium Allocation Approach (“PAA”)

PAA is an optional simplification that an entity can apply to contracts that have a coverage period of up to 12 months or to contracts for which it can demonstrate that the liability for remaining coverage will not be materially different under PAA and GMM. In terms of computations, the major simplification relates to LRC.

Under PAA, it is not required to consider each component of the contribution separately, instead, a single liability can be set up. The components of liability under PAA as at any valuation date can be summarised as follows:

Liability for Remaining Coverage (“LRC”)

- Excluding Loss Component
- Loss Component, if any

Liability for Incurred Claims (“LIC”)

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows

All the Group’s short-term business is eligible for this simplification and the Group has adopted this simplification for the eligible business. Under PAA, loss component and claim reserves requires an explicit provision of risk adjustment, this would increase the liabilities whereas discounting will generally decrease the liabilities.

3. Material accounting policy information (continued)

IFRS 17 Insurance Contracts (continued)

Measurement Models (continued)

General Measurement Model (“GMM”)

GMM is the default measurement model and is applied to all contracts to which Premium Allocation Approach (“PAA”) and Variable Fees Approach (“VFA”) are not applied. GMM is based on the premise that contributions (or considerations) for takaful contracts comprises of certain components (such as claims, expenses, and profits) and that each component needs to be considered according to its nature. The liability under GMM as at any valuation date comprises of the following:

Liability for Remaining Coverage (“LRC”)

- Estimates of future cashflows;
- Risk adjustment;
- Discounting of estimates of future cashflows; and
- Contractual Service Margin (“CSM”).

Liability for Incurred Claims (“LIC”)

- Estimates of future cashflows;
- Risk adjustment; and
- Discounting of estimates of future cashflows.

Variable Fees Approach (“VFA”)

VFA is a mandatory modification to contracts with direct participation features. A contract is a contract with direct participation feature if it meets all three of the following requirements:

- Contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- The entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- The entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in the fair value of the underlying items.

The components of the liability under VFA are same as GMM and their calculations are quite similar too except for the computation of CSM. Under VFA, CSM calculations reflect the variability related to underlying items, but GMM does not reflect this variability. Similarly, there are some other aspects related to financial risk that impact the CSM under VFA but, not under GMM.

Above, the measurement models have been discussed in terms of takaful contract issued and associated liabilities, but same principles are applicable to retakaful contract held and associated assets (except for VFA). Similarly, both LRC and LIC components are mentioned, however, at initial recognition only LRC will be applicable.

Estimates of future cashflows, risk adjustment and discounting are collectively referred to as the Fulfilment Cashflows (“FCF”). In terms of revenues and expense GMM and VFA are quite similar, however, a significant difference exists between GMM/VFA and PAA.

The revenues under GMM and VFA show each component of the contribution separately (such as expected claims and expenses) whereas under PAA, the revenue shows just an aggregate amount.

Group’s unit-linked business is measured using VFA, all other long-term business is measured using GMM. There are fundamental differences between GMM/VFA and the current methodologies for the long-term business. The key differences are discussed on the next page:

3. Material accounting policy information (continued)

IFRS 17 Insurance Contracts (continued)

Measurement Models (continued)

Variable Fees Approach ("VFA") (continued)

- Under IFRS 17 assets or liabilities will be determined using gross contribution calculations as opposed to risk contribution calculations. This implies that under IFRS 17 all components of assets or liabilities such as expenses or profits will be computed explicitly. This also implies that expenses or costs that occur only at the start will be deferred implicitly. The impact of this difference cannot be generalised as it depends on whether the implicit margins within risk-contribution based calculations are higher or lower than those required in gross-contribution based calculations.
- Similar to PAA, GMM and VFA also require an explicit risk adjustment. Risk adjustment is a new requirement, and it does not exist under the current standard. Risk adjustment will increase the liabilities for takaful contracts issued and increases the asset for the retakaful contracts held.
- IFRS 17 also introduces substantial changes to the pattern in which profits are recognised for long-term contracts it requires that the profits to be recognised in relation to the service provided. The new standard introduces a new measure, 'coverage units', to quantify the services provided in any period. Given that single contribution contracts recognise all expected profits at the start of the coverage whereas services are provided throughout that coverage period, it is expected that under IFRS 17 profit recognition for single contribution contracts will be delayed and therefore the net liabilities will increase because of this requirement. Similarly, for limited-payment plans, all expected profits are recognised by the end of the payment term and therefore the profits for these will also be relatively delayed in IFRS 17. The impact for regular payment plans will depend on how close the service pattern is to the one currently implied under the plans.
- The definition of revenue under GMM and VFA is quite different for long-term contracts. Under IFRS 17 revenue (or consideration) is more direct and separately includes each component of the contribution (i.e., expected claims and expenses and the portion of the profits relating to the period).

Estimates of Future Cashflows

The standard requires that future cashflows should be estimated till the end of the contract boundary. End of contract boundary is defined as the point at which an entity can either reassess the risk or consideration i.e., contribution. The standard does not provide the methodology for the estimation of future cashflows however, it does provide detailed guidance on the cashflows that are within and beyond the contract boundary. It also provides certain principles in relation to the estimates of future cashflows.

Risk Adjustment

Risk adjustment reflects the compensation that an entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. Risk adjustment does not consider financial risk. The standard does not set out the methodology for the computation of risk adjustment, but it has provided certain principles.

Discounting

The standard requires the estimates of future cashflows should be discounted to reflect the effect of time value of money and financial risks. Similar to other provisions, it does not specify a methodology for discounting or the derivation of discount rates however, it sets out certain principles. The standard recognises the following two approaches for the derivation of the discount rates:

- Bottom-Up: An approach where a risk-free rate or yield curve is used and an illiquidity contribution is added to reflect the characteristics of the cashflows.
- Top-Down: An approach where the expected yield on a reference portfolio is used and adjustments are applied to reflect the differences between the liability cashflow characteristics and the characteristics of the reference portfolio.

Watania International Holding (PJSC)
Notes to the consolidated financial statements
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3. Material accounting policy information (continued)

IFRS 17 Insurance Contracts (continued)

Variable Fees Approach (“VFA”) (continued)

Discounting (continued)

For cashflows that are linked to the underlying items for contracts with direct participation features, the discount rates must be consistent with other estimates used to measure takaful contracts. The above two approaches may have to be adjusted to reflect the variability in the underlying items for such cashflows.

For cashflows that are linked to the underlying items for contracts with direct participation features, the discount rates must be consistent with other estimates used to measure takaful contracts. The above two approaches may have to be adjusted to reflect the variability in the underlying items for such cashflows; the company has adopted the Bottom-Up approach.

Contractual Service Margin (“CSM”)

Contractual Service Margin (CSM) represents the unearned profit the entity will recognise as it provides takaful contract services in the future. At initial recognition, CSM is computed using the FCF whereas at subsequent measurement CSM is computed using the opening CSM balance and various adjustments relating to the period. A portion of CSM is released to profit and loss as revenue in every period using coverage units.

Onerous Contracts and Loss Components

When a group of contracts, whether at initial recognition or subsequently, is or becomes onerous, a loss component liability must be maintained. Under GMM and VFA this liability is implicitly included in the FCFs for LRC but for PAA an explicit loss component over the base LRC must be computed and set aside.

Key Accounting Policy Choices

IFRS 17 requires Group to make various accounting policy choices. The key accounting policy choices made by the Group are described below:

Accounting Policy	Group Decision
Level of Aggregation – Adopting more granular profitability classification	For short term contracts, the Group has decided profitability based on the following criteria: • If the normalised and risk adjusted combined ratio is greater than 100%, tag the cluster as “onerous”. • If the normalised and risk adjusted combined ratio is less than 95%, tag the cluster as “non-onerous”. • All other clusters will be tagged as “remaining”. For individual life long-term contracts, the following approach will be used to determine profitability: • If a LC is produced, the policy will be categorised as onerous. • If a CSM is produced, the following should be tested: i. If CSM/PV(Premiums) is greater than or equal to the 5%, tag the policy as non-onerous. ii. If CSM/PV(Premiums) is less than 5%, tag the policy as remaining.
Level of Aggregation – Adopting more granular cohort	The Group has decided to use annual cohorts for all portfolios and define the year from 1st January to 31st December.
PAA – Deferring takaful acquisition cashflows	The Group has decided to continue deferring takaful acquisition cashflows under IFRS 17.

Watania International Holding (PJSC)
Notes to the consolidated financial statements
For the year ended 31 December 2024

3. Material accounting policy information (continued)

IFRS 17 Insurance Contracts (continued)

Key Accounting Policy Choices (continued)

Accounting Policy	Group Decision
PAA – Discounting LIC	Since there are a significant number of claims that are expected to be paid in more than one year, the Group has decided to discount LIC for all its group of contracts.
Profit Accretion – OCI Option	The Group has decided to not disaggregate the difference between profit and loss and other comprehensive income.

Assumptions

While requirements relating to assumptions are within the requirements relating to measurement models, some aspects of the assumptions have been presented separately in this section due to their significance. IFRS 17, unlike IFRS 4, sets out detailed guidance on the basis to derive the assumptions (underlying the calculations of takaful and retakaful contract assets and liabilities and associated revenues and expenses).

The key assumptions are provided below:

- IFRS 17 requires separate estimation of a best estimate liability and an explicit risk adjustment.
- Financial variables (such as discount rates) must be market consistent.

Presentation and disclosures

IFRS 17 also contains comprehensive requirements related to presentation and disclosures. One of the key requirements is the presentation of revenue. For contracts under GMM and VFA, contributions will not be presented as revenues instead each component of the contribution (such as expected claims and expenses) will be shown separately. Another key requirement relates to the presentation of retakaful contracts held.

Under IFRS 17 amounts related to takaful contract issued will be reported and effect of retakaful contracts held will be reported separately.

In addition to the above requirements, the new standard also introduces various new disclosures related to the takaful and retakaful contract assets and liabilities and associated revenues and expenses.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs. Regular way purchases and sales of financial assets are recognised on the date on which the Company commits to purchase or sell the asset i.e. the trade date. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished.

3. Material accounting policy information (continued)

IFRS 9 Financial Instruments (continued)

Classification and subsequent measurement of financial assets

For the purposes of subsequent measurement, the Group classifies its financial assets into the following categories:

i) Financial assets at amortised cost

Financial assets at amortised cost are those financial assets for which:

- the Group's business model is to hold them in order to collect contractual cash flows; and
- the contractual terms give rise on specific dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

After initial recognition these are measured at amortised cost using the effective funding cost method, less provision for impairment. Discounting is omitted where the effect is immaterial.

These are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. Financial assets at amortised cost comprise of investments at amortised cost, cash and cash equivalents, statutory deposits and most other receivables.

ii) Financial assets at fair value through other comprehensive income ('FVTOCI')

Investments in equity securities are classified as FVTOCI. At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity investments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Gain or loss arising from change in fair value of investments at FVTOCI is recognised in other comprehensive income and reported within the fair value reserve for investments at FVTOCI within equity. When the asset is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity reserve to income statement but is reclassified to retained earnings.

iii) Financial assets at fair value through profit and loss ('FVTPL')

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in statement of income.

Dividend income on investments in equity instruments at FVTPL is recognised in statement of income when the Group's right to receive the dividends is established.

Derecognition of financial assets

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

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3. Material accounting policy information (continued)

Financial assets for participants

Financial assets for participants are designated at fair value through profit or loss at inception as these are held in external funds to match takaful and investment contract liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Business combinations and goodwill

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

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

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

Bonus reserve

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

Property and equipment

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

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

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

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

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

Watania International Holding (PJSC)
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3. Material accounting policy information (continued)

Property and equipment (continued)

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other expenditure is recognised in the consolidated statement of income as the expense is incurred.

Leases

The right-to-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus as initial direct costs incurred. The right-to-use is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use or the end of the lease term.

The estimated useful life of the right-to-use asset is determined on the same basis as those of property and equipment. In addition, the right-to-use is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

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

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

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in the profit or loss if the carrying amount of the right-to-use asset has been reduced to zero. The Group presents right-to-use assets that do not meet the definition of investment property in 'Property and equipment' and the lease liabilities as a separate item in the statement of financial position.

Intangible assets

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

- | | |
|------------------------------|---------------|
| • Life takaful contracts | 40 years |
| • Non-life takaful contracts | 5 months |
| • Customer relationships | 4.5 – 5 years |
| • Software | 3 – 4 years |

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

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

Watania International Holding (PJSC)
Notes to the consolidated financial statements
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3. Material accounting policy information (continued)

Investment properties

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

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

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use. Fair value is determined by open market values based on valuations performed by two independent surveyors annually.

Revenue recognition (other than takaful income)

Investment income

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

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

Dividend income is recognised when the right to receive payment is established.

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

Employee benefits

Short-term employee benefits

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

Provision for employees' end of service benefits

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

Foreign currency transactions

Transactions in foreign currencies are translated to AED at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to AED at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Watania International Holding (PJSC)
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3. Material accounting policy information (continued)

Impairment of non-financial assets

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

Short term operating leases

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

Cash and cash equivalents

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

Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

Segment reporting

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

Watania International Holding (PJSC)
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3. Material accounting policy information (continued)

Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:
 - When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
 - In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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3. Material accounting policy information (continued)

Taxes (continued)

Deferred tax (continued)

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. Critical accounting estimates and judgements in applying accounting policies

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

In preparing these consolidated financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the audited consolidated financial statements as at and for the year ended 31 December 2023 except for the new policies under IFRS 17. Key judgements are listed below:

Takaful and retakaful contracts

The Group applies the PAA to simplify the measurement of takaful contracts where possible. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Group discounts all cash flows and includes an explicit risk adjustment for non-financial risk for liability for incurred claims.

Liability for remaining coverage

For takaful acquisition cash flows, the Group chooses to not recognise the payments as an expense immediately. The acquisition costs are, thus, capitalised.

Liability for incurred claims

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

The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios.

Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims' development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g. to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Other key circumstances affecting the reliability of assumptions include variation in profit rates, delays in settlement and changes in foreign currency exchange rates.

Watania International Holding (PJSC)
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4. Critical accounting estimates and judgements in applying accounting policies (continued)

Discount rates

Takaful contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity contribution. Risk free rates are determined by reference to the USD risk free yield curves. The illiquidity premium is determined based on judgment.

Discount rates applied for discounting of future cash flows are listed below:

	1 year		3 years		5 years		10 years	
	2024	2023	2024	2023	2024	2023	2024	2023
Takaful contracts issued	4.68%	5.26%	4.56%	4.56%	4.52%	4.00%	4.57%	3.95%
Retakaful contracts issued	4.68%	5.26%	4.56%	4.56%	4.52%	4.00%	4.57%	3.95%

Risk adjustment for non-financial risk

For contracts measured under the PAA, the Group has estimated the risk adjustment using a confidence level (probability of sufficiency) approach (using Over Dispersed Poisson methodology) at the 65th percentile. That is, the Group has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 65th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Group has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

For individual life business, the Group has used a cost of capital approach at the 75th percentile.

Fair value judgement on investment properties

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

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

The fair value of unquoted financial assets carried at fair value through profit or loss is based on the periodic valuations by fund managers and represents the net asset value of the funds at the date of valuation and the fair value of quoted financial assets securities carried at fair value through profit or loss is based on quoted prices in active markets. Fair value of unquoted securities has been determined by the management based on Net Assets Value techniques using observable market data of comparable public entities, certain discount factors and unobservable financial data of respective non-public investees. Actual results may substantially be different.

Expected credit losses

Management reviews the provision for doubtful debts at each reporting date by assessing the recoverability of takaful and retakaful receivables. For non-takaful receivables the recoverability is assessed, and expected credit losses are created in compliance with the simplified approach under the IFRS 9 methodology.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as FVTOCI, FVTPL or, Investments at amortised cost.

Equity instruments are classified as FVOCI securities when they are considered by management to be strategic equity investments that are not held to benefit from changes in their fair value and are not held for trading. Management is satisfied that the Group's investments in securities are appropriately classified.

Watania International Holding (PJSC)
Notes to the consolidated financial statements
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4. Critical accounting estimates and judgements in applying accounting policies (continued)

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Group monitors financial assets measured at amortised cost, fair value through profit or loss or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

5. Investment properties

	2024 AED'000	2023 AED'000
Balance at 1 January	67,807	65,222
Gain on fair value during the year (note 19)	5,262	2,585
Balance at 31 December	<u>73,069</u>	<u>67,807</u>

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

The fair value of the Group's investment properties as at 31 December 2024 and 2023 has been arrived at on the basis of valuations carried on the respective dates by two independent valuers who are not related to the Group and have appropriate qualification and recent market experience in the valuation of properties in the United Arab Emirates. The fair value is mainly based on unobservable inputs (i.e. Level 3).

The fair value was determined based on the income capitalisation approach and market comparable approach. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

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

	2024 AED'000	2023 AED'000
Rental income	5,046	4,319
Direct operating expenses	<u>(2,372)</u>	<u>(3,090)</u>
Income from investment property (note 19)	<u>2,674</u>	<u>1,229</u>

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6. Property and equipment

2024	Leasehold improvements AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Vehicles AED'000	Capital work in progress AED'000	Right to use assets AED'000	Total AED'000
Cost							
At 1 January	6,983	8,719	8,918	1,162	908	7,161	33,851
Additions	309	124	310	-	2,823	-	3,566
Transfers	-	-	301	-	(837)	-	(536)
Transfer from capital work in progress	481	17	-	-	(498)	-	-
Disposal/ write-off	-	-	(186)	-	-	-	(186)
At 31 December	7,773	8,860	9,343	1,162	2,396	7,161	36,695
Accumulated depreciation							
At 1 January	1,263	8,220	7,950	1,162	26	99	18,720
Charge for the year	850	120	895	-	-	1,579	3,444
Disposal/ write-off	-	-	(145)	-	-	-	(145)
At 31 December	2,113	8,340	8,700	1,162	26	1,678	22,019
Carrying amount							
At 31 December 2024	5,660	520	643	-	2,370	5,483	14,676

Watania International Holding (PJSC)
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6. Property and equipment (continued)

2023	Leaschold improvements AED'000	Furniture and fixtures AED'000	Office equipment AED'000	Vehicles AED'000	Capital work in progress AED'000	Right to use assets AED'000	Total AED'000
Cost							
At 1 January	1,795	8,444	8,034	1,162	3,430	19,365	42,230
Additions	3,508	140	887	-	3,128	5,319	12,982
Transfers	2,442	135	-	-	(2,577)	-	-
Transfers to intangible assets (note 7)	-	-	-	-	(2,093)	-	(2,093)
Disposal/ write-off	(762)	-	(3)	-	(980)	(17,523)	(19,268)
At 31 December	6,983	8,719	8,918	1,162	908	7,161	33,851
Accumulated depreciation							
At 1 January	1,455	8,069	6,564	1,131	26	9,330	26,575
Charge for the year	465	151	1,386	31	-	2,689	4,722
Disposal/ write-off	(657)	-	-	-	-	(11,920)	(12,577)
At 31 December	1,263	8,220	7,950	1,162	26	99	18,720
Carrying amount							
At 31 December 2023	5,720	499	968	-	882	7,062	15,131

Watania International Holding (PJSC)
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7. Intangible assets

2024	Trade name AED'000	Life takaful contracts AED'000	Non-life takaful contracts AED'000	Customer relationships AED'000	Software AED'000	Total AED'000
Cost						
At 1 January	6,092	70,034	3,339	25,514	20,745	125,724
Additions during the year	-	-	-	-	2,656	2,656
31 December	6,092	70,034	3,339	25,514	23,401	128,380
Accumulated amortisation						
At 1 January	-	5,982	3,339	16,014	17,324	42,659
Charge for the year	-	1,751	-	4,550	2,784	9,085
31 December	-	7,733	3,339	20,564	20,108	51,744
Carrying amount						
31 December 2024	6,092	62,301	-	4,950	3,293	76,636
2023						
Cost						
At 1 January	6,092	70,034	3,339	25,514	18,510	123,489
Additions during the year	-	-	-	-	142	142
Transfer from property and equipment (note 6)	-	-	-	-	2,093	2,093
31 December	6,092	70,034	3,339	25,514	20,745	125,724
Accumulated amortisation						
At 1 January	-	4,231	3,339	11,464	13,905	32,939
Charge for the year	-	1,751	-	4,550	3,419	9,720
31 December	-	5,982	3,339	16,014	17,324	42,659
Carrying amount						
31 December 2023	6,092	64,052	-	9,500	3,421	83,065

Watania International Holding (PJSC)
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8. Investment in securities

Investment at amortised cost

Investment at amortised cost comprises the following:

	2024 AED'000	2023 AED'000
Quoted debt securities inside U.A.E.	20,915	25,014
Unquoted debt securities outside U.A.E.	-	8,723
	<u>20,915</u>	<u>33,737</u>

The fair value of the investments at amortised cost amounted to AED 20.6 million as of 31 December 2024 (2023: AED 33.7 million).

Sukuk worth AED 17.2 million are held in margin accounts against a guarantee of AED 14.8 million to issue takaful business related performance and tender bonds (2023: 14.8 million).

Investments at fair value through comprehensive income (FVTOCI)

Investments at FVTOCI comprise the following:

	2024 AED'000	2023 AED'000
Unquoted equity securities in U.A.E.	-	5,197
Unquoted debt securities in U.A.E.	1,000	1,000
	<u>1,000</u>	<u>6,197</u>

Investments at fair value through profit or loss (FVTPL)

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

	2024 AED'000	2023 AED'000
Investment in mutual funds	339,011	349,387
Investment in debt securities	83,982	47,384
Investment in equity securities	53,212	30,750
	<u>476,205</u>	<u>427,521</u>
Quoted securities inside U.A.E.	137,194	78,134
Unquoted securities inside U.A.E.	15,321	17,139
Unquoted securities outside U.A.E.	323,690	332,248
	<u>476,205</u>	<u>427,521</u>

Watania International Holding (PJSC)
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For the year ended 31 December 2024

8. Investment in securities (continued)

The movement in securities are as follows:

	Investments at amortised cost AED'000	Investments at FVTOCI AED'000	Investments at FVTPL AED'000	Total AED'000
2024				
At 1 January	33,737	6,197	427,521	467,455
Addition during the year	-	-	146,187	146,187
Maturity during the year	(13,173)	-	-	(13,173)
Disposal during the year	-	(4,998)	(128,873)	(133,871)
Amortisation of premiums	329	-	-	329
Expected credit losses	22	-	(5)	17
Fair value gain for investments recorded in the consolidated statement of income (FVTPL investments – unit linked)	-	-	22,861	22,861
Fair value gain recorded in the consolidated statement of income	-	-	8,514	8,514
Fair value loss recorded in the consolidated comprehensive statement of income	-	(199)	-	(199)
At 31 December 2024	20,915	1,000	476,205	498,120
2023				
At 1 January	47,353	71,624	391,782	510,759
Addition during the year	-	-	150,210	150,210
Disposal during the year	(13,598)	(139)	(245,464)	(259,201)
Change in business models due to adoption of IFRS 9	-	(64,107)	64,107	-
Amortisation of premiums	8	-	-	8
Impairment of investments	-	(945)	-	(945)
Expected credit losses	(26)	-	-	(26)
Fair value gain for investments recorded in the consolidated statement of income (FVTPL investments – unit linked)	-	-	52,976	52,976
Fair value gain recorded in the consolidated statement of income	-	-	13,910	13,910
Fair value loss recorded in the consolidated comprehensive statement of income	-	(236)	-	(236)
At 31 December 2023	33,737	6,197	427,521	467,455

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9. Takaful and retakaful contracts

The breakdown of groups of takaful contracts issued and retakaful contracts held, that are in an asset position and those in a liability position is set out in the table on the below:

Takaful contracts issued

	2024			2023		
	Assets AED'000	Liabilities AED'000	Net AED'000	Assets AED'000	Liabilities AED'000	Net AED'000
General takaful	-	(426,218)	(426,218)	-	(224,645)	(224,645)
Medical takaful	-	(105,071)	(105,071)	-	(149,761)	(149,761)
Family takaful	19	(364,287)	(364,268)	-	(348,007)	(348,007)
Total takaful contracts issued	19	(895,576)	(895,557)	-	(722,413)	(722,413)

Retakaful contracts held

	2024			2023		
	Assets AED'000	Liabilities AED'000	Net AED'000	Assets AED'000	Liabilities AED'000	Net AED'000
General takaful	208,091	(3,307)	204,784	21,530	(16,070)	5,460
Medical takaful	85,087	(1,001)	84,086	81,989	(975)	81,014
Family takaful	5,078	(47,525)	(42,447)	-	(36,126)	(36,126)
Total takaful contracts issued	298,256	(51,833)	246,423	103,519	(53,171)	50,348

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9. Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for takaful contracts issued showing the liability for remaining coverage and the liability for incurred claims

Contracts measured under the PAA

	Liabilities for remaining coverage		Liabilities for incurred claims		Total AED'000
	Excluding loss component AED'000	Loss component AED'000	Estimates of the present value of future cash flows AED'000	Risk adjustment AED'000	
2024					
Takaful contract liabilities as at 1 January 2024	175,071	297	236,325	9,577	421,270
Takaful revenue	(855,078)	-	-	-	(855,078)
Takaful service expenses					
Incurred claims and other expenses	-	-	700,503	25,582	726,085
Net takaful acquisition costs	151,338	-	-	-	151,338
Losses on onerous contract and reversals	-	(297)	-	-	(297)
Changes to liabilities for incurred claims			98,819	(15,925)	82,894
Takaful service result	(703,740)	(297)	799,322	9,657	104,942
Takaful finance expenses	-	-	3,263	-	3,263
Total changes in statement of comprehensive income	(703,740)	(297)	802,585	9,657	108,205
Cash flows					
Contributions received	842,762	-	-	-	842,762
Claims and other expenses paid	-	-	(626,310)	-	(626,310)
Direct attributable expense	-	-	(11,342)	-	(11,342)
Takaful acquisition cash flows	(154,739)	-	-	-	(154,739)
Total cash flows	688,023	-	(637,652)	-	50,371
Net takaful contract liabilities as at 31 December 2024					
Takaful contract liabilities as at 31 December 2024	159,376	-	401,255	19,234	579,865
Less: Takaful contract assets as at 31 December 2024	(22)	-	3	-	(19)
Net takaful contract liabilities as at 31 December 2024	159,354	-	401,258	19,234	579,846

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9. Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for takaful contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

Contracts measured under the PAA (continued)

	Liabilities for remaining coverage		Liabilities for incurred claims		Total AED'000
	Excluding loss component AED'000	Loss component AED'000	Estimates of the present value of future cash flows AED'000	Risk adjustment AED'000	
2023					
Takaful contract liabilities as at 1 January 2023	158,583	14,717	273,173	10,937	457,410
Takaful revenue	(898,891)	-	-	-	(898,891)
Takaful service expenses	-	-	-	-	-
Incurred claims and other expenses	-	-	586,775	16,514	603,289
Net takaful acquisition costs	152,823	-	-	-	152,823
Losses on onerous contract and reversals	-	(14,420)	-	-	(14,420)
Changes to liabilities for incurred claims	-	-	71,338	(17,874)	53,464
Takaful service result	(746,072)	(14,420)	658,113	(1,360)	(103,739)
Takaful finance expenses	-	-	4,525	-	4,525
Total changes in statement of comprehensive income	(746,072)	(14,420)	662,638	(1,360)	(99,214)
<i>Cash flows</i>					
Contributions received	914,419	-	-	-	914,419
Claims and other expenses paid	-	-	(680,988)	-	(680,988)
Direct attributable expense	-	-	(18,498)	-	(18,498)
Takaful acquisition cash flows	(151,859)	-	-	-	(151,859)
Total cash flows	762,560	-	(699,486)	-	63,074
Net takaful contract liabilities as at 31 December 2023	175,071	297	236,325	9,577	421,270

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9. Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for takaful contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

Contracts not measured under the PAA

	Liability for remaining coverage		Liabilities for incurred claims	
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Total
	AED'000	AED'000	AED'000	AED'000
2024				
Net takaful contract liabilities as at 1 January 2024	262,094	35,689	3,360	301,143
Takaful revenue	(14,507)	-	-	(14,507)
Takaful service expenses				
Incurred claims and other expenses	-	-	3,925	3,925
Net takaful acquisition costs	7,328	-	-	7,328
Losses on onerous contract	-	25,763	-	25,763
Changes to liabilities for incurred claims	-	-	(2,942)	(2,942)
Investments component	(71,762)	-	71,762	-
Takaful service result	(78,941)	25,763	72,745	19,567
Takaful finance expenses	22,897	(34)	13	22,876
Total changes in statement of comprehensive income	(56,044)	25,729	72,758	42,443
Cash flows				
Contribution received	68,489	-	-	68,489
Claims and other expenses paid	-	-	(70,942)	(70,942)
Takaful acquisition cash flows	(25,422)	-	-	(25,422)
Total cash flows	43,067	-	(70,942)	(27,875)
Net takaful contract liabilities as at 31 December 2024	249,117	61,418	5,176	315,711

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9. Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for takaful contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

Contracts not measured under the PAA (continued)

	Liability for remaining coverage		Liabilities for incurred claims	
	Excluding loss component AED'000	Loss component AED'000	Estimates of the present value of future cash flows AED'000	Total AED'000
2023				
Net takaful contract liabilities as at 1 January 2023	295,032	1,453	9,236	305,721
Takaful revenue	(55,472)	-	-	(55,472)
Takaful service expenses				
Incurred claims and other expenses	-	-	5,593	5,593
Net takaful acquisition costs	4,701	-	-	4,701
Losses on onerous contract	-	34,318	-	34,318
Changes to liabilities for incurred claims	-	-	(9,402)	(9,402)
Investments component	(77,285)	-	77,285	-
Takaful service result	(128,056)	34,318	73,476	(20,262)
Takaful finance expenses	53,935	(82)	40	53,893
Total changes in statement of comprehensive income	(74,121)	34,236	73,516	33,631
Cash flows				
Contribution received	56,125	-	-	56,125
Claims and other expenses paid	-	-	(77,370)	(77,370)
Direct attributable expense	-	-	(2,022)	(2,022)
Takaful acquisition cash flows	(14,942)	-	-	(14,942)
Total cash flows	41,183	-	(79,392)	(38,209)
Net takaful contract liabilities as at 31 December 2023	262,094	35,689	3,360	301,143

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9. Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for takaful contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

Analysis by measurement component – Contracts not measured under the PAA

	Estimates of present value of future cash flows AED'000	Risk adjustment for non-financial risk AED'000	CSM Contracts under modified retrospective transition approach AED'000	Total AED'000
2024				
Net takaful contract liabilities as at 1 January 2024	277,660	9,319	14,164	301,143
Changes that relate to current services				
CSM recognised for services provided	-	-	(1,990)	(1,990)
Change in risk adjustment for non-financial risk for risk expired	-	3,281	-	3,281
Experience adjustments	(8,516)	3,184	-	(5,332)
Changes that relate to future services				
Contracts initially recognised in the year	(13,014)	2,078	11,121	185
Changes in estimates that adjust the CSM	8,655	192	(8,846)	1
Changes in estimates that result in losses and reversals of losses on onerous contracts	30,765	(4,401)	-	26,364
Changes that relate to past services				
Adjustments to liabilities for incurred claims	166	(3,108)	-	(2,942)
Takaful service result	18,056	1,226	285	19,567
Net finance expenses from takaful contracts	22,729	-	147	22,876
Total changes in the statement of profit or loss	40,785	1,226	432	42,443
Cash flows				
Contributions received	68,489	-	-	68,489
Claims and other directly attributable expenses paid	(70,942)	-	-	(70,942)
Takaful acquisition cash flows paid	(25,422)	-	-	(25,422)
Total cash flows	(27,875)	-	-	(27,875)
Net takaful contract liabilities as at 31 December 2024	290,570	10,545	14,596	315,711

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9. Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for takaful contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

Analysis by measurement component – Contracts not measured under the PAA (continued)

	Estimates of present value of future cash flows AED'000	Risk adjustment for non-financial risk AED'000	CSM Contracts under modified retrospective transition approach AED'000	Total AED'000
2023				
Net takaful contract liabilities as at 1 January 2023	144,865	48,127	112,729	305,721
Changes that relate to current services				
CSM recognised for services provided	-	-	(2,473)	(2,473)
Change in risk adjustment for non-financial risk for risk expired	-	(40,604)	-	(40,604)
Experience adjustments	(5,686)	3,487	-	(2,199)
Changes that relate to future services				
Contracts initially recognised in the year	(9,531)	564	8,990	23
Changes in estimates that adjust the CSM	103,559	1,613	(105,172)	-
Changes in estimates that result in losses and reversals of losses on onerous contracts	34,528	(134)	-	34,394
Changes that relate to past services				
Adjustments to liabilities for incurred claims	(5,668)	(3,734)	-	(9,402)
Takaful service result	117,202	(38,808)	(98,655)	(20,261)
Net finance expenses from takaful contracts	53,803	-	90	53,893
Total changes in the statement of profit or loss	171,005	(38,808)	(98,565)	33,632
Cash flows				
Contributions received	56,121	-	-	56,121
Claims and other directly attributable expenses paid	(79,390)	-	-	(79,390)
Takaful acquisition cash flows paid	(14,941)	-	-	(14,941)
Total cash flows	(38,210)	-	-	(38,210)
Net takaful contract liabilities as at 31 December 2023	277,660	9,319	14,164	301,143

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9. Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for retakaful contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims
Contracts measured under the PAA

2024	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss recovery component AED'000	Loss component AED'000	Estimates of the present value of future cash flows		Total AED'000
			AED'000	Risk adjustment AED'000	
Retakaful contract assets as at 1 January 2024	(194,941)	-	296,385	2,075	103,519
Less: Retakaful contract liabilities as at 1 January 2024	(200,253)	-	157,431	4,337	(38,485)
Net retakaful contract (liabilities)/assets	(395,194)	-	453,816	6,412	65,034
An allocation of retakaful contributions	(359,143)	-	-	-	(359,143)
Amounts recoverable from reinsurers for incurred claims	-	-	319,366	6,676	326,042
Amounts recoverable for incurred claims and other expenses	-	-	-	-	-
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	(2,092)	-	(2,092)
Expenses directly attributable to retakaful	-	-	134,680	2,297	136,977
Changes to amounts recoverable for incurred claims and other expenses	-	-	451,954	8,973	101,784
Net income or expense from retakaful contracts held	(359,143)	-	5,380	-	5,380
Retakaful finance income	-	-	457,334	8,973	107,164
Total changes in the statement of comprehensive income	(359,143)	-	457,334	8,973	107,164
Cash flows					
Retakaful Contributions and expenses paid	129,160	-	-	-	129,160
Directly attributable expenses paid	-	-	2,136	-	2,136
Amounts received	-	-	(62,149)	-	(62,149)
Total cash flows	129,160	-	(60,013)	-	69,147
Net retakaful contract (liabilities)/assets as at 31 December 2024					
Retakaful contract assets as at 31 December 2024	(422,533)	-	703,278	12,433	293,178
Less: Retakaful contract liabilities as at 31 December 2024	(202,644)	-	147,859	2,952	(51,833)
Net retakaful contract (liabilities)/asset as at 31 December 2024	(625,177)	-	851,137	15,385	241,345

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9. Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for retakaful contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)
Contracts measured under the PAA (continued)

2023	Assets for remaining coverage					Amounts recoverable on incurred claims		
	Excluding loss recovery component AED'000	Loss component AED'000	Estimates of the present value of future cash flows AED'000			Risk adjustment AED'000	Total AED'000	
Retakaful contract assets as at 1 January 2023	(105,650)	4,895	235,173	2,807			137,225	
Less: Retakaful contract liabilities as at 1 January 2023	(122,954)	45	93,686	4,350			(24,873)	
Net retakaful contract (liabilities)/assets	(228,604)	4,940	328,859	7,157			112,352	
An allocation of retakaful contributions	(329,618)	-	-	-			(329,618)	
Amounts recoverable from reinsurers for incurred claims	-	-	187,576	2,161			189,737	
Amounts recoverable for incurred claims and other expenses	-	(4,895)	-	-			(4,895)	
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	(3,613)	-			(3,613)	
Expenses directly attributable to retakaful	-	(45)	32,722	(2,906)			29,771	
Changes to amounts recoverable for incurred claims and other expenses	(329,618)	(4,940)	216,685	(745)			(118,618)	
Net income or expense from retakaful contracts held	-	-	5,089	-			5,089	
Retakaful finance income	(329,618)	(4,940)	221,774	(745)			(113,529)	
Total changes in the statement of comprehensive income								
Cash flows								
Retakaful Contributions and expenses paid	163,029	-	-	-			163,029	
Directly attributable expenses paid	-	-	3,594	-			3,594	
Amounts received	-	-	(100,411)	-			(100,411)	
Total cash flows	163,029	-	(96,817)	-			66,212	
Net retakaful contract (liabilities)/assets as at 31 December 2023								
Retakaful contract assets as at 31 December 2023	(194,941)	-	296,385	2,075			103,519	
Less: Retakaful contract liabilities as at 31 December 2023	(200,253)	-	157,431	4,337			(38,485)	
Net retakaful contract (liabilities)/asset as at 31 December 2023	(395,194)	-	453,816	6,412			65,034	

Watania International Holding (PJSC)
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9. Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for retakaful contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)
Contracts not measured under the PAA

	Assets for remaining coverage			Amounts recoverable on incurred claims	
	Estimates of the present value of future cash flows			Total	
	Excluding loss recovery component AED'000	Loss component AED'000		AED'000	AED'000
2024					
Net retakaful contract (liabilities) / assets as at 1 January 2024	(15,788)	192	910		(14,686)
An allocation of retakaful contributions	892	-	-		892
Amounts recoverable from reinsurers for incurred claims	-	-	936		936
Changes in fulfilment cash flows that do not adjust underlying CSM	-	13,657	-		13,657
Expenses directly attributable to retakaful	-	-	(637)		(637)
Changes that relate to past service	-	-	49		49
Net income or expense from retakaful contracts held	892	13,657	348		14,897
Retakaful finance income	(353)	-	3		(350)
Total changes in the statement of comprehensive income	539	13,657	351		14,547
<i>Cash flows</i>					
Retakaful contribution and expenses paid	4,728	-	-		4,728
Directly attributable expenses paid	-	-	639		639
Amounts received	-	-	(150)		(150)
Total cash flows	4,728	-	489		5,217
Net retakaful contract (liabilities) / assets as at 31 December 2024	(10,522)	13,849	1,751		5,078
	1	-	(1)		-
Net retakaful contract (liabilities) / assets as at 31 December 2024	(10,521)	13,849	1,750		5,078

Watania International Holding (PJSC)
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9. Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for retakaful contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)
Contracts not measured under the PAA (continued)

	Assets for remaining coverage	Loss component AED'000	Amounts recoverable on incurred claims	Estimates of the present value of future cash flows AED'000	Total AED'000
	Excluding loss recovery component AED'000				
2023					
Net retakaful contract (liabilities) / assets as at 1 January 2023	(13,457)	738	2,513		(10,206)
An allocation of retakaful contributions	(1,211)	-	-		(1,211)
Amounts recoverable from reinsurers for incurred claims	-	-	(65)		(65)
Amounts recoverable for incurred claims and other expenses	-	(546)	-		(546)
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	(635)		(635)
Expenses directly attributable to retakaful	-	-	(1,542)		(1,542)
Changes that relate to past service	-	-			
Net income or expense from retakaful contracts held	(1,211)	(546)	(2,242)		(3,999)
Retakaful finance income	(1,439)	-	10		(1,429)
Total changes in the statement of comprehensive income	(2,650)	(546)	(2,232)		(5,428)
<i>Cash flows</i>					
Retakaful contribution and expenses paid	319	-	-		319
Directly attributable expenses paid	-	-	635		635
Amounts received	-	-	(6)		(6)
Total cash flows	319	-	629		948
Net retakaful contract (liabilities) / assets as at 31 December 2023	(15,788)	192	910		(14,686)
Net retakaful contract (liabilities) / assets as at 31 December 2023	(15,788)	192	910		(14,686)

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9. Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for retakaful contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)
Analysis by measurement component – Contracts not measured under the PAA

		CSM		
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	Contracts under modified retrospective transition approach	Total
	AED'000	AED'000	AED'000	AED'000
2024				
Net retakaful contract (liabilities) / assets as at 1 January 2024	(9,002)	3,423	(9,107)	(14,686)
Changes that relate to current services				
CSM recognised for services provided	-	-	1,519	1,519
Change in risk adjustment for non-financial risk for risk expired	-	982	-	982
Experience adjustments	(1,340)	30	-	(1,310)
Changes that relate to future services				
Contracts initially recognised in the period	(646)	76	570	-
Changes in estimates that adjust the CSM	1,638	25	(1,663)	1
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	-	-	13,657	13,657
Changes that relate to past service	(7)	55	-	48
Net expenses from retakaful contracts	(355)	1,169	14,083	14,897
Net finance income from retakaful contracts	(224)	-	(126)	(350)
Total changes in the statement of comprehensive income	(579)	1,169	13,957	14,547
Cash flows				
Contributions received	4,728	-	-	4,728
Claims and other directly attributable expenses paid	639	-	-	639
Recoveries from retakaful	(150)	-	-	(150)
Total cash flows	5,217	-	-	5,217
Net retakaful contract (liabilities) / assets as at 31 December 2024	(4,364)	4,592	4,850	5,078

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9. Takaful and retakaful contracts (continued)

Roll-forward of net asset or liability for retakaful contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)
Analysis by measurement component – Contracts not measured under the PAA (continued)

		CSM		
	Estimates of present value of future cash flows AED'000	Risk adjustment for non-financial risk AED'000	Contracts under modified retrospective transition approach AED'000	Total AED'000
2023				
Net retakaful contract (liabilities) / assets as at 1 January 2023	(11,438)	3,098	(1,866)	(10,206)
Changes that relate to current services				
CSM recognised for services provided	-	-	1,449	1,449
Change in risk adjustment for non-financial risk for risk expired	-	(1,380)	-	(1,380)
Experience adjustments	(1,909)	(71)	-	(1,980)
Changes that relate to future services				
Contracts initially recognised in the period	(362)	190	171	(1)
Changes in estimates that adjust the CSM	6,614	1,678	(8,292)	-
Changes in estimates that relate to losses and reversals of losses on onerous underlying contracts	-	-	(546)	(546)
Changes that relate to past service	(1,450)	(92)	-	(1,542)
Net expenses from retakaful contracts	2,893	325	(7,218)	(4,000)
Net finance income from retakaful contracts	(1,406)	-	(23)	(1,429)
Total changes in the statement of comprehensive income	1,487	325	(7,241)	(5,429)
<i>Cash flows</i>				
Contributions received	318	-	-	318
Claims and other directly attributable expenses paid	637	-	-	637
Recoveries from retakaful	(6)	-	-	(6)
Total cash flows	949	-	-	949
Net retakaful contract (liabilities) / assets as at 31 December 2023	(9,002)	3,423	(9,107)	(14,686)

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9. Takaful and retakaful contracts (continued)

Reconciliation of the measurement components of takaful and retakaful contract balances measured under both PAA and Non-PAA as at:

2024	PAA AED'000	Non-PAA AED'000	Total AED'000
Takaful contract liabilities	579,865	315,711	895,576
Less: Takaful contract assets	(19)	-	(19)
Less: Retakaful contract assets	293,178	5,078	298,256
Retakaful contract liabilities	(51,833)	-	(51,833)
Net contract liabilities	338,501	310,633	649,134

2023	PAA AED'000	Non-PAA AED'000	Total AED'000
Takaful contract liabilities	421,270	301,143	722,413
Less: Retakaful contract assets	103,519	-	103,519
Retakaful contract liabilities	(38,485)	(14,686)	(53,171)
Net contract liabilities	356,236	315,829	672,065

10. Trade and other receivables

	2024 AED'000	2023 AED'000
Trade receivables	37,999	45,230
Other receivables	11,488	17,712
	49,487	62,942
Less: Expected credit losses	(25,472)	(26,941)
	24,015	36,001

Movements in charge for expected losses is given below:

As at 1 January	26,941	23,501
(Reversal)/charge for the year	(1,469)	3,440
	25,472	26,941

	2024 AED'000	2023 AED'000
Trade receivables - Inside UAE		
Gross receivables	32,459	39,273
Less: Expected credit losses	(22,514)	(23,859)
	9,945	15,414

	2024 AED'000	2023 AED'000
Trade receivables - Outside UAE		
Gross receivables	5,540	5,957
Less: Expected credit losses	(2,958)	(3,082)
	2,582	2,875
Total trade receivables	12,527	18,289

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10. Trade and other receivables (continued)

Ageing of trade receivables is given below:

	2024 AED'000	2023 AED'000
Trade receivables - inside UAE		
30 - 90 days	-	202
91 - 180 days	-	3
181 - 360 days	6	70
More than 360 days	32,454	38,998
Less: Expected credit losses	(22,515)	(23,859)
	<u>9,945</u>	<u>15,414</u>
Trade receivables - outside UAE		
30 - 90 days	-	162
91 - 180 days	-	182
181 - 360 days	-	1,831
More than 360 days	5,540	3,782
Less: Expected credit losses	(2,958)	(3,082)
	<u>2,582</u>	<u>2,875</u>
Total	<u>12,527</u>	<u>18,289</u>

11. Cash and cash equivalents

	2024 AED'000	2023 AED'000
Cash and bank balances	111,484	68,850
Wakala deposits	227,706	341,099
	<u>339,190</u>	<u>409,949</u>
Less: Restricted deposit	(10,000)	(16,000)
Less: Deposits under lien	(7,473)	(24,451)
Less: Deposits with original maturities of more than three months	(198,606)	(291,148)
Cash and cash equivalents for the purpose of cash flows	<u>123,111</u>	<u>78,350</u>

Wakala deposits:

Wakala deposits yield a profit rate of 3.80% p.a. to 5.20% p.a. (2023: 4.75% p.a. to 5.80%). Wakala deposits worth AED 61.9 million are hypothecated against Murabaha facility (note 16).

Restricted deposits:

Wakala deposits held as restricted deposits are maintained in accordance with the requirements of Article (42) of the Federal Law No. (48) of 2024 (previously, U.A.E Federal Law No. (6) of 2007, as amended) and are not available to finance the day-to-day operations of the Group.

These deposits have a fixed maturity of one year from the date of deposit and yield a profit rate of 3.8% p.a. to 5.20% p.a. (2023: 4.75% p.a. to 5.80% p.a.).

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12. Share capital

	2024 AED'000	2023 AED'000
Issued and fully paid:		
260,156,250 ordinary shares of AED 1 each		
(31 December 2023: 260,156,250 ordinary shares)	<u>260,156</u>	<u>260,156</u>

No dividend was declared and paid during the current year (2023: Nil).

13. Reserves

Statutory reserve

In accordance with the Commercial Companies Law No. (32) of 2021, Article No. 241 and the Company's Articles of Association, a minimum 10% of profit for the year is required to be transferred to statutory reserve. The Group may resolve to discontinue such annual transfers when the statutory reserve is equal to 50% of the paid-up share capital. The reserve is not available for distribution except in the circumstances stipulated by the law.

For the year ended 31 December 2024, balance amounting to AED 2.8 million from the profit of Watania Takaful Family (subsidiary) and Watania International Holding (Parent) was transferred to statutory reserve (2023: AED 1.3 million).

Restricted reserve

This reserve pertains to the subsidiaries which are takaful entities, and in accordance with article 34 of Central Bank of UAE' Board of Directors Decision No. 23 of 2019, concerning instructions organising retakaful operations, the reserve is not available for distribution and will not be disposed of without prior approval from Central Bank of UAE.

For the year ended 31 December 2024, balance amounting to AED 0.6 million from the profit of Watania Takaful General and AED 1.3 million from the profit of Watania Takaful Family (subsidiaries) was transferred to restricted reserve (2023: 1.74 million).

Treasury shares

During the year, the Group engaged a third-party licensed Market Maker on the Dubai Financial Market that offers liquidity provision services, to place buy and sell orders of the Company's shares with the objective of reducing bid/ask spreads as well as reducing price and volume volatility. At 31 December 2024, the Market Maker held 7,553,607 of Watania International Holding PJSC's shares on behalf of the Company, which are classified under equity as treasury shares at par value of AED 1 at 31 December 2024. During the period, the Company recorded Treasury Shares reserves of AED 2.3 million to reflect the discount on the acquisition of treasury shares.

At the end of the contract term with the Market Maker, the Company will have the option to either transfer the outstanding shares under its name or dispose of the shares in the market.

14. Employees' end of service benefits

	2024 AED'000	2023 AED'000
As at 1 January	19,893	17,585
Charged during the year	4,675	2,835
Paid during the year	(4,543)	(527)
As at 31 December	<u>20,025</u>	<u>19,893</u>

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15. Trade and other payables

	2024 AED'000	2023 AED'000
Trade payables	7,028	33,641
Other payables	53,287	37,659
	<u>60,315</u>	<u>71,300</u>

16. Borrowings

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

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

Tranche B consist of AED 115 million carrying flexible profit rate of 3 months EIBOR plus 2.05% having a maturity period of 5 years ending 30 June 2025.

Other Murabaha arrangements are as follows:

Pledged collateral

- Pledger over Wakala deposits valued up to AED 61.9 million;
- Pledge over the shares of target entities i.e. WTF and WTG;
- A profit service reserve account will be maintained by the Company with bank that holds 6 months of profit service for Tranche B at all the times;
- All proceeds from the operating target entities shall be deposited into a dividend account that the Company maintains with the bank; and
- Pledge over profit service reserve account and dividend account maintained with the bank.

Financial covenants

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

Other covenants

- Company to endeavour to place 50% of total deposits with ENBD Group.

These covenants pertain to the Company along with its subsidiaries (together referred to as the Group) and as at the reporting date the Group is in 'Technical' breach of the covenant related to minimum solvency coverage ratio of 100%. The Group's ability to comply with the solvency requirements depends on preparing and implementing an effective business plan subject to the approval of regulatory authorities.

	2024 AED'000	2023 AED'000
Opening balance as at 1 January	74,750	95,450
Repayments made during the period	(25,875)	(20,700)
As at 31 December	<u>48,875</u>	<u>74,750</u>

Watania International Holding (PJSC)
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17. Takaful income

2024	General and motor AED'000	Medical AED'000	Group family AED'000	Individual family AED'000	Total AED'000
Contracts not measured under the PAA	-	-	-	14,507	14,507
Contracts measured under the PAA	334,646	389,753	130,679	-	855,078
	<u>334,646</u>	<u>389,753</u>	<u>130,679</u>	<u>14,507</u>	<u>869,585</u>
2023					
Contracts not measured under the PAA	-	-	-	55,472	55,472
Contracts measured under the PAA	346,770	424,027	128,094	-	898,891
	<u>346,770</u>	<u>424,027</u>	<u>128,094</u>	<u>55,472</u>	<u>954,363</u>

18. Takaful expense

	2024 AED'000	2023 AED'000
Takaful service expense	994,094	830,362
Allocation of retakaful premiums	358,251	330,829
Amounts recoverable from retakaful for incurred claims	(474,932)	(208,212)
Takaful finance expenses for takaful contracts issued	26,139	58,418
Net gain on investments at FVTPL (<i>unit-linked</i>)	(22,861)	(52,976)
Retakaful finance income for retakaful contracts held	(5,030)	(3,660)
	<u>875,661</u>	<u>954,761</u>

19. Investment income

	2024 AED'000	2023 AED'000
Fair value gain		
Fair value gain on investment properties (note 5)	5,262	2,585
Fair value gain on financial assets at FVTPL (note 8)	8,514	13,910
Other investment income		
Income from wakala deposits	16,206	14,477
Dividend income	1,915	4,658
Income from debt securities	3,300	2,188
Asset impairment	-	(945)
Charge for expected credit losses	139	(229)
Investment expenses	(1,717)	(1,745)
Rental income from investments properties - net (note 5)	2,674	1,229
	<u>36,293</u>	<u>36,128</u>

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20. General and administrative expenses

	2024 AED'000	2023 AED'000
Staff cost	10,187	15,224
Administrative expenses	4,603	5,594
Depreciation and amortisation	1,610	2,395
Marketing expenses	486	328
Other expenses	1,795	8,239
	<u>18,681</u>	<u>31,780</u>

The Group has made social contributions during the year amounting to AED 0.19 million (2023: 0.08 million).

21. Earnings per share

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

	2024	2023
Profit for the year attributable to shareholders (in AED'000)	13,280	13,275
Weighted average number of shares outstanding at 31 December	260,156,250	260,156,250
Basic and diluted earnings per share (in AED)	<u>0.051</u>	<u>0.051</u>

22. Related party transactions

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

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

Compensation of key management personnel

	2024 AED'000	2023 AED'000
Short-term benefits	7,245	7,193
Employees' end of service benefits	870	835
	<u>8,115</u>	<u>8,028</u>

Outstanding balances at the year-end arise in the normal course of business. The Group has no Due from/(Due to) balances as at 31 December 2024 from related parties.

23. Fatwa and Sharia'a supervisory board

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

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

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24. Zakat

This pertains to the subsidiaries, where Zakat is applicable. Zakat as approved by the Group's Sharia'a Supervisory Board amounted to AED 0.00890 per share (2023: AED 0.00911 per share).

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

25. Segmental information

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

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

Except for Wakala fees, Mudarib's fees and Qard Hassan, no other inter-segment transactions occurred during the year. If any other transaction were to occur, transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expenses and results will include those transfers between business segments which will then be eliminated on consolidation as shown below:

2024	Takaful		Investments		Total AED'000
	General takaful AED'000	Group family (employee benefits) AED'000	Family AED'000	AED'000	
Takaful income	724,399	130,679	14,507	-	869,585
Takaful expenses	(728,616)	(127,503)	(19,542)	-	(875,661)
Investment income	26,641	2,265	-	7,387	36,293
Net operating income/(losses)	22,424	5,441	(5,035)	7,387	30,217
General and administrative expenses	-	-	-	-	(18,681)
Amortisation of intangibles	-	-	-	-	(6,301)
Finance cost	-	-	-	-	(4,680)
Other income	-	-	-	-	13,563
Profit/ (loss) for the period before tax	22,424	5,441	(5,035)	(8,712)	14,118

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25. Segmental information (continued)

2023	Takaful		Investments		Total AED'000
	General takaful AED'000	Group family (employee benefits) AED'000	Family AED'000	AED'000	
Takaful income	770,797	128,094	55,472	-	954,363
Takaful expenses	(777,073)	(136,134)	(41,554)	-	(954,761)
Investment income	17,757	2,452	1,026	14,893	36,128
Net operating income/(losses)	11,481	(5,588)	14,944	14,893	35,730
General and administrative expenses	-	-	-	-	(31,542)
Amortisation of intangibles	-	-	-	-	(6,301)
Finance cost	-	-	-	-	(6,066)
Other expenses	-	-	(86)	-	(86)
Other income	-	-	-	-	21,540
Profit / (loss) for the period before tax	11,481	(5,588)	14,858	14,893	13,275

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

	Takaful AED'000	Investment AED'000	Total AED'000
2024			
Total assets	1,091,803	232,178	1,323,981
Total liabilities	1,007,747	80,030	1,087,777
2023			
Total assets	997,052	185,875	1,182,927
Total liabilities	875,098	106,449	953,333

26. Capital management

Governance framework

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

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

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

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26. Capital management (continued)

Capital management framework

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group has not fully complied with the externally imposed capital requirements. The Group's ability to comply with the solvency requirements depends on preparing and implementing an effective business plan subject to the approval of regulatory authorities.

Regulatory framework

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

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

27. Financial instruments

Material accounting policies

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

Categories of financial instruments

	2024 AED'000	2023 AED'000
Financial assets		
At amortised cost	384,120	479,687
At fair value	477,205	433,718
	<u>861,325</u>	<u>913,405</u>
Financial liabilities		
At amortised cost	<u>120,343</u>	<u>157,856</u>

28. Capital risk management

The Group's objectives when managing capital are:

- to comply with the takaful capital requirements required by UAE Federal Law No. 6 of 2007. The Group manages its capital on a basis of its minimum regulatory capital position presented in the table on the next page;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing takaful contracts commensurately with the level of risk.

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29. Risk management

Asset liability management (ALM) framework

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

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

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

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

Takaful risk

The principal risk the Group faces under takaful contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations.

This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

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

i) Frequency and amounts of claims

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

Motor

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

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

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

Property

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

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

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

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29. Risk management (continued)

Takaful risk (continued)

i) Frequency and amounts of claims (continued)

Liability

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

Medical

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

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

Marine

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

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

Fire

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

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

Long term takaful contracts (life)

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

29. Risk management (continued)

Takaful risk (continued)

ii) 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, liability 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 compared to 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 takaful Group until many years after the event that gave rise to the claims. For some takaful contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the 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 likely that the final outcome will prove to be different from the original liability established.

The amount of takaful claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Takaful contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of reporting period.

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.

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 initial estimate of the loss ratios used for the current year (before retakaful) are analysed below by type of risk where the insured operates for current and prior year contribution earned.

The Group believes that the claim liabilities under takaful contracts outstanding at the year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the consolidated financial statements. The takaful claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

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29. Risk management (continued)

Takaful risk (continued)

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

A hypothetical 1% change in the loss ratio, net of retakaful, would impact net underwriting income/ (loss) as follow:

	2024 AED'000	2023 AED'000
Impact of change in loss ratio by +/- 1%		
Medical	2,482	3,061
Motor	1,495	1,804
Non-Motor	483	488
Group family	217	134
	<u>4,677</u>	<u>5,487</u>

iii) Process used to decide on assumptions

The risks associated with these takaful contracts are complex and subject to several variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Group's quarterly claims reports and screening of the actual takaful contracts carried out at the reporting date 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.

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.

iv) Concentration of risks

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

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

	Gross liabilities AED'000	Retakaful share of liabilities AED'000	Retakaful Contract Assets AED'000	Net liabilities AED'000
2024				
Medical	105,071	1,001	(85,087)	20,985
Motor	112,270	-	(22,223)	90,047
Non-Motor	313,948	3,307	(185,887)	131,368
Group Family	48,576	47,525	-	96,101
Individual Family	315,711	-	(5,078)	310,633
Total	<u>895,576</u>	<u>51,833</u>	<u>(298,275)</u>	<u>649,134</u>
2023				
Medical	149,761	975	(81,989)	68,747
Motor	84,413	7,468	(13,662)	78,219
Non-Motor	140,232	8,602	(7,868)	140,966
Group Family	46,864	21,441	-	68,305
Individual Family	301,143	14,685	-	315,828
Total	<u>722,413</u>	<u>53,171</u>	<u>(103,519)</u>	<u>672,065</u>

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29. Risk management (continued)

Takaful risk (continued)

v) Claims development process

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The Group has not disclosed previously unpublished information about claims development that occurred earlier than five years before the end of the annual reporting period in which it first applies IFRS 17.

Gross claims development

Accident Year	Before				
	2022	2022	2023	2024	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
At the end of each reporting year					
2023	1,917,768	589,334	592,089	-	-
2024	1,918,103	610,331	591,766	754,738	3,874,938
Gross estimates of Ultimate claims*					3,874,938
Gross estimates of the undiscounted claims and other attributable expenses payable					33,560
Gross estimates of the undiscounted amount of Ultimate claims* and payables					3,908,498
Cumulative payments to date					(3,500,097)
Gross undiscounted liabilities for incurred claims					408,401
Effect of discounting					(7,143)
Effect of risk adjustment for non-financial risk					19,234
Total gross liabilities for incurred claims					420,492

Net claims development process

Accident Year	Before				
	2022	2022	2023	2024	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
At the end of each reporting year					
2023	1,210,117	382,797	386,406	-	-
2024	1,213,903	394,287	402,442	278,517	2,289,149
Gross estimates of Ultimate claims*					2,289,149
Gross estimates of the undiscounted claims and other attributable expenses payable					(535,450)
Gross estimates of the undiscounted amount of Ultimate claims* and payables					1,753,699
Cumulative payments to date					(2,209,365)
Gross undiscounted liabilities for incurred claims					(455,666)
Effect of discounting					5,787
Effect of risk adjustment for non-financial risk					3,848
Total net assets for incurred claims					(446,031)

*Includes unallocated loss adjustment expense (ULAE) reserve

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29. Risk management (continued)

Takaful risk (continued)

vi) Retakaful risk

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

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

vii) Sensitivities

The liability for incurred claims is sensitive to the key assumptions in the table on the next page. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following sensitivity analysis shows the impact on gross and net liabilities, net profit, and equity for reasonably possible movements in key assumptions with all other assumptions held constant.

The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis.

It should be noted that movements in these assumptions are non-linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

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29. Risk management (continued)

Takaful risk (continued)

vii) Sensitivities (continued)

	Changes in assumption	Takaful contract liabilities AED'000	Retakaful contract assets AED'000	Net liabilities AED'000	Gross equity impact AED'000	Net equity impact AED'000	Gross SOCI impact AED'000	Net SOCI impact AED'000
2024								
Base		(895,557)	246,423	(649,134)	-	-	-	-
Discount Rate	1.0%	(893,414)	243,604	(649,810)	2,143	(676)	2,143	(676)
Discount Rate	-1.0%	(897,824)	249,268	(648,556)	(2,266)	578	(2,266)	578
Risk Adjustment	2.5%	(803,318)	251,725	(551,593)	92,239	97,540	92,239	97,540
Risk Adjustment	-2.5%	(879,250)	240,437	(638,813)	16,307	10,320	16,307	10,320
2023								
Base		(722,413)	50,348	(672,065)	-	-	-	-
Discount Rate	1.0%	(722,125)	49,151	(672,974)	288	(910)	288	(910)
Discount Rate	-1.0%	(722,962)	51,550	(671,412)	(549)	653	(549)	653
Risk Adjustment	2.5%	(746,522)	54,680	(691,843)	(24,109)	(19,778)	(24,109)	(19,778)
Risk Adjustment	-2.5%	(709,348)	46,733	(662,615)	13,065	9,449	13,065	9,449

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29. Risk management (continued)

Financial risk

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

The Group does not enter into any derivative transactions.

i) Credit risk

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

- Retakaful share of takaful liabilities;
- Amounts due from retakaful in respect of claims already paid;
- Amounts due from takaful contract holders; and
- Amounts due from takaful intermediaries.
- Investments in debt instruments;
- Cash and cash equivalents excluding cash in hand; and
- Fixed deposits.

The Group follows IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of takaful and other receivables. The Group applied the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision by creating 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. Receivables 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.

Retakaful is used to manage takaful risk. This does not, however, discharge the Group's liability as primary policyholder. If a retakaful fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of retakaful Group is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Group maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the management includes details of provisions for impairment on takaful receivables and subsequent write-offs. Exposures to individual participants and groups of participants are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual participants, or homogenous groups of participants, a financial analysis equivalent to that conducted for retakaful is carried out by the Group.

Of the bank balances and fixed deposits balance at the end of year, AED 135 million (2023: AED 140.1 million) is placed with one bank. The credit risk on liquid funds is limited because the single largest counterparty is a UAE sovereign bank.

The table on the next page presents an analysis of bank balances and fixed deposits by rating agency designation at the end of the reporting period based on S&P's rating or its equivalent for the main banking relationships:

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29. Risk management (continued)

Financial risk (continued)

i) Credit risk (continued)

	2024 AED'000	2023 AED'000
AA	9,297	11,470
A	327,561	321,604
BBB	1,281	70,832
BB and others	1,051	6,043
	339,190	409,949

The Group's other financial assets are held across various countries. The table below presents an analysis of financial assets apart from bank balances and fixed deposits by rating agency designation at the end of the reporting period based on S&P's rating or its equivalent:

	2024 AED'000	2023 AED'000
AAA	1,150	657
AA	24,904	16,811
A	74,898	70,360
BBB	35,890	13,767
BB and others	22,267	16,473
	159,109	118,068

ii) Collateral

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

Financial instruments - investments

Investments in financial assets represent investments in quoted and unquoted equity and debt instruments of companies incorporated in the United Arab Emirates, and outside United Arab Emirates (note 6).

Cash and cash equivalents

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

iii) Liquidity risk

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

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

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

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29. Risk management (continued)

Financial risk (continued)

iii) Liquidity risk (continued)

2024	Less than one year AED'000	More than one year AED'000	No term AED'000	Total AED'000
Assets				
Investment securities	97,685	61,424	-	159,109
Cash and cash equivalents	111,484	-	-	111,484
Restricted deposits	10,000	-	-	10,000
Wakala deposits	217,706	-	-	217,706
Retakaful contract assets	298,256	-	-	298,256
Takaful contract assets	19	-	-	19
Trade and other receivables (excluding prepayments)	6,683	12,521	-	19,204
	741,833	73,945	-	815,778
Liabilities				
Trade and other liabilities	64,970	24,956	-	89,926
Borrowings	-	48,875	-	48,875
Takaful and investment contracts liabilities	895,576	-	-	895,576
Retakaful contract liabilities	51,833	-	-	51,833
	1,012,379	73,831	-	1,086,210
2023				
Assets				
Investment securities	95,733	22,335	-	118,068
Cash and cash equivalents	68,850	-	-	68,850
Restricted deposits	16,000	-	-	16,000
Wakala deposits	325,099	-	-	325,099
Retakaful contract assets	103,519	-	-	103,519
Trade and other receivables (excluding prepayments)	17,845	15,839	-	33,684
	627,046	38,174	-	665,220
Liabilities				
Trade and other liabilities	77,040	25,959	-	102,999
Borrowings	12,937	61,813	-	74,750
Takaful and investment contracts liabilities	722,413	-	-	722,413
Retakaful contract liabilities	53,171	-	-	53,171
	865,561	87,772	-	953,333

iv) Market risk

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

v) Profit rate risk

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

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

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

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29. Risk management (continued)

Financial risk (continued)

v) Profit rate risk (continued)

	Increase in basis points	Effect on profit for the year AED'000
2024		
Profit bearing assets	+100	6,518
2023		
Profit bearing assets	+100	4,592

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

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

vi) Equity price risk

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

The Group has no significant concentration of price risk. The price risk is managed by outsourcing the trading of securities held by the Group to professional brokers. However, the activities of brokers are also monitored and supervised by the management.

The following table shows the sensitivity of fair values to 20% increase or decrease as at 31 December:

	Reflected in profit or loss		Reflected in other comprehensive income	
	Favourable change AED'000	Unfavourable change AED'000	Favourable change AED'000	Unfavourable change AED'000
2024				
Equity securities	10,642	(10,642)	-	-
2023				
Equity securities	6,150	(6,150)	1,039	(1,039)

vii) 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.

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30. Fair value measurements

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

Fair value of financial instruments carried at amortised cost

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

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

The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2023.

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

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

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	31 December 2024	31 December 2023				
	AED'000	AED'000				
Investments at FVTOCI						
Unquoted equity securities	-	5,197	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value.
Unquoted debt securities	1,000	1,000	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value
	<u>1,000</u>	<u>6,197</u>				

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30. Fair value measurements (continued)

Financial assets (continued)	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	31 December 2024	31 December 2023				
	AED'000	AED'000				
Investments at FVTPL						
Quoted equity securities	137,194	78,134	Level 1	Quoted bid prices in an active market	N/A	N/A
Mutual funds units	339,011	349,387	Level 3	Net assets valuation method.	Net assets value	Higher the net assets value of the investees, higher the fair value
	476,205	427,521				

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

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

31. Contingencies and commitments

Commitments

The Group has capital commitments amounting to AED 0.87 million as at year end (2023: AED 0.03 million).

Guarantees

As at 31 December 2024, the Group has bank guarantees against labour and third-party commitments for AED 267,000 (2023: AED 267,000).

Legal claims

The Group is subject to litigation in the normal course of its business. Based on independent legal advice, except for the provisions already made as at 31 December 2024 the management does not believe that the outcome of these court cases will have a material impact on the Group's consolidated performance or consolidated statement of financial position.

32. Corporate tax

On 9 December 2023, the UAE Ministry of Finance released the Federal Decree Law No. 47 of 2023 on the Taxation of Corporations and Businesses (the Law) to enact a Federal Corporate Tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2024.

The Cabinet of Ministers Decision No. 116/2023 effective from 2024, specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000.

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32. Corporate tax (continued)

For the Group, current taxes shall be accounted for as appropriate in the consolidated financial statements for the period beginning 1 January 2024. As per IAS 12 – 'Income Taxes', deferred tax is the amount of taxes expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements (from applying IFRS Standards) and the corresponding amounts attributed to those assets and liabilities for tax purposes i.e. the tax bases used in the computation of taxable income.

The Group has assessed the deferred tax implications and, after considering its interpretations of applicable tax law, official pronouncements, cabinet decisions and ministerial decisions (especially with regard to transition rules), has recognised a deferred tax liability of AED 4.2 million in 2024.

As the Group's accounting period ends on 31 December, the first tax period is from 1 January 2024 to 31 December 2024, with the respective tax return to be filed on or before 30 September 2025.

	2024 AED'000	2023 AED'000
Consolidated statement of comprehensive income		
Current tax	23	-
Deferred tax	815	(238)
Net income tax expense/(credit) recognised in the consolidated SOCI	838	(238)

Movement in net deferred tax asset/(liabilities):

	2024 AED'000	2023 AED'000
Balance as of 1 January	4,249	4,487
Reversal of deferred tax liability on intangibles	(250)	(238)
Changes in fair value of investments	591	-
Changes in fair value real estate investments	474	-
Balance as of 31 December	5,064	4,249

33. Comparatives

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