

SUKOON TAKAFUL P.J.S.C

**Report of the Board of Directors, independent
auditor's report and financial statements for the
year ended 31 December 2025**



REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL PERIOD ENDED 31 DECEMBER 2025

Dear Shareholders,

We are delighted to present the financial results of Sukoon Takaful PJSC (“the Company”) for the year-ended 31 December 2025.

Sukoon Takaful delivered exceptional financial results this year, with revenues and profits reaching record-breaking highs. The achievements go well beyond a turnaround from the challenges faced pre-acquisition, signalling a new era of stability and strength for the company.

- **Gross written contributions** surged to **AED 325.4 million**, up **89%** year-on-year, **the highest ever**, driven by strong growth across all business segments.
- **Profit before tax** rose to **AED 41.1 million**, a **97%** year-on-year growth that underscores the sharp turnaround and success of our post-acquisition transformation.

The company also ended the year with positive retained earnings, fully reversing pre-acquisition accumulated losses and marking the success of our turnaround strategy launched in 2023. The company maintains **extremely strong solvency position**, which reflects our resilience and commitment to provide best-in-class services for our policyholders while creating long-term value for our shareholders.

These **record-breaking financial results** are underpinned by disciplined underwriting, effective claims management, improved operational cost efficiencies and a balanced investment portfolio along with increased visibility of the **Sukoon** brand, laying the foundation for sustainable profitable growth in the years ahead.

As we move into 2026, we remain committed to building on the strong momentum achieved over the past two years. Being a **composite takaful provider**, we aim to broaden both our **general and family takaful** products to meet the evolving needs of our customers. We are also focused on expanding our market presence and enhancing our digital capabilities. Backed by a strong capital position, we are also well-placed to capture emerging opportunities in the market and are resolute in our mission to position Sukoon Takaful into the region’s benchmark for excellence in the takaful space, offering unparalleled protection and **peace of mind**.

We extend our deepest gratitude to our shareholders, customers, Sharia’a supervisory board members and employees for their trust and unwavering support.

May God; the Almighty; guide our steps.

On behalf of the Board,



Saood Abdulaziz Al Ghurair
Chairman
28 January 2026

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SUKOON TAKAFUL P.J.S.C

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sukoon Takaful P.J.S.C (the "Company"), which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the financial statements of public interest entities in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SUKOON TAKAFUL P.J.S.C (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <i>Valuation of takaful contract liabilities and re-takaful contract assets / liabilities</i> | |
| <p>As at 31 December 2025, the Company has takaful and retakaful contract liabilities and retakaful contract assets amounting to AED 265,263 thousand, AED 169 thousand, AED 77,129 thousand respectively (note 7).</p> <p>The Company applies the Premium Allocation Approach (PAA) to value its general takaful and short term life contracts and adopted the General Measurement Model (GMM) and Variable Fee Approach (VFA) models to value its long-term life contracts, this involves significant judgments in assessing the eligibility of the contracts to use PAA and estimating the takaful contract liabilities.</p> <p>Actuarial assumptions and models are essential to these valuations and the presence of estimation uncertainty involved in these assumptions can result in a high probability of material misstatement. The valuation of takaful contract liabilities, as well as retakaful contract assets and liabilities, is considered a key audit matter due to its significance to the financial statements as a whole.</p> | <p>The work that we performed to address this key audit matter, included the following procedures;</p> <ul style="list-style-type: none">• We obtained an understanding of the Company's process for determining the key actuarial assumptions;• We assessed the competence, capability and objectivity of the management's appointed external actuary;• We evaluated the data used in actuarial calculations by substantiating it to source documentation;• We tested on a sample basis key inputs which includes contribution received, claims paid and commission income by comparing them to appropriate documentation, such as policy documents, reports from loss adjusters, re-takaful contracts etc;• We involved our actuarial specialists to review the methodology, assumptions and other key inputs and to test a sample of the actuarial balances;• We evaluated the calculations, methodology and the underlying assumptions used in loss component assessment and risk adjustment; and• We assessed the disclosures in the financial statements relating to this matter against the requirements of IFRS. |



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SUKOON TAKAFUL P.J.S.C (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <i>Valuation of investment properties</i> | |
| <p>As at 31 December 2025, the Company had investment properties carried at AED 78,885 thousand (note 12) under the fair value model which accounted for 13% of the total assets of the Company and a fair value gain of AED 3,345 thousand was recorded during the year based on the fair valuation performed by independent external valuers.</p> <p>The valuation of the investment properties was significant to our audit due to the use of estimates in the valuation techniques and valuation is highly judgemental and is based on certain key assumptions i.e. capitalization rates, market rents and occupancy etc.</p> | <p>The work that we performed to address this key audit matter, included the following procedures;</p> <ul style="list-style-type: none">• We obtained from the management the fair valuation report performed by external valuers;• We evaluated the qualifications, competence and objectivity of the external valuers;• On a sample basis, we tested the underlying data used for the calculation of the fair values by comparing to supporting lease agreements;• We involved our valuation specialist to evaluate the methodology and assumptions used; and• We evaluated the key assumptions used in the fair valuation, specifically the capitalization rate, rental rates and occupancy. Compared these assumptions to externally derived data (where applicable) as well as forming our own assessment.• We assessed the disclosures in the financial statements relating to this matter against the requirements of IFRS. |



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SUKOON TAKAFUL P.J.S.C (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

Other information consists of the information included in the Director's Report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and in compliance with the applicable provisions of the Company's Articles/Memorandum of Association and the UAE Federal Decree Law No. (32) of 2021, as amended, UAE Federal Decree Law No. (6) of 2025 and the related Financial Regulations for Insurance Companies, Central Bank of the UAE Board of Director's Decision No. (26) of 2014 pertinent to the Financial Regulations for Takaful Companies, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SUKOON TAKAFUL P.J.S.C (continued)

Report on the Audit of the Financial Statements (continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SUKOON TAKAFUL P.J.S.C (continued)

Report on other Legal and Regulatory Requirements

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

- i) the Company has maintained proper books of account;
- ii) we have obtained all the information we considered necessary for the purposes of our audit;
- iii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Company's Articles/Memorandum of Association and the UAE Federal Decree Law No. (32) of 2021, as amended;
- iv) the financial information included in the Directors' report is consistent with the books of account of the Company;
- v) investments in shares and stocks during the year ended 31 December 2025, if any, are disclosed in note 5 to the financial statements;
- vi) note 26 reflects material related party transactions and the terms under which they were conducted;
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2025, any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, as amended, or of its Articles/Memorandum of Association which would have a material impact on its activities or its financial position as at 31 December 2025; and
- viii) note 25 reflects the social contributions made during the year, if any.

Further, as required by the UAE Federal Decree Law No. (6) of 2025 and the related Financial Regulations for Insurance Companies, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

Ernst & Young Middle East (Dubai Branch)

Ashraf Abu-Sharkh
Registration No: 690

28 January 2026

Dubai, United Arab Emirates

Statement of financial position

| | Notes | At 31 December 2025 AED'000 | At 31 December 2024 AED'000 |
|--|-------|-----------------------------------|-----------------------------------|
| ASSETS | | | |
| Participants' assets | | | |
| Financial assets at fair value through other comprehensive income ("FVTOCI") | 5 | 1,684 | 1,654 |
| Financial assets at fair value through profit or loss ("FVTPL") | 5 | 4,489 | - |
| Financial assets at amortized cost | 5 | 23,217 | 16,795 |
| Retakaful contract assets | 7 | 77,129 | 51,920 |
| Prepayments and other receivables | 8 | 3,285 | 2,498 |
| Due from shareholders | 11 | 55,816 | 29,638 |
| Bank balances and cash | 6 | 115,487 | 90,426 |
| Total participants' assets | | 281,107 | 192,931 |
| Shareholders' assets | | | |
| Financial assets at FVTOCI | 5 | 16,426 | 17,595 |
| Financial assets at FVTPL | 5 | 529 | 545 |
| Financial assets at amortized cost | 5 | 144,941 | 66,376 |
| Investment properties | 12 | 78,885 | 75,540 |
| Deferred tax asset | 22 | 174 | 73 |
| Property and equipment | 13 | 899 | 763 |
| Deferred policy acquisition cost | | 18,519 | 8,765 |
| Prepayments and other receivables | 8 | 4,479 | 5,780 |
| Bank balances and cash | 6 | 30,336 | 51,406 |
| Statutory deposits | 10 | 10,000 | 10,000 |
| Total shareholders' assets | | 305,188 | 236,843 |
| TOTAL ASSETS | | 586,295 | 429,774 |
| PARTICIPANTS' LIABILITIES AND DEFICIT | | | |
| Participants' liabilities | | | |
| Takaful contract liabilities | 7 | 265,263 | 182,022 |
| Retakaful contract liabilities | 7 | 169 | 239 |
| Investment contract liabilities | 9 | 3,941 | - |
| Other liabilities | 14 | 11,734 | 10,670 |
| Total participants' liabilities | | 281,107 | 192,931 |
| Participants' deficit | | | |
| Qard Hassan against deficit in participants' fund | 15 | (164,406) | (164,254) |
| Less: Provision against Qard Hassan to participants' fund | 15 | 164,406 | 164,254 |
| | | - | - |
| Total participants' liabilities and deficit | | 281,107 | 192,931 |

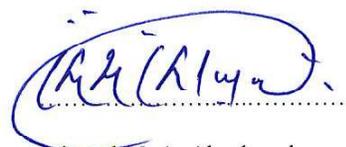
Statement of financial position (continued)

| | Notes | At 31 December 2025 AED'000 | At 31 December 2024 AED'000 |
|---|-------|-----------------------------------|-----------------------------------|
| SHAREHOLDERS' LIABILITIES AND EQUITY | | | |
| Shareholders' liabilities | | | |
| Deferred tax liabilities | | 1,024 | 722 |
| Employees' end of service benefits | 16 | 2,102 | 1,557 |
| Due to participants | 11 | 55,811 | 29,638 |
| Other liabilities | 14 | 16,911 | 10,126 |
| Total shareholders' liabilities | | 75,853 | 42,043 |
| Shareholders' equity | | | |
| Share capital | 17 | 154,000 | 154,000 |
| Statutory reserve | 18 | 77,000 | 77,000 |
| Retakaful reserve | 19 | 1,860 | 1,105 |
| Cumulative changes in fair value of FVTOCI investments | 20 | (5,242) | (4,468) |
| Retained earnings / (accumulated losses) | | 1,717 | (32,837) |
| Total shareholders' equity | | 229,335 | 194,800 |
| Total shareholders' liabilities and equity | | 305,188 | 236,843 |
| TOTAL LIABILITIES, PARTICIPANTS' FUND AND EQUITY | | 586,295 | 429,774 |

These financial statements were approved by the Board of Directors on 28 January 2026 and were signed on their behalf by:



Saood Abdulaziz Al Ghurair
Chairman



Ahmed M. A. Abushanab
Chief Executive Officer

Statement of profit or loss

| | | For the year ended 31 December | |
|--------------------------------------|---|---|----------------|
| | | 2025 | 2024 |
| Notes | AED'000 | AED'000 | AED'000 |
| Attributable to participants: | | | |
| | Takaful revenue | 7 248,839 | 121,616 |
| | Takaful service expenses | 7 (116,714) | (84,105) |
| | Takaful service result before retakaful contracts held | 132,125 | 37,511 |
| | Allocation of retakaful contributions | (118,350) | (46,319) |
| | Amounts recoverable from retakaful for incurred claims | 65,837 | 43,096 |
| | Net expenses from retakaful contracts held | (52,513) | (3,223) |
| | Takaful service result | 79,612 | 34,288 |
| | Takaful finance expenses for takaful contracts issued | (2,484) | (2,357) |
| | Retakaful finance income for retakaful contracts held | 1,189 | 728 |
| | Net takaful income | 78,317 | 32,659 |
| | Investment income | 23 5,284 | 5,615 |
| | Other income | 1,065 | 2,511 |
| | Wakala fee | 24 (83,233) | (44,229) |
| | Mudarib fee | 24 (1,585) | (1,685) |
| | Loss for the year attributable to participants | (152) | (5,129) |
| Attributable to shareholders: | | | |
| | Investment income | 23 17,428 | 20,151 |
| | Other income | 1,125 | 820 |
| | Wakala fee | 24 83,233 | 44,229 |
| | Mudarib fee | 24 1,585 | 1,685 |
| | | 103,371 | 66,885 |
| Expenses | | | |
| | Policy acquisition costs | (24,804) | (13,863) |
| | General and administration expenses | 25 (37,342) | (27,048) |
| | Income for the year before Qard Hassan | 41,225 | 25,974 |
| | Provision against Qard Hassan to participants | (152) | (5,129) |
| | Profit before tax | 41,073 | 20,845 |
| | Income tax expense | 22 (5,764) | (1,858) |
| | PROFIT FOR THE YEAR | 35,309 | 18,987 |
| | Earnings per share (AED) | 27 0.23 | 0.12 |

The accompanying notes 1 to 36 form an integral part of these financial statements.

Statement of comprehensive income

| | | For the year ended 31 December | |
|--|---|---|----------------|
| | | 2025 | 2024 |
| Notes | | AED'000 | AED'000 |
| Attributable to shareholders | | | |
| | Profit for the year | 35,309 | 18,987 |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | |
| | Unrealised loss on equity investments designated at FVTOCI | 5 (1,096) | (809) |
| | Deferred tax impact on the fair value movement | 99 | 73 |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| | Unrealised gain on debt instruments designated at FVTOCI | 5 223 | 476 |
| | Debt investments designated at FVTOCI re-classified to income statement | - | 752 |
| Other comprehensive (loss) / income for the year | | (774) | 492 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 34,535 | 19,479 |
| ATTRIBUTABLE TO SHAREHOLDERS | | 34,535 | 19,479 |

Statement of changes in equity

| | Share capital AED'000 | Statutory reserve AED'000 | Retakaful reserve AED'000 | Cumulative changes in fair value of FVTOCI investments AED'000 | (Accumulated losses) / Retained earnings AED'000 | Total equity AED'000 |
|---|--------------------------|------------------------------|------------------------------|---|---|-------------------------|
| Balance at 1 January 2024 | 154,000 | 77,000 | 695 | (4,960) | (51,414) | 175,321 |
| Profit for the year | - | - | - | - | 18,987 | 18,987 |
| Other comprehensive income for the year | - | - | - | 492 | - | 492 |
| Total comprehensive income for the year | - | - | - | 492 | 18,987 | 19,479 |
| Transfer to retakaful reserve (note 19) | - | - | 410 | - | (410) | - |
| Balance at 31 December 2024 | <u>154,000</u> | <u>77,000</u> | <u>1,105</u> | <u>(4,468)</u> | <u>(32,837)</u> | <u>194,800</u> |
| Balance at 1 January 2025 | 154,000 | 77,000 | 1,105 | (4,468) | (32,837) | 194,800 |
| Profit for the year | - | - | - | - | 35,309 | 35,309 |
| Other comprehensive loss for the year | - | - | - | (774) | - | (774) |
| Total comprehensive income for the year | - | - | - | (774) | 35,309 | 34,535 |
| Transfer to retakaful reserve (note 19) | - | - | 755 | - | (755) | - |
| Balance at 31 December 2025 | <u>154,000</u> | <u>77,000</u> | <u>1,860</u> | <u>(5,242)</u> | <u>1,717</u> | <u>229,335</u> |

Statement of cash flows

| | | For the year ended 31 December | |
|--|--------------|---|----------------|
| | | 2025 | 2024 |
| | | AED'000 | AED'000 |
| | Notes | | |
| Cash flows from operating activities | | | |
| Profit before tax | | 41,073 | 20,845 |
| Adjustments for: | | | |
| Depreciation of property and equipment | 13 | 866 | 754 |
| Amortisation of intangible assets | | 226 | 187 |
| Unrealised loss on financial assets at FVTPL | | 16 | 11 |
| Rental income | | (6,006) | (5,832) |
| Dividends income from financial assets | | (425) | (483) |
| Loss on disposal of financial assets at FVTOCI | | - | 752 |
| Gain on fair value of investment properties | 12 | (3,345) | (8,030) |
| Amortisation of financial assets at amortised cost | | - | (208) |
| Profit on wakala deposits and sukuk | | (12,951) | (11,977) |
| Provision for employees' end of service indemnity | 16 | 722 | 852 |
| Operating cash flows before changes in working capital and payment of employees' end of service benefits and income tax | | 20,176 | (3,129) |
| Change in retakaful contract assets | | (25,209) | (34,754) |
| Change in prepayments and other receivables | | 129 | (1,680) |
| Change in deferred acquisition costs | | (9,754) | (3,809) |
| Change in takaful & retakaful contract liabilities | | 87,112 | 32,964 |
| Change in other liabilities | | 3,651 | 3,938 |
| Net cash generated from / (used in) operations | | 76,105 | (6,470) |
| Income tax paid | 22 | (1,210) | - |
| Employees end of service benefits paid | 16 | (177) | (666) |
| Net cash generated from / (used in) operating activities | | 74,718 | (7,136) |
| Cash flows from investing activity | | | |
| Purchase of financial assets | | (89,342) | (83,560) |
| Purchase of property and equipment - net of disposal | 13 | (565) | (241) |
| Proceeds from sale of financial assets | | - | 11,221 |
| Rental income received | | 6,245 | 5,964 |
| Profit received on sukuk and wakala deposit | | 13,180 | 11,464 |
| Dividend received | | 416 | 483 |
| Change in wakala deposit with maturity more than 3 months | | 4,935 | 57,239 |
| Net cash (used in) / generated from investing activities | | (65,131) | 2,570 |
| Cash flows from financing activities | | | |
| Payment of lease liability | | (661) | (526) |
| Net cash used in financing activity | | (661) | (526) |
| Net increase / (decrease) in cash and cash equivalents | | 8,926 | (5,092) |
| Cash and cash equivalents at the beginning of the year | | 8,418 | 13,510 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR | 6 | 17,344 | 8,418 |

The accompanying notes 1 to 36 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 December 2025

1 Legal status and activities

Sukoon Takaful PJSC (the "Company") is a public shareholding company and was registered in 1992. The Company is engaged in takaful and retakaful of all classes of business in accordance with the provisions of the United Arab Emirates ("UAE") Federal Decree-Law No. 6 of 2025 Regarding the Central Bank, Regulation of Financial Institutions and Activities, and Insurance Business, and the Federal Decree Law No. (32) of 2021 concerning the Commercial Companies, as amended. The address of the Company's registered office is P.O. Box 1993, Dubai, United Arab Emirates.

On 16 September 2025, Federal Decree-Law No. (6) of 2025 regarding the Central Bank, the Regulation of Financial Institutions and Activities, and Insurance Business was issued and came into effect. This new law repealed Federal Decree-Law No. 48 of 2023 concerning the Financial Regulations of Insurance Companies issued by the Central Bank of the United Arab Emirates. The Companies must within a period not exceeding twelve months from the date of the enforcement of its provisions from 16 September 2025 comply with the provisions of the UAE Federal Decree Law No (6) of 2025.

The Shareholders Extraordinary General Assembly Meeting held on 19 March 2014 approved conversion of the Company's business from conventional insurance to Takaful insurance. The Board of Directors appointed an Internal Sharia Supervision Committee for overseeing the compliance with Sharia. The licensed activities of the Company are issuing short term and long term takaful contracts. The takaful contracts are issued in connection with property, engineering, motor, medical, personal accident, individual life, group life, credit life and investment linked products.

2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) 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 U.A.E Federal Law No. 32 of 2021, as amended, relating to commercial companies, and of Federal Decree-Law No. (6) of 2025 Regarding the Central Bank, Regulation of Financial Institutions and Activities, and Insurance Business and the Insurance Authority Board of Directors' Decision No. (26) of 2014 pertinent to the Financial Regulations for Takaful Companies.

Adhering to the Article 3.3 of Section 7 of the Financial Regulations for Takaful Companies issued by Insurance Authority (FRTC) and the relevant Shariah Board decisions Company has not considered shareholders' expenses. Only a Wakala fee was considered while applying the requirement of IFRS 17. Policy acquisition cost and general and administrative expenses accounts along with associated balance sheet items are part of the shareholders' accounts and presented separately.

These financial statements are prepared in UAE Dirhams ("AED") being the economic, functional and reporting currency, rounded to the nearest thousand.

The Company's statement of financial position is not presented using a current / non-current classification. However, the balances which would generally be classified as current includes bank balances and cash and other receivables. The balances which would generally be classified as non-current includes property and equipment, intangible assets, investment properties, employees' end of service benefits and statutory deposits. The following balances are of mixed nature (including both current and non-current portions): financial investments, prepayments and other receivables, retakaful contract assets, retakaful contract liabilities, takaful contract liabilities, deferred acquisition cost and other payables.

These financial information has been prepared on the historical cost basis except for the following which are measured at fair value:

- Financial assets at fair value through other comprehensive income ("FVOCI");
- Financial assets at fair value through profit or loss ("FVTPL"); and
- Investment properties measure at fair value.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

Notes to the financial statements for the year ended 31 December 2025 (continued)

2 Basis of preparation (continued)

2.1 New and revised IFRS Accounting Standards adopted in the financial statement

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2025 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The new and revised IFRS effective in the period did not have any significant impact.

| <i>New and revised IFRS Accounting Standards</i> | <i>Effective for annual periods beginning on or after</i> |
|--|---|
| Lack of exchangeability – Amendments to IAS 21 | 1 January 2025 |

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

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

| <i>New and revised IFRS Accounting Standards</i> | <i>Effective for annual periods beginning on or after</i> |
|---|---|
| Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 | 1 January 2026 |
| IFRS 19 Subsidiaries without Public Accountability: Disclosures | 1 January 2027 |
| IFRS 18 Presentation and Disclosure in Financial Statements | 1 January 2027 |
| Annual Improvements to IFRS Accounting Standards - Volume 11 | 1 January 2026 |

3 Material accounting policy information

The significant accounting policies applied in the preparation of these financial statements are summarised below.

3.1 Takaful Contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of takaful contracts, re takaful contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company 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 Company 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.

3.1.1 Classification

The Company issues takaful contracts in the normal course of business, under which it accepts significant takaful risk from its policyholders. As a general guideline, the Company determines whether it has significant takaful risk, by comparing benefits payable after an insured event with benefits payable if the insured event had not occurred. Contracts that have a legal form of takaful but do not transfer significant takaful risk and expose the Company to financial risk are classified as investment contracts and follow financial instruments accounting under IFRS 9. Some investment contracts without discretionary participation features (DPF) issued by the Company fall under this category. The Company also issues retakaful contracts in the normal course of business to compensate other entities for claims arising from one or more takaful contracts issued by those entities.

Notes to the financial statements for the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

3.1 Takaful Contracts (continued)

3.1.1 Classification (continued)

Takaful contracts are classified as direct participating contracts or contracts without direct participation features. A takaful contract with direct participation features is defined as one which, at inception, meets the following criteria:

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

These criteria are assessed at the individual contract level based on the Company's expectations at the contract's inception, and they are not reassessed in subsequent periods, unless the contract is modified.

The nature of contracts issued by the Company, their classification and measurement model are summarized in the table below:

| Nature of contracts | Product Classification | Measurement Model |
|---|-------------------------------|--|
| Family Takaful – Term | Takaful Contracts | GMM |
| Family Takaful - Unit Linked | Takaful Contracts | VFA |
| Investment contracts without discretionary participation features (DPF) | Financial instruments | Financial liabilities measured at FVTPL under IFRS 9 |
| Property & Casualty Contracts | Takaful Contracts | PAA |
| Health | Takaful Contracts | PAA |

3.1.2 Level of aggregation

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

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

3.1.3 Recognition

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

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

Notes to the financial statements for the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

3.1 Takaful Contracts (continued)

3.1.4 Contract boundary

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

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

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

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

3.1.5 Measurement

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

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

The Company has elected to determine cumulative results for each interim reporting period, and estimates made by the Company in previous interim financial statements will not be considered when applying IFRS 17 in subsequent interim periods or in the annual financial statements.

Notes to the financial statements for the year ended 31 December 2025 (continued)**3 Material accounting policy information** (continued)**3.1 Takaful Contracts** (continued)**3.1.5 Measurement** (continued)**3.1.5.1 Takaful contracts measured under the PAA approach – Initial and subsequent measurement**

The Company applies the premium allocation approach to all the takaful contracts (other than long term Family Takaful contracts) that it issues and retakaful contracts that it holds as;

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

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

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

- The contributions, if any, received at initial recognition
- Minus Wakala fees at that date,
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of takaful contracts is recognised.

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

- Plus contributions received in the period
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as takaful revenue for the services provided in the period
- Minus any investment component paid or transferred to the LIC

The Company does not adjust the LRC for any financing component as the contributions are expected to be received within one year of the coverage period. Furthermore, the contracts issued by the Company that are measured under the PAA do not contain any investment components (amounts that would be required to repay to the policyholder in all scenarios with commercial substance).

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

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

Notes to the financial statements for the year ended 31 December 2025 (continued)

3 Material accounting policy information (continued)

3.1 Takaful Contracts (continued)

3.1.5 Measurement (continued)

3.1.5.2 Takaful contracts measured other than PAA – Initial and subsequent measurement

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

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk. The Company’s objective in estimating future cash flows is to determine the expected value, or the probability weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Company estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

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

- Contribution and related cash flows
- Claims and benefits, including reported claims not yet paid and expected future claims
- Payments to policyholders resulting from embedded surrender value options
- Claims handling costs
- Wakala fees
- Costs incurred for performing investment activities that enhance takaful coverage benefits for the policyholder
- Costs incurred for providing investment-related service and investment-return service to policyholders; and
- Other costs specifically chargeable to the policyholder under the terms of the contract.

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

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

Subsequent Measurement

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

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

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

Notes to the financial statements for the year ended 31 December 2025 (continued)**3 Material accounting policy information** (continued)**3.1 Takaful Contracts** (continued)**3.1.5 Measurement** (continued)**3.1.5.2 Takaful contracts measured other than PAA – Initial and subsequent measurement** (continued)

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

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

The Company identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an covered event occurring. Investment components are excluded from takaful revenue and takaful service expenses.

Unit linked Family Takaful contracts have explicit surrender values. The investment component excluded from takaful revenue and takaful service expenses is determined as the surrender value specified in the contractual terms less any surrender charges. All the other contracts issued by the Company do not contain investment components.

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

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

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

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

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

Notes to the financial statements for the year ended 31 December 2025 (continued)**3 Material accounting policy information** (continued)**3.2 Takaful revenue**

The takaful revenue for the year is the amount of expected contribution receipts (excluding any investment component) allocated to the year. The Company allocates the expected contribution receipts to each period of coverage on the basis of the passage of time; but if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then on the basis of the expected timing of incurred takaful service expenses.

The Company changes the basis of allocation between the two methods above as necessary if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

3.3 Loss component

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. If at any time during the coverage period, the facts and circumstances indicate that a group of takaful contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

3.4 Takaful finance income and expense

Takaful finance income or expenses comprise the change in the carrying amount of the group of takaful contracts arising from: • The effect of the time value of money and changes in the time value of money; and • The effect of financial risk and changes in financial risk. The Company disaggregates takaful finance income or expenses in the profit or loss. The impact of changes in market profit rates on the value of the takaful assets and liabilities are reflected in the profit or loss.

3.4.1 Net income or expense from retakaful contracts held

The Company presents separately on the face of the statement of profit or loss, the amounts expected to be recovered from retakaful operators, and an allocation of the retakaful contributions paid. The Company treats retakaful cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the retakaful contract held.

3.5 Surplus/deficit in participants' fund

If the surplus in the participants' fund at the end of a year is sufficiently large, a percentage of the surplus shall be distributed between participants that have not made a claim, in proportion to their risk contributions to the fund after accounting for reserves. The distributions will be approved by the Company's Internal Sharia Supervision Committee. Any remaining surplus after the distribution will remain in the participants' fund.

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

On liquidation of the fund, the accumulated surplus in the participants' fund, if any, after meeting all obligations (including repayment of the outstanding amount of Qard Hasan), will be dealt with after consulting with the Company's Internal Sharia Supervision Committee. In case of an accumulated deficit, any Qard Hasan outstanding at the time of liquidation will not be repayable by the participants' fund and the shareholders' fund will forego such outstanding amount.

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

Notes to the financial statements for the year ended 31 December 2025 (continued)**3 Material accounting policy information** (continued)**3.6 Property and equipment**

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

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

The useful life considered in the calculation of depreciation of all the assets is 4 years.

3.7 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 Company accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Fair value is determined by open market values based on valuations performed by independent surveyors.

3.8 Wakala fees

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

3.9 Profit 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.

3.10 Rental income

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

3.11 Dividend income

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

3 Material accounting policy information (continued)**3.12 Financial instruments*****Recognition***

Financial assets and financial liabilities are recognised when the Company 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.

Derecognition

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.

Classification and subsequent measurement of financial assets

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVTOCI). The Company classifies its financial assets into the following categories:

i) Financial assets at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit are measured at amortised cost. Profit from these financial assets is calculated using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'investment income' together with foreign exchange gains and losses. Impairment losses are included within 'investment income' in the statement of profit or loss.

Financial assets at amortised cost comprise statutory deposits, cash and cash equivalents, due from related parties 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 Company 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 Company designates an investment that is not held for trading as at fair value through other comprehensive income 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 Company's right to receive the dividends is established.

Fair value measurement

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted prices at the close of business on the statement of financial position date. Investments in unquoted securities are measured at fair value, considering observable market inputs and unobservable financial data of investees.

Notes to the financial statements for the year ended 31 December 2025 (continued)**3 Material accounting policy information** (continued)**3.12 Financial instruments** (continued)***Classification and subsequent measurement of financial liabilities***

Financial liabilities comprise amounts due to related parties and most other payables.

Financial liabilities are measured subsequently at amortised cost using the effective funding cost method.

Impairment and uncollectability of financial assets

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- financing commitments issued.

The Company measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL are measured.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date. ECL are probability-weighted estimates of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn financing commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Offsetting financial instruments

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

3.13 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.

3.14 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.

Notes to the financial statements for the year ended 31 December 2025 (continued)**3 Material accounting policy information** (continued)**3.15 Impairment of non-financial assets**

The carrying amounts of the Company'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.

3.16 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.

3.17 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.

3.18 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 Company 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 Company 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 Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

3.19 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. Retained earnings include all current and prior period retained profits or losses. Dividend payable to equity shareholders is included in other liabilities only when the dividend has been approved in a general assembly meeting prior to the reporting date.

3.20 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 Company for segment reporting under IFRS 8 are the same as those used in its financial statements.

Notes to the financial statements for the year ended 31 December 2025 (continued)**3 Material accounting policy information** (continued)**3.21 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 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.

The Company 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.

Notes to the financial statements for the year ended 31 December 2025 (continued)**3 Material accounting policy information** (continued)**3.21 Taxes** (continued)*Value added tax (VAT)*

Expenses and assets are recognised net of the amount of VAT, except:

- When VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the standalone statement of financial position.

4 Critical accounting judgements and key sources of estimation of uncertainty

The preparation of this financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. Actual results may differ from these estimates.

In preparing this 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 financial statements as at and for the year ended 31 December 2024, except for the below judgements.

When measuring liabilities for incurred claims, the Company now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Liability for remaining coverage

For takaful acquisition cash flows, the Company is eligible and chooses to capitalise all takaful acquisition cashflows upon payments.

The effect of recognising takaful acquisition cash flows as an expense on initial recognition of group of takaful contracts is to increase the liability for remaining coverage on initial recognition and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on initial recognition, due to expensing acquisition cash flows, offset by an increase in profit released over the coverage period. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows.

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 and Bornheutter-Ferguson methods.

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

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

Discount rates

The Company use bottom-up approach to derive the discount rate. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity contribution'). The risk-free rate was derived using swap rates available in the market denominated in the same currency as the product being measured. When swap rates are not available, highly liquid sovereign Sukuks with a AAA credit rating were used. Management uses judgment to assess liquidity characteristics of the liability cash flows.

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

| | 1 year | | 3 years | | 5 years | | 10 years | |
|----------------------------|-------------|------|-------------|------|-------------|------|-------------|------|
| | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 | 2025 | 2024 |
| | % | % | % | % | % | % | % | % |
| Takaful contracts issued | 4.57 | 5.43 | 4.63 | 5.48 | 4.78 | 5.53 | 5.28 | 5.65 |
| Retakaful contracts issued | 4.57 | 5.43 | 4.63 | 5.48 | 4.78 | 5.53 | 5.28 | 5.65 |

Risk adjustment for non-financial risk

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

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 65th percentile. That is, the Company 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 Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

Fair value of unquoted securities

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

Investment properties fair value judgement

The Company values its investment properties at fair value on the basis of market valuations prepared by independent property valuers. The valuations are based on assumptions which are mainly based on market conditions existing at each reporting date. Therefore, any future change in the market conditions could have an impact on the fair value.

Expected credit losses

Management reviews the provision for expected credit losses (ECL) 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.

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Notes to the financial statements for the year ended 31 December 2025 (continued)

5 Financial investments

The Company's investment in financial assets at the end of reporting year are detailed below:

| | 31 December 2025 | | | 31 December 2024 | | |
|---|-----------------------|---------------------------|------------------|--------------------------|---------------------------|------------------|
| | Inside UAE AED'000 | Outside UAE AED'000 | Total AED'000 | Inside UAE AED'000 | Outside UAE AED'000 | Total AED'000 |
| Investments at fair value through profit or loss (a) | | | | | | |
| Unit linked investments | 1,010 | 3,479 | 4,489 | - | - | - |
| Unquoted equity securities | 529 | - | 529 | 545 | - | 545 |
| | <u>1,539</u> | <u>3,479</u> | <u>5,018</u> | <u>545</u> | <u>-</u> | <u>545</u> |
| Attributable to: | | | | | | |
| Participants | 1,010 | 3,479 | 4,489 | - | - | - |
| Shareholders | 529 | - | 529 | 545 | - | 545 |
| | <u>1,539</u> | <u>3,479</u> | <u>5,018</u> | <u>545</u> | <u>-</u> | <u>545</u> |
| Investments at fair value through other comprehensive income (b) | | | | | | |
| Unquoted equity securities | 337 | 6,367 | 6,704 | 270 | 7,795 | 8,065 |
| Quoted Sukuks | 11,406 | - | 11,406 | 11,184 | - | 11,184 |
| | <u>11,743</u> | <u>6,367</u> | <u>18,110</u> | <u>11,454</u> | <u>7,795</u> | <u>19,249</u> |
| Attributable to: | | | | | | |
| Participants | 1,684 | - | 1,684 | 1,654 | - | 1,654 |
| Shareholders | 10,059 | 6,367 | 16,426 | 9,800 | 7,795 | 17,595 |
| | <u>11,743</u> | <u>6,367</u> | <u>18,110</u> | <u>11,454</u> | <u>7,795</u> | <u>19,249</u> |
| Investments at amortised Cost (c) | | | | | | |
| Quoted Sukuks | 102,242 | 65,977 | 168,219 | 83,203 | - | 83,203 |
| Less: ECL | (34) | (27) | (61) | (32) | - | (32) |
| | <u>102,208</u> | <u>65,950</u> | <u>168,158</u> | <u>83,171</u> | <u>-</u> | <u>83,171</u> |
| Attributable to: | | | | | | |
| Participants | 23,217 | - | 23,217 | 16,795 | - | 16,795 |
| Shareholders | 78,991 | 65,950 | 144,941 | 66,376 | - | 66,376 |
| | <u>102,208</u> | <u>65,950</u> | <u>168,158</u> | <u>83,171</u> | <u>-</u> | <u>83,171</u> |

- (a) The Company holds investments in unquoted equity securities of one entity as at 31 December 2025 (2024: three entities). Unobservable financial data used in determining the fair values of these unquoted securities has been extracted from their latest available audited financial statements for the year ended 31 December 2024, and current market available information. (2024: financial statements for the year ended 31 December 2023).
- (b) The Company has designated all investments in equity instruments that are not held for trading as FVTOCI. Valuation basis and inputs used have been disclosed in note 32 of these financial statements.
- (c) These Sukuks were purchased during the year and carry profits at the rates of 1.40% to 6.25% per annum. The Company holds these investments with the objective of receiving the contractual cash flows over the instrument's life. The Sukuks are redeemable at par from 2026 to 2046 based on their maturity dates.

Notes to the financial statements for the year ended 31 December 2025 (continued)
5 Financial investments (continued)

The movement in the investments is as follows:

| | FVTOCI | | FVTPL | | Amortised cost | |
|--------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2025 AED'000 | 2024 AED'000 | 2025 AED'000 | 2024 AED'000 | 2025 AED'000 | 2024 AED'000 |
| At the beginning of the year | 19,249 | 30,239 | 545 | 557 | 83,171 | - |
| Purchases during the year | - | - | 4,230 | - | 105,029 | 83,560 |
| Maturities / redemption | (266) | (57) | - | - | (20,766) | (565) |
| Amortisation | - | - | - | - | 752 | 208 |
| Sold during the year | - | (10,600) | - | - | - | - |
| Change in fair value | (873) | (333) | 259 | (12) | - | - |
| Provision for expected credit losses | - | - | (16) | - | (28) | (32) |
| | 18,110 | 19,249 | 5,018* | 545 | 168,158 | 83,171 |

*This includes Unit linked investments which comprise of Investment contracts with & without direct participation feature amounting to AED 4,489 thousand.

6 Bank balances and cash

| | 2025 AED'000 | 2024 AED'000 |
|-------------------------|-----------------|-----------------|
| Cash on hand | 3 | 2 |
| Bank balances: | | |
| Wakala deposits | 128,479 | 133,414 |
| Current accounts | 17,341 | 8,416 |
| | 145,823 | 141,832 |
| <i>Attributable to:</i> | | |
| Participants | 115,487 | 90,426 |
| Shareholders | 30,336 | 51,406 |
| | 145,823 | 141,832 |

The profit rates on the Wakala deposits with banks range from 3.70% to 4.40% (2024: 4.20% to 5.80%). Wakala deposits amounting to AED 128,479 thousand (2024: AED 133,414 thousand) have maturity more than three months. All cash and bank balances are maintained within U.A.E.

For the purposes of statement of cash flows, cash and cash equivalents include cash and bank balances net of wakala deposits in banks with maturity over three months. Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

| | 2025 AED'000 | 2024 AED'000 |
|---|------------------|-----------------|
| Bank balances and cash | 145,823 | 141,832 |
| Wakala deposits with maturity over 3 months | (128,479) | (133,414) |
| Cash and cash equivalents | 17,344 | 8,418 |

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Notes to the financial statements for the year ended 31 December 2025 (continued)

7 Takaful and retakaful contract assets and liabilities

| | 31 December 2025 | | | 31 December 2024 | | |
|---------------------------------------|-------------------|------------------------|----------------|-------------------|------------------------|----------------|
| | Assets AED'000 | Liabilities AED'000 | Net AED'000 | Assets AED'000 | Liabilities AED'000 | Net AED'000 |
| Takaful contracts issued - PAA | | | | | | |
| Motor | - | (58,746) | (58,746) | - | (63,145) | (63,145) |
| Medical & family takaful | - | (70,213) | (70,213) | - | (34,925) | (34,925) |
| General | - | (134,698) | (134,698) | - | (83,952) | (83,952) |
| | - | (263,657) | (263,657) | - | (182,022) | (182,022) |
| Takaful contracts – Non PAA | - | (1,606) | (1,606) | - | - | - |
| Total takaful contracts issued | - | (265,263) | (265,263) | - | (182,022) | (182,022) |
| Retakaful contracts held | | | | | | |
| Motor | 4,051 | - | 4,051 | 9,106 | - | 9,106 |
| Medical & family takaful | 20,195 | - | 20,195 | 4,593 | - | 4,593 |
| General | 52,864 | (169) | 52,695 | 38,221 | (239) | 37,982 |
| | 77,110 | (169) | 76,941 | 51,920 | (239) | 51,681 |
| Retakaful contracts – Non PAA | 19 | - | 19 | - | - | - |
| Total Retakaful contracts held | 77,129 | (169) | 76,960 | 51,920 | (239) | 51,681 |

The Company disaggregates information to provide disclosure in respect of major product lines separately: Motor takaful, medical and family takaful, and general takaful issued.

This disaggregation has been determined based on how the Company is managed. The roll-forward of the net asset or liability for takaful contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table on the next page.

Breakup of takaful revenue and takaful service expenses for the year ended is as below;

| | 31 December 2025 | | | 31 December 2024 | | |
|--------------------------|------------------|--------------------|------------------|------------------|--------------------|------------------|
| | PAA AED'000 | Non PAA AED'000 | Total AED'000 | PAA AED'000 | Non PAA AED'000 | Total AED'000 |
| Takaful revenue | 247,080 | 1,759 | 248,839 | 121,616 | - | 121,616 |
| Takaful service expenses | 115,478 | 1,236 | 116,714 | 84,105 | - | 84,105 |

Sukoon Takaful P.J.S.C

Notes to the financial statements for the year ended 31 December 2025 (continued)

7 Takaful and retakaful contract assets and liabilities (continued)

Reconciliation of the Takaful liability for remaining coverage (LRC) & liability for incurred claims for takaful contracts (LIC).

| At 31 December 2025 | <u>LRC for contracts under PAA</u> | | <u>LRC for contracts not under PAA</u> | | LIC for contracts not under PAA AED '000 | <u>Liabilities for incurred claims for contracts under PAA</u> | | |
|--|--------------------------------------|----------------------------|--|----------------------------|---|---|-----------------------------|-------------------|
| | Excluding loss component AED '000 | Loss component 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 | Total AED '000 |
| | | | | | | | | |
| Takaful contract assets at start of the year | - | - | - | - | - | - | - | - |
| Takaful contract liabilities at start of the year | 75,922 | 17,496 | - | - | - | 85,452 | 3,152 | 182,022 |
| Net takaful contract assets at start of the year | 75,922 | 17,496 | - | - | - | 85,452 | 3,152 | 182,022 |
| Takaful revenue | (247,080) | - | (1,759) | - | - | - | - | (248,839) |
| Takaful service expenses | - | - | - | - | - | - | - | - |
| Incurred claims and other expenses | - | - | - | - | 1,193 | 273,321 | 2,932 | 277,446 |
| Losses on onerous contracts and reversals of those losses | - | (2,851) | - | 43 | - | - | - | (2,808) |
| Changes to liabilities for incurred claims | - | - | - | - | - | (72,328) | (2,363) | (74,691) |
| Takaful service expenses* | - | (2,851) | - | 43 | 1,193 | 200,993 | 569 | 199,947 |
| Takaful service result | (247,080) | (2,851) | (1,759) | 43 | 1,193 | 200,993 | 569 | (48,892) |
| Takaful finance expenses | - | - | 124 | - | 4 | 2,351 | 6 | 2,485 |
| Total amount recognised in the statement of profit or loss and other comprehensive income | (247,080) | (2,851) | (1,635) | 43 | 1,197 | 203,344 | 575 | (46,407) |
| Cash flows | | | | | | | | |
| Contributions received | 303,033 | - | 3,199 | - | - | - | - | 306,232 |
| Claims and other expenses paid | - | - | - | - | (1,197) | (175,387) | - | (176,584) |
| Total cash flows | 303,033 | - | 3,199 | - | (1,197) | (175,387) | - | 129,648 |
| Takaful contract assets at end of the year | - | - | - | - | - | - | - | - |
| Takaful contract liabilities at end of the year | 131,875 | 14,645 | 1,564 | 43 | - | 113,409 | 3,727 | 265,263 |
| Net balance at end of the year | 131,875 | 14,645 | 1,564 | 43 | - | 113,409 | 3,727 | 265,263 |

*Takaful service expense of AED 199,947 thousand consist of AED 116,714 thousand pertaining to Participants' operations and AED 83,233 thousand relating to Wakala charged by Shareholders to Participants.

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Notes to the financial statements for the year ended 31 December 2025 (continued)

7 Takaful and retakaful contract assets and liabilities (continued)

Reconciliation of the Takaful liability for remaining coverage (LRC) & liability for incurred claims for takaful contracts (LIC).

| At 31 December 2024 | <u>LRC for contracts under PAA</u> | | <u>LRC for contracts not under PAA</u> | | LIC for contracts not under PAA AED '000 | <u>Liabilities for incurred claims for contracts under PAA</u> | | Total AED '000 |
|---|--------------------------------------|----------------------------|--|----------------------------|---|---|-----------------------------|-------------------|
| | Excluding loss component AED '000 | Loss component 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 | |
| Takaful contract assets at start of the year | - | - | - | - | - | - | - | - |
| Takaful contract liabilities at start of the year | 30,788 | 20,783 | - | - | - | 93,461 | 2,918 | 147,950 |
| Net takaful contract assets at start of the year | 30,788 | 20,783 | - | - | - | 93,461 | 2,918 | 147,950 |
| Takaful revenue | (121,616) | - | - | - | - | - | - | (121,616) |
| Takaful service expenses | - | - | - | - | - | - | - | - |
| Incurred claims and other expenses | - | - | - | - | - | 189,362 | 103 | 189,465 |
| Losses on onerous contracts and reversals of those losses | - | (3,287) | - | - | - | - | - | (3,287) |
| Changes to liabilities for incurred claims | - | - | - | - | - | (57,976) | 132 | (57,844) |
| Takaful service expenses* | - | (3,287) | - | - | - | 131,386 | 235 | 128,334 |
| Takaful service result | (121,616) | (3,287) | - | - | - | 131,386 | 235 | 6,718 |
| Takaful finance expenses | - | - | - | - | - | 2,358 | (1) | 2,357 |
| Total amount recognised in the statement of profit or loss and other comprehensive income | (121,616) | (3,287) | - | - | - | 133,744 | 234 | 9,075 |
| Cash flows | | | | | | | | |
| Contributions received | 166,750 | - | - | - | - | - | - | 166,750 |
| Claims and other expenses paid | - | - | - | - | - | (141,753) | - | (141,753) |
| Total cash flows | 166,750 | - | - | - | - | (141,753) | - | 24,997 |
| Takaful contract assets at end of the year | - | - | - | - | - | - | - | - |
| Takaful contract liabilities at end of the year | 75,922 | 17,496 | - | - | - | 85,452 | 3,152 | 182,022 |
| Net balance at end of the year | 75,922 | 17,496 | - | - | - | 85,452 | 3,152 | 182,022 |

*Takaful service expense of AED 128,334 thousand consist of AED 84,105 thousand pertaining to Participants' operations and AED 44,229 thousand relating to Wakala charged by Shareholders to Participant

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Notes to the financial statements for the year ended 31 December 2025 (continued)

7 Takaful and retakaful contract assets and liabilities (continued)

Reconciliation of the retakaful asset for remaining coverage and the asset for incurred claims (continued)

| At 31 December 2025 | <u>ARC for contracts under PAA</u> | | <u>ARC for contracts not under PAA</u> | | AIC for contracts not under PAA AED '000 | <u>Assets for incurred claims for contracts under PAA</u> | | Total AED '000 |
|--|--------------------------------------|----------------------------|--|----------------------------|---|---|-----------------------------|-------------------|
| | Excluding loss component AED '000 | Loss component 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 | |
| Retakaful contract assets at start of the year | (324) | - | - | - | - | 81 | 4 | (239) |
| Retakaful contract liabilities at start of the year | 8,465 | 679 | - | - | - | 41,130 | 1,646 | 51,920 |
| Net retakaful contract assets at start of the year | 8,141 | 679 | - | - | - | 41,211 | 1,650 | 51,681 |
| Retakaful expenses | (117,346) | (679) | (325) | - | - | - | - | (118,350) |
| Amounts recoverable for incurred claims | - | - | - | - | - | 91,508 | 1,348 | 92,856 |
| Changes that relate to past service changes in the FCF relating to incurred claims recovery | - | - | - | - | - | (27,594) | (1,212) | (28,806) |
| Loss-recovery on onerous underlying contracts and adjustments | - | 1,784 | - | 3 | - | - | - | 1,787 |
| Changes to amounts recoverable for incurred claims | - | - | - | - | - | - | - | - |
| Amounts recoverable from retakaful for incurred claims | - | 1,784 | - | 3 | - | 63,914 | 136 | 65,837 |
| Net income or expense from retakaful contracts held | (117,346) | 1,105 | (325) | 3 | - | 63,914 | 136 | (52,513) |
| Retakaful finance income | - | - | 3 | - | - | 1,183 | 3 | 1,189 |
| Total amount recognised in the statement of profit or loss and other comprehensive income | (117,346) | 1,105 | (322) | 3 | - | 65,097 | 139 | (51,324) |
| Cash flows | | | | | | | | |
| Contributions paid net of ceding commissions | 116,853 | - | 338 | - | - | - | - | 117,191 |
| Recoveries from retakaful | - | - | - | - | - | (40,589) | - | (40,589) |
| Total cash flows | 116,853 | - | 338 | - | - | (40,589) | - | 76,602 |
| Retakaful contract assets at end of the year | (446) | - | - | - | - | 267 | 10 | (169) |
| Retakaful contract liabilities at end of the year | 8,094 | 1,784 | 16 | 3 | - | 65,452 | 1,779 | 77,129 |
| Net retakaful contracts liabilities at end of the year | 7,648 | 1,784 | 16 | 3 | - | 65,719 | 1,789 | 76,960 |

Sukoon Takaful P.J.S.C

Notes to the financial statements for the year ended 31 December 2025 (continued)

7 Takaful and retakaful contract assets and liabilities (continued)

Reconciliation of the retakaful asset for remaining coverage and the asset for incurred claims (continued)

| At 31 December 2024 | <u>ARC for contracts under PAA</u> | | <u>ARC for contracts not under PAA</u> | | AIC for contracts not under PAA AED '000 | <u>Assets for incurred claims for contracts under PAA</u> | | |
|---|--------------------------------------|----------------------------|--|----------------------------|---|---|-----------------------------|-------------------|
| | Excluding loss component AED '000 | Loss component 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 | Total AED '000 |
| Retakaful contract assets at start of the year | (3,437) | 24 | - | - | - | 19,882 | 697 | 17,166 |
| Retakaful contract liabilities at start of the year | (7,491) | 306 | - | - | - | 5,638 | 200 | (1,347) |
| Net retakaful contract assets at start of the year | (10,928) | 330 | - | - | - | 25,520 | 897 | 15,819 |
| Retakaful expenses | (45,989) | (330) | - | - | - | - | - | (46,319) |
| Amounts recoverable for incurred claims | - | - | - | - | - | 60,081 | 659 | 60,740 |
| Changes that relate to past service changes in the FCF relating to incurred claims recovery | - | - | - | - | - | - | - | - |
| Loss-recovery on onerous underlying contracts and adjustments | - | 679 | - | - | - | - | - | 679 |
| Changes to amounts recoverable for incurred claims | - | - | - | - | - | (18,417) | 94 | (18,323) |
| Amounts recoverable from retakaful for incurred claims | - | 679 | - | - | - | 41,664 | 753 | 43,096 |
| Net income or expense from retakaful contracts held | (45,989) | 349 | - | - | - | 41,664 | 753 | (3,223) |
| Retakaful finance income | - | - | - | - | - | 728 | - | 728 |
| Total amount recognised in the statement of profit or loss and other comprehensive income | (45,989) | 349 | - | - | - | 42,392 | 753 | (2,495) |
| Cash flows | | | | | | | | |
| Contributions paid net of ceding commissions | 65,058 | - | - | - | - | - | - | 65,058 |
| Recoveries from retakaful | - | - | - | - | - | (26,701) | - | (26,701) |
| Total cash flows | 65,058 | - | - | - | - | (26,701) | - | 38,357 |
| Retakaful contract assets at end of the year | (324) | - | - | - | - | 81 | 4 | (239) |
| Retakaful contract liabilities at end of the year | 8,465 | 679 | - | - | - | 41,130 | 1,646 | 51,920 |
| Net retakaful contracts liabilities at end of the year | 8,141 | 679 | - | - | - | 41,211 | 1,650 | 51,681 |

Sukoon Takaful P.J.S.C

Notes to the financial statements for the year ended 31 December 2025 (continued)

7 Takaful and retakaful contract assets and liabilities (continued)

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

| <i>31 December 2025</i> | Present value of future cash flows AED '000 | Risk adjustment for non-financial risk AED '000 | CSM AED '000 | Total AED '000 |
|---|--|---|-----------------|-------------------|
| Opening takaful contract liabilities | - | - | - | - |
| Opening takaful contract assets | - | - | - | - |
| Net balance at start of the year | - | - | - | - |
| Changes that relate to current service | | | | |
| CSM recognised for the services provided | - | - | (241) | (241) |
| Change in the risk adjustment for non-financial risk for the risk expired | - | (10) | - | (10) |
| Experience adjustments - relating to takaful service expense | (315) | - | - | (315) |
| | (315) | (10) | (241) | (566) |
| Changes that relate to future service | | | | |
| Chances in estimates that adjust the CSM | (14) | 9 | 6 | 1 |
| Chances in estimates that results in onerous contract losses and reversals of such losses | 40 | - | - | 40 |
| Contracts initially recognised in the period | (2,738) | 206 | 2,535 | 3 |
| Experience adjustment – arising from contributions received in the period that relate to future service | (195) | - | 195 | - |
| | (2,907) | 215 | 2,736 | 44 |
| Takaful service result | (3,222) | 205 | 2,495 | (522) |
| Finance expenses from takaful contract issued | 2 | - | 125 | 127 |
| Total amounts recognised in comprehensive income | (3,220) | 205 | 2,620 | (395) |
| Cash Flows | | | | |
| Contributions received | 3,199 | - | - | 3,199 |
| Claims and other directly attributable expenses paid | (1,197) | - | - | (1,197) |
| Total cash flows | 2,002 | - | - | 2,002 |
| Closing balance at the end of the year | | | | |
| Closing takaful contract liabilities | (1,217) | 204 | 2,619 | 1,606 |
| Closing takaful contract assets | - | - | - | - |
| Net balance at the end of the year | (1,217) | 204 | 2,619 | 1,606 |

Sukoon Takaful P.J.S.C

Notes to the financial statements for the year ended 31 December 2025 (continued)

7 Takaful and retakaful contract assets and liabilities (continued)

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

| <i>31 December 2025</i> | Present value of future cash flows AED '000 | Risk adjustment for non-financial risk AED '000 | CSM AED '000 | Total AED '000 |
|---|--|---|-----------------|-------------------|
| Opening retakaful contract liabilities | - | - | - | - |
| Opening retakaful contract assets | - | - | - | - |
| Net balance at start of the year | - | - | - | - |
| Changes that relate to current service | | | | |
| CSM recognised for the services provided | - | - | (36) | (36) |
| Change in the risk adjustment for non-financial risk for the risk expired | - | (9) | - | (9) |
| Experience adjustments - relating to takaful service expense | (280) | - | - | (280) |
| | (280) | (9) | (36) | (325) |
| Changes that relate to future service | | | | |
| Changes in estimates that results in onerous contract losses and reversals of such losses | 11 | - | (11) | - |
| Contracts initially recognised in the year | (624) | 178 | 447 | 1 |
| Experience adjustment - arising from contributions received in the year that relate to future service | (11) | 7 | 5 | 1 |
| | (624) | 185 | 441 | 2 |
| Retakaful service result | (904) | 176 | 405 | (323) |
| Finance (income)/expenses from takaful contract issued | (19) | - | 23 | 4 |
| Total amounts recognised in comprehensive income | (923) | 176 | 428 | (319) |
| Cash Flows | | | | |
| Contributions paid net of ceding commission | 338 | - | - | 338 |
| Total cash flows | 338 | - | - | 338 |
| Balance at the end of the year | | | | |
| Closing retakaful contract liabilities | - | - | - | - |
| Closing retakaful contract assets | (585) | 176 | 428 | 19 |
| Net balance at the end of the year | (585) | 176 | 428 | 19 |

Notes to the financial statements for the year ended 31 December 2025 (continued)

8 Prepayments and other receivables

| | 2025 AED'000 | 2024 AED'000 |
|-----------------------|---------------------|---------------------|
| Accrued profit | 4,301 | 4,520 |
| Prepaid expenses | 1,772 | 2,121 |
| Advances and deposits | 231 | 217 |
| Other receivables | <u>1,460</u> | <u>1,420</u> |
| | <u>7,764</u> | <u>8,278</u> |
| Attributable to: | | |
| Participants | <u>3,285</u> | 2,498 |
| Shareholders | <u>4,479</u> | <u>5,780</u> |
| | <u>7,764</u> | <u>8,278</u> |

9 Investment contract liabilities

The Company's Investment contract liabilities for contracts without discretionary participation features (DPF) is as follows:

| | 2025 AED'000 | 2024 AED'000 |
|--------------------------------|---------------------|-----------------|
| At the beginning of the year | - | - |
| Movement during the year | <u>3,941</u> | <u>-</u> |
| Balance at the end of the year | <u>3,941</u> | <u>-</u> |

10 Statutory deposits

| | 2025 AED'000 | 2024 AED'000 |
|--------------------------------------|----------------------|----------------------|
| Held with a local bank in Dubai, UAE | <u>10,000</u> | <u>10,000</u> |

Statutory deposit represents a Wakala deposit under lien against the guarantees issued in favour of Central Bank of U.A.E. in accordance with UAE Federal Law No. (6) of 2025 Regarding the Central Bank, Regulation of Financial Institutions and Activities, and Insurance Business.

11 Due from participants / due to shareholders

The balance consists of the net of Wakala fees balances that are due to the shareholders from the participants amounting to AED 55,816 thousand (2024: AED 29,638 thousand).

12 Investment properties

| | Residential Building and Offices AED'000 Level 3 |
|--|---|
| <i>Fair value hierarchy</i> | |
| 2024 | |
| At 1 January | 67,510 |
| Change in fair value during the year (note 23) | <u>8,030</u> |
| At 31 December | <u>75,540</u> |
| 2025 | |
| At 1 January | 75,540 |
| Change in fair value during the year (note 23) | <u>3,345</u> |
| At 31 December | <u>78,885</u> |

Notes to the financial statements for the year ended 31 December 2025 (continued)

12 Investment properties (continued)

As on 31 December 2025, two independent and experienced professional valuers estimated the fair value of investment properties of the Company at AED 78,535 thousand and AED 79,235 thousand respectively (31 December 2024: two independent and experienced professional valuers estimated the fair value of investment property at AED 75,140 thousand and AED 75,940 thousand respectively).

Company recognises the average of fair value from both valuers. The valuers hold relevant professional qualifications and experience. Investment properties is held for capital appreciation and rental purposes.

Investment properties are valued using of Discounted Cash Flow (“DCF”), Income capitalization method, and sales comparison methods. The DCF method involves forecasting future cash flows from the property based on precisely stated market-based assumptions by adopting an appropriate discount rate and capitalization rate. Income capitalization method considers a market rent that may be achieved based on the comparable evidence and deducting appropriate maintenance and vacancy rates to derive the Net Rent achievable which then capitalized at an appropriate risk yield to derive the Fair Value of the subject property. Sales comparison method considers the value of comparable properties in proximity adjusted for differences in key attributes such as property size and quality of interior fittings.

Sensitivity analysis on the valuation of the properties is as below:

For the Income capitalization method, if the capitalization rate were to decrease / increase by 1% and considering all other assumptions to remain constant, the fair value would increase / decrease by 2.37%/2.11% respectively. (2024: the fair value would increase / decrease by 14.43%/11.19% respectively).

For the sales comparison method, if the prices of the comparable properties were to increase / decrease by 1% and considering all other assumptions to remain constant, the fair value would increase / decrease by AED 32 thousand (2024: the fair value would increase / decrease by AED 31 thousand).

For the DCF method, if the capitalization rate were to decrease / increase by 1% and considering all other assumptions to remain constant, the fair value would increase / decrease by AED 5,350 thousand / AED 4,200 thousand respectively.

The property rental income earned by the Company from its investment properties, which are leased under operating leases on an annual basis and the direct operating expenses arising in the management of the investment properties are as follows:

| | 2025 | 2024 |
|---------------------------------------|---------------------|--------------|
| | AED'000 | AED'000 |
| Rental income | 6,677 | 6,685 |
| Direct operating expenses | (671) | (853) |
| Net income from investment properties | <u>6,006</u> | <u>5,832</u> |

Notes to the financial statements for the year ended 31 December 2025 (continued)

13 Property and equipment

| | Furniture and fixtures AED'000 | Motor vehicles AED'000 | Right-of- use assets AED'000 | Intangible assets AED'000 | Total AED'000 |
|------------------------------------|---|------------------------------|------------------------------------|---------------------------------|----------------------|
| Cost | | | | | |
| Balance at January 1 2024 | 5,790 | 20 | 2,946 | 1,252 | 10,008 |
| Additions during the year | 79 | - | - | 163 | 242 |
| Balance at 31 December 2024 | <u>5,869</u> | <u>20</u> | <u>2,946</u> | <u>1,415</u> | <u>10,250</u> |
| Additions during the year | 306 | - | 661 | 262 | 1,229 |
| Disposals during the year | - | (15) | - | - | (15) |
| Balance at 31 December 2025 | <u>6,175</u> | <u>5</u> | <u>3,607</u> | <u>1,677</u> | <u>11,464</u> |
| Accumulated depreciation | | | | | |
| Balance at January 1 2024 | 5,236 | 16 | 2,450 | 844 | 8,546 |
| Charge for the year | 257 | 1 | 496 | 187 | 941 |
| Balance at 31 December 2024 | <u>5,493</u> | <u>17</u> | <u>2,946</u> | <u>1,031</u> | <u>9,487</u> |
| Charge for the year | 258 | 3 | 606 | 226 | 1,093 |
| Disposals during the year | - | (15) | - | - | (15) |
| Balance at 31 December 2025 | <u>5,751</u> | <u>5</u> | <u>3,552</u> | <u>1,257</u> | <u>10,565</u> |
| Net carrying amount | | | | | |
| Balance at 31 December 2025 | <u>424</u> | <u>-</u> | <u>55</u> | <u>420</u> | <u>899</u> |
| Balance at 31 December 2024 | <u>376</u> | <u>3</u> | <u>-</u> | <u>384</u> | <u>763</u> |

14 Other liabilities

| | 2025 AED'000 | 2024 AED'000 |
|---------------------------------|-----------------|-----------------|
| Contribution reserve withheld | 8,217 | 6,985 |
| Accrued expenses | 5,529 | 5,046 |
| Deferred rental income | 593 | 536 |
| Current tax liability (note 22) | 5,389 | 1,136 |
| Others | 8,917 | 7,093 |
| | <u>28,645</u> | <u>20,796</u> |
| Attributable to: | | |
| Participants | 11,734 | 10,670 |
| Shareholders | 16,911 | 10,126 |
| | <u>28,645</u> | <u>20,796</u> |

Notes to the financial statements for the year ended 31 December 2025 (continued)

15 Qard Hasan

| | 2025 AED'000 | 2024 AED'000 |
|---------------------------------------|------------------|------------------|
| Deficit in participants' fund: | | |
| Balance at the beginning of the year | (164,254) | (159,125) |
| Deficit during the year | (152) | (5,129) |
| Balance at the end of the year | (164,406) | (164,254) |
| | 2025 AED'000 | 2024 AED'000 |
| Qard Hasan from shareholders: | | |
| Balance at the beginning of the year | 164,254 | 159,125 |
| Deficit during the year | 152 | 5,129 |
| Balance at the end of the year | 164,406 | 164,254 |

The shareholders have funded the deficit in the participants' fund in accordance with the Company's policy through a Qard Hasan (profit free loan with no repayment terms).

16 Provision for employees' end of service indemnity

| | 2025 AED'000 | 2024 AED'000 |
|---------------------------------------|-----------------|-----------------|
| Balance at the beginning of the year | 1,557 | 1,371 |
| Charged during the year | 722 | 852 |
| Paid during the year | (177) | (666) |
| Balance at the end of the year | 2,102 | 1,557 |

17 Share capital

| | 2025 AED'000 | 2024 AED'000 |
|---|-----------------|-----------------|
| Authorised and issued and fully paid: | | |
| 154,000,000 ordinary shares of AED 1 each (2024: 154,000,000) | 154,000 | 154,000 |

18 Statutory reserve

In accordance with the Company's Articles of Association and Article 241 of the Federal Law No. 32 of 2021, a minimum of 10% of the Company's annual net profits must be transferred to a non-distributable legal reserve. As per the Company's Articles of Association, such transfers are required until the balance in the legal reserve equals 50% of the Company's paid-up share capital. No transfer to legal reserve has been made during the year as it has already reached 50% of the paid-up share capital (2024: 50%).

19 Retakaful reserve

In accordance with Central Bank of the United Arab Emirates' Board of Directors' Decision No. 23, Article 34, an amount of AED 755 thousand (2024: AED 410 thousand) based on the retakaful share of contribution at a rate of 0.5% was transferred from retained earnings to retakaful reserve. The reserve is not available for distribution and will not be disposed of without prior approval from Central Bank of the UAE.

Notes to the financial statements for the year ended 31 December 2025 (continued)
20 Investment revaluation reserve - FVTOCI

This reserve records gains and losses arising from changes in fair value of other financial assets measured at fair value through other comprehensive income. Movement in reserve is as below:

| | 2025 AED'000 | 2024 AED'000 |
|--|-----------------|-----------------|
| Balance at the beginning of the year | (4,468) | (4,960) |
| Change in FV for the year | (873) | (333) |
| Deferred tax Impact | 99 | 73 |
| Realised loss on re-classified to income statement | - | 752 |
| Balance at the end of the year | <u>(5,242)</u> | <u>(4,468)</u> |

21 Gross written contributions

Details of gross takaful contributions are presented as per the CBUAE reporting requirements:

| 2025 | Family takaful AED'000 | Fund accumulation AED'000 | Medical AED'000 | Others AED'000 | Total AED'000 |
|--|------------------------------|---------------------------------|-------------------------------|-------------------|------------------|
| Direct written contributions | 20,829 | 3,742 | 79,562 | 104,827 | 208,960 |
| Assumed contributions (both locally & internationally) | - | - | 1,673 | 114,787 | 116,460 |
| Total gross written contributions | <u>20,829</u> | <u>3,742</u> | <u>81,235</u> | <u>219,614</u> | <u>325,420</u> |
| 2024 | Family takaful AED'000 | Fund accumulation AED'000 | Medical Takaful AED'000 | Others AED'000 | Total AED'000 |
| Direct written contributions | 1,643 | - | 39,999 | 69,283 | 110,925 |
| Assumed contributions (both locally & internationally) | - | - | - | 61,471 | 61,471 |
| Total gross written contributions | <u>1,643</u> | <u>-</u> | <u>39,999</u> | <u>130,754</u> | <u>172,396</u> |

22 Corporate tax

On 9 December 2022, the United Arab Emirates (UAE) Ministry of Finance (“MoF”) released Federal Decree-Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (“CT Law”) to enact a new Corporate Tax (CT) regime in the UAE. The new CT regime became effective for accounting periods beginning on or after 1 June 2023. The taxable income of the entities that are in scope for UAE CT purposes are subject to the rate of 9% corporate tax.

The taxable income of the entities that are in scope for UAE CT purposes will be subject to the rate of 9% corporate tax. The corporate taxes are payable on the total income after making the adjustments for certain disallowable expenses, exempt income and investment and other allowances.

Notes to the financial statements for the year ended 31 December 2025 (continued)

22 Corporate tax (continued)

Deferred taxes should be measured by reference to the tax rates and laws, as enacted, or substantively enacted, by the end of the reporting period, that are expected to apply in the periods in which the assets and liabilities to which the deferred tax relates are realized or settled.

The Company is in scope of Pillar Two legislation as it operates in jurisdictions that have enacted, or substantively enacted Pillar Two legislation and its consolidated revenue exceeds Euro 750 million threshold. The introduction of Pillar 2 represents a significant development in international tax policy, aiming to ensure a fairer distribution of tax revenues among jurisdictions. Our financial statements reflect the impact of these measures, with increased tax expenses, recognition of deferred tax liabilities, and enhanced disclosures.

The Company estimates the current tax expense and top-up taxes related to Pillar Two for the year ended 31 December 2025 is AED 5,764 thousand (current tax expense for the year ended 31 December 2024: AED 1,858 thousand).

The Effective Tax Rate (ETR) for the period ending 31 December 2025 is 13.85%. The rise in the ETR compared to last year is due to the introduction of DMTT in the UAE.

Furthermore, for the period ended 31 December 2025, the Company has applied the IASB amendment to IAS 12, Income Taxes, which provides a mandatory temporary exception from recognizing or disclosing deferred taxes related to Pillar Two.

| | 2025 | 2024 |
|--|----------------|---------|
| | AED'000 | AED'000 |
| <i>Statement of profit or loss</i> | | |
| <i>Current income tax:</i> | | |
| Current income tax and top up tax charge | 5,389 | 1,136 |
| <i>Deferred tax:</i> | | |
| Relating to origination and reversal of temporary differences | 301 | 722 |
| Tax paid related to prior year | 74 | - |
| Total Income tax expense reported in the statement of profit or loss | 5,764 | 1,858 |
| <i>Statement of Other Comprehensive Income</i> | | |
| <i>Deferred tax related to items recognised in OCI during in the year:</i> | | |
| Deferred tax asset on FV Loss on equity instruments designated at FVOCI | (99) | (73) |
| Reconciliation of the accounting profit to the tax expense is as below; | | |
| | 2025 | 2024 |
| | AED'000 | AED'000 |
| Accounting profit before tax | 41,073 | 20,845 |
| At United Arab Emirates' statutory income tax rate and top up tax | 5,709 | 1,876 |
| Adjustments in respect of standard deduction as per the Law | (34) | (34) |
| Other adjustment | 14 | 16 |
| Income tax expense reported in the income statement | 5,689 | 1,858 |
| Effective tax rate | 13.85% | 8.91% |

Notes to the financial statements for the year ended 31 December 2025 (continued)
22 Corporate tax (continued)

Current and Deferred Tax reflected in the statement of financial position as follows;

| | 2025 AED'000 | 2024 AED'000 |
|--|-----------------|-----------------|
| <i>Deferred Tax Assets and Liabilities</i> | | |
| Deferred tax liability | 1,024 | 722 |
| Deferred Tax Assets | 174 | 73 |

Movement in current tax liability is as below

| | 2025 AED'000 | 2024 AED'000 |
|--|-----------------|-----------------|
| Current tax payable as of 1 January | 1,136 | - |
| Current and top up tax charge for the year | 5,389 | 1,136 |
| Additional tax paid (pertaining to prior year) | 74 | - |
| Income tax paid during the year | (1,210) | - |
| | <u>5,389</u> | <u>1,136</u> |

23 Investment income

| | 2025 AED'000 | 2024 AED'000 |
|---|-----------------|-----------------|
| Income from investment properties | 6,006 | 5,832 |
| Profit on sukuk | 5,913 | 1,842 |
| Income from wakala deposit | 6,108 | 10,041 |
| Gain on fair value of investment properties (note 12) | 3,345 | 8,030 |
| Dividend from other financial assets | 425 | 483 |
| Unrealised loss on financial investments at FVTPL | (15) | (11) |
| Amortisation of investments at amortised cost | 752 | 208 |
| Loss on sale of Sukuk at FVTOCI | - | (752) |
| Profit on call account | 178 | 93 |
| | <u>22,712</u> | <u>25,766</u> |
| <i>Attributable to:</i> | | |
| Participants | 5,284 | 5,615 |
| Shareholders | 17,428 | 20,151 |
| | <u>22,712</u> | <u>25,766</u> |

24 Wakala fee And Mudarib's share
Wakala fees

Wakala fee for the year ended 31 December 2025 amounted to AED 83,233 thousand (2024: AED 44,229 thousand) the fee is calculated as percentage (range between 5% to 30%) of gross written contribution of AED 325,420 thousand (2024: AED 172,396 thousand) without any deduction of policy acquisition cost. Wakala fee is charged to the statement of income when incurred.

Mudarib's share

The shareholders also manage the participants' investment funds and charge Mudarib's share. Mudarib's share is charged at 30% of realised investment income.

Notes to the financial statements for the year ended 31 December 2025 (continued)

25 General and administrative expenses

| | 2025 AED'000 | 2024 AED'000 |
|---|-----------------|-----------------|
| Staff cost | 17,485 | 13,010 |
| Third party administrators and other related expenses | 8,648 | 5,354 |
| Legal and professional fees | 3,468 | 2,671 |
| Expenses charged by Group Head Office | 972 | 1,000 |
| Depreciation and amortisation | 1,091 | 941 |
| Policy registration fees | 1,497 | 746 |
| Takaful expense | 511 | 402 |
| End of service benefits and pension | 722 | 752 |
| Marketing expenses | 217 | 115 |
| Bank charges | 895 | 104 |
| Short term lease | 157 | 327 |
| Fines & Penalties | 130 | - |
| Other expenses | 1,549 | 1,626 |
| | <u>37,342</u> | <u>27,048</u> |

Social contributions during the year ended 31 December 2025 amounted to AED 13,141 (2024: AED 3,800).

26 Related party balances and transactions

Related parties represent the companies under common control, shareholder, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management

Amounts due from/to related parties were as follows:

| | 2025 AED'000 | 2024 AED'000 |
|--|-----------------|-----------------|
| Amounts due from related parties: | | |
| Related parties due to common ownership | <u>3,814</u> | <u>24</u> |

All amount due from related parties are attributable to participants

| | | |
|---|---------------|--------------|
| Amounts due to related parties: | | |
| Related parties due to Shareholding | <u>11,490</u> | <u>4,973</u> |
| Net due to related parties attributable to: | | |
| Participants | <u>6,365</u> | <u>4,071</u> |
| Shareholders | <u>1,311</u> | <u>878</u> |

Transactions with related parties:

| | <i>For the year ended 31 December</i> | |
|---|---------------------------------------|------------------|
| | 2025 AED '000 | 2024 AED '000 |
| Retakaful share of ceded business | <u>22,211</u> | <u>6,965</u> |
| Gross written contribution | <u>14,039</u> | <u>2,188</u> |
| Discount on retakaful share of ceded business | <u>1,504</u> | <u>59</u> |
| Recovery claims | <u>3,685</u> | <u>819</u> |
| Expenses charged by Group head office | <u>972</u> | <u>1,000</u> |
| Policy acquisition costs | <u>1,263</u> | <u>-</u> |
| Claim settlement | <u>2,142</u> | <u>-</u> |
| Other transactions | <u>84</u> | <u>1,959</u> |

Notes to the financial statements for the year ended 31 December 2025 (continued)

26 Related party balances and transactions (continued)

Key management personnel remuneration:

| | 2025 AED'000 | 2024 AED'000 |
|----------------------------------|-----------------|-----------------|
| Short-term benefits | <u>1,011</u> | <u>784</u> |
| Long-term benefits | <u>28</u> | <u>23</u> |
| Board of directors' remuneration | <u>-</u> | <u>-</u> |

27 Segmental information

For management purposes the Company is organised into two business segments; general takaful management and investment. The general takaful segment comprises the takaful business undertaken by the Company on behalf of Participants. Investment comprises investment and cash management for the Company'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 financial statements.

Except for Wakala 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.

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Notes to the financial statements for the year ended 31 December 2025 (continued)

27 Segmental information (continued)

These segments are the basis on which the Company reports its primary segment information. Segmental information is presented below:

| | For the year ended 31 December 2025 | | | For the year ended 31 December 2024 | | |
|---|---|---|----------------------------|---|---|---------------------|
| | Attributable to Participants AED'000 | Attributable to shareholders AED'000 | Total AED'000 | Attributable to participants AED'000 | Attributable to shareholders AED'000 | Total AED'000 |
| Takaful: | | | | | | |
| Takaful revenue | 248,839 | - | 248,839 | 121,616 | - | 121,616 |
| Takaful service expenses | (116,714) | - | (116,714) | (84,105) | - | (84,105) |
| Allocation of retakaful contributions | (118,350) | - | (118,350) | (55,784) | - | (55,784) |
| Retakaful amounts recoverable on incurred claims | 65,837 | - | 65,837 | 52,561 | - | 52,561 |
| Takaful finance expenses for takaful contracts issued | (2,484) | - | (2,484) | (2,357) | - | (2,357) |
| Retakaful finance income for retakaful contracts held | 1,189 | - | 1,189 | 728 | - | 728 |
| Net takaful income | 78,317 | - | 78,317 | 32,659 | - | 32,659 |
| Wakala fees | (83,233) | 83,233 | - | (44,229) | 44,229 | - |
| Mudarib share | (1,585) | 1,585 | - | (1,685) | 1,685 | - |
| Other income | 1,065 | - | 1,065 | 2,511 | - | 2,511 |
| Investment income | 5,284 | - | 5,284 | 5,615 | - | 5,615 |
| | (78,469) | 84,818 | 6,349 | (37,788) | 45,914 | 8,126 |
| Investment: | | | | | | |
| Investment income | - | 17,428 | 17,428 | - | 20,151 | 20,151 |
| Other income | - | 1,125 | 1,125 | - | 820 | 820 |
| Policy acquisition cost | - | (24,804) | (24,804) | - | (13,863) | (13,863) |
| General and administration expenses | - | (37,342) | (37,342) | - | (27,048) | (27,048) |
| (Loss) / profit before tax | (152) | 41,225 | 41,073 | (5,129) | 25,974 | 20,845 |
| Other Information: | Takaful | | Investment | | Total | |
| | At 31 December 2025 | At 31 December 2024 | At 31 December 2025 | At 31 December 2024 | At 31 December 2025 | At 31 December 2024 |
| | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 | AED'000 |
| Segment assets | 281,107 | 192,931 | 305,188 | 236,843 | 586,295 | 429,774 |
| Segment liabilities | 281,107 | 192,931 | 75,853 | 42,043 | 356,960 | 234,974 |

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Notes to the financial statements for the year ended 31 December 2025 (continued)

28 Earnings per share

Earnings per share are calculated by dividing the loss for the year by the number of ordinary shares outstanding as of the end of the year as follows:

| | 2025 | 2024 |
|---|--------------------|--------------------|
| Profit for the year (in AED'000) | <u>35,309</u> | <u>18,987</u> |
| Number of ordinary shares outstanding | <u>154,000,000</u> | <u>154,000,000</u> |
| Basic and diluted profit per share (in AED) | <u>0.23</u> | <u>0.12</u> |

Diluted earnings per share as of 31 December 2025 and 31 December 2024 are equivalent to basic loss per share as the Company did not issue any new instrument that would impact loss per share when executed.

29 Zakat

For the year ended 31 December 2025, Zakat amounting AED per share will not be borne by the Company on behalf of shareholders AED 0.0113 per share (2024: AED 0.0042 per share).

30 Capital risk management

The Company's objectives when managing capital are:

- to comply with the capital requirements required by UAE Federal Law No. (6) of 2025 Regarding the Central Bank, Regulation of Financial Institutions and Activities, and Insurance Business. The Company manages its capital on a basis of its minimum regulatory capital position presented in the table below:
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing takaful contracts commensurately with the level of risk.

Section 2 of the Financial Regulations for Insurance Companies (the "Regulations") issued by the Central Bank of UAE identifies the required solvency margin to be held in addition to takaful liabilities. The solvency margin must be maintained at all times throughout the year. The Company is subject to the Regulations which has been complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with these Regulations.

The table below summarises the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these solvency margins as defined in the Regulations. The Company has disclosed the solvency position for the immediately preceding period as the current year solvency position is not yet finalised.

| | At 30 September 2025 AED'000 (unaudited) | At 31 December 2024 AED'000 |
|------------------------------------|---|-----------------------------------|
| Minimum Capital Requirement (MCR) | 100,000 | 100,000 |
| Solvency Capital Requirement (SCR) | 53,381 | 28,546 |
| Minimum Guarantee Fund (MGF) | 31,906 | 19,032 |
| Basic Own Funds | 184,378 | 174,085 |
| MCR Solvency Margin - Surplus | 84,378 | 74,085 |
| SCR Solvency Margin - Surplus | 130,997 | 145,539 |
| MGF Solvency Margin - Surplus | <u>152,472</u> | <u>155,053</u> |

Notes to the financial statements for the year ended 31 December 2025 (continued)

30 Capital risk management (continued)

In accordance with Circular No. CBUAE/BIS/2025/6143 dated 12 November 2025, the assets which are not in the Company's name should not be considered as admissible in regulatory statement of financial position. In the reported solvency figures as at 31 December 2025 AED Nil (2024: AED Nil) as mentioned above, assets are not in the name of the Company and owned by a related party (refer to note 12).

Based on the Central Bank of UAE regulatory requirements, the minimum regulatory capital required is AED 100,000 thousand (2024: AED 100,000 thousand) against which the paid-up capital of the Company is AED 154,000 thousand (2024: AED 154,000 thousand).

The Company and its individually regulated operations have complied with all externally imposed capital requirements throughout the year. There have been no changes in the Company's management of capital during the year.

31 Financial instruments

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, retakaful assets and takaful liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its takaful contracts. The most important components of this financial risk are profit rate risk, equity price risk, foreign currency risk and credit risk.

These risks arise from open positions in profit rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Company primarily faces due to the nature of its investments and financial liabilities are profit rate risk and equity price risk.

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

Categories of financial instruments

| | 2025 | 2024 |
|--|----------------|---------|
| | AED'000 | AED'000 |
| Financial assets | | |
| Investments carried at FVTOCI (note 5) | 18,110 | 19,249 |
| Investments carried at at FVTPL (note 5) | 5,018 | 545 |
| Investments at amortised cost (note 5) | 168,158 | 83,171 |
| Statutory deposits | 10,000 | 10,000 |
| Other receivables | 7,764 | 6,230 |
| Bank balances (note 6) | 145,823 | 141,832 |
| Total financial assets | 354,873 | 261,027 |
| Financial liabilities | | |
| Investment contract liabilities | 3,941 | - |
| Other liabilities | 19,830 | 13,938 |
| Total financial liabilities | 23,771 | 13,938 |

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

32 Risk Management**Takaful risk**

The risk under any one takaful contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of takaful contract, this risk is random and therefore unpredictable.

For a portfolio of takaful contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its takaful contracts is that the actual claims and benefit payments exceed the carrying amount of the takaful liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insured events are random, and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar takaful contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its takaful underwriting strategy to diversify the type of takaful risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

The Company manages risks through its underwriting strategy, adequate retakaful arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

Frequency and severity of claims

The Company has the right not to renew individual policies, re-price the risk, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Takaful contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

Property takaful contracts are underwritten by reference to the commercial replacement value of the properties and contents insured and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. Property takaful contracts are subdivided into four risk categories: fire, business interruption, weather damage and theft. The takaful risk arising from these contracts is not concentrated in any of the territories in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

Frequency and severity of claims

The retakaful arrangements include excess and catastrophe coverage. The effect of such retakaful arrangements is that the Company should not suffer net takaful losses of a set limit of AED 1,000,000 (2024: AED 1,500,000) AED Nil (2024: AED 30,000) and AED 1,500,000 (2024: AED 1,500,000) in any one claim for motor, medical and other non-motor respectively. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually every year and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments

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

Notes to the financial statements for the year ended 31 December 2025 (continued)

32 Risk Management (continued)

Takaful risk (continued)

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

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

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 Company adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The 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.

Type of risk

| | 2025 | 2024 |
|--------------------------|---------------|---------------|
| Motor | <u>30.45%</u> | <u>55.76%</u> |
| Medical & Family Takaful | <u>87.04%</u> | <u>78.69%</u> |
| General | <u>35.13%</u> | <u>47.66%</u> |

Process used to decide on assumptions

The risks associated with these takaful contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual takaful contracts carried out at the reporting date to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The choice of selected results for each accident year of each class of business depends on an assessment of the 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.

Concentration of risks

The takaful risk arising from takaful contracts is concentrated mainly in the United Arab Emirates.

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

| 2025 | Gross liabilities AED'000 | Retakaful share of liabilities AED'000 | Net liabilities AED'000 |
|--------------------------------|---------------------------------|---|----------------------------|
| Motor | 58,746 | (4,051) | 54,695 |
| Medical & group family takaful | 71,819 | (20,214) | 51,605 |
| General | 134,698 | (52,695) | 82,003 |
| Total | <u>265,263</u> | <u>(76,960)</u> | <u>188,303</u> |

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Notes to the financial statements for the year ended 31 December 2025 (continued)

32 Risk Management (continued)

Takaful risk (continued)

Concentration of risks (continued)

| 2024 | Gross liabilities AED'000 | Retakaful share of liabilities AED'000 | Net liabilities AED'000 |
|--------------------------------|------------------------------|--|----------------------------|
| Motor | 63,145 | (9,106) | 54,039 |
| Medical & group family takaful | 34,925 | (4,593) | 30,332 |
| General | 83,952 | (37,982) | 45,970 |
| Total | 182,022 | (51,681) | 130,341 |

Claims development table – Gross

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.

| Accident year | 2021 AED'000 | 2022 AED'000 | 2023 AED'000 | 2024 AED'000 | 2025 AED'000 | Total AED'000 |
|--|-----------------|------------------|------------------|-----------------|-----------------|------------------|
| At the end of accident year | 78,268 | 119,224 | 137,496 | 124,991 | 157,323 | 617,302 |
| One year later | 74,944 | 120,825 | 108,490 | 89,824 | - | 394,083 |
| Two years later | 79,518 | 119,221 | 108,518 | - | - | 307,256 |
| Three years later | 76,513 | 118,407 | - | - | - | 194,920 |
| Four years later | 76,263 | - | - | - | - | 76,263 |
| Current estimate of cumulative claims | 76,263 | 118,407 | 108,518 | 89,824 | 157,323 | 550,335 |
| Cumulative payments to date | (75,956) | (117,834) | (102,936) | (72,390) | (69,537) | (438,653) |
| | 307 | 573 | 5,582 | 17,434 | 87,786 | 111,682 |
| Effect of discounting | | | | | | (3,401) |
| Effect of risk adjustment | | | | | | 3,835 |
| Others | | | | | | 5,020 |
| Total liabilities for incurred claims | | | | | | 117,136 |

Claim development table – Net

The following table reflects the Net cumulative incurred claims, including both claims notified and claims incurred but not reported (IBNR) for each successive accident year at each statement of financial position date, together with cumulative payments to date:

| Accident year | 2021 AED'000 | 2022 AED'000 | 2023 AED'000 | 2024 AED'000 | 2025 AED'000 | Total AED'000 |
|--|-----------------|------------------|-----------------|-----------------|-----------------|------------------|
| At the end of accident year | 64,497 | 98,800 | 120,114 | 73,048 | 98,272 | 454,731 |
| One year later | 61,638 | 102,347 | 95,862 | 49,789 | - | 309,636 |
| Two years later | 62,161 | 100,994 | 94,123 | - | - | 257,278 |
| Three years later | 61,414 | 100,280 | - | - | - | 161,694 |
| Four years later | 61,253 | - | - | - | - | 61,253 |
| Current estimate of cumulative claims | 61,253 | 100,280 | 94,123 | 49,789 | 98,272 | 403,717 |
| Cumulative payments to date | (61,239) | (100,140) | (90,365) | (42,628) | (46,221) | (340,592) |
| | 14 | 140 | 3,758 | 7,161 | 52,052 | 63,124 |
| Effect of discounting | | | | | | (1,893) |
| Effect of risk adjustment | | | | | | 1,993 |
| Others | | | | | | 2,835 |
| Total liabilities for incurred claims | | | | | | 66,059 |

32 Risk Management (continued)

Takaful risk (continued)

Retakaful risk

In common with other takaful companies, in order to minimise financial exposure arising from large takaful claims, the Company, in the normal course of business, enters into arrangement with other parties for retakaful purposes.

To minimise its exposure to significant losses from retakaful insolvencies, the Company evaluates the financial condition of its retakaful companies and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the retakaful. Retakaful ceded contracts do not relieve the Company from its obligations to participants. The Company remains liable to its participants for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the retakaful agreements.

Sensitivities

The liability for incurred claims is sensitive to the key assumptions in the table below. 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.

Sensitivity analysis for takaful contracts

| 2025 | Change in assumptions | 31 December 2025 | | | |
|-------------------------------------|-----------------------|---|---|---|---|
| | | Impact on net profit gross of retakaful AED'000 | Impact on net profit net of retakaful AED'000 | Impact on equity gross of retakaful AED'000 | Impact on equity net of retakaful AED'000 |
| Weighted average term to settlement | +10% | 329 | 184 | 329 | 184 |
| Expected loss | +10% | 11,670 | 6,596 | 11,670 | 6,596 |
| Inflation rate | +1% | 33 | 18 | 33 | 18 |
| Weighted average term to settlement | -10% | (329) | (184) | (329) | (184) |
| Expected loss | -10% | (11,670) | (6,596) | (11,670) | (6,596) |
| Inflation rate | -1% | (33) | (18) | (33) | (18) |
| 2024 | Change in assumptions | 31 December 2024 | | | |
| | | Impact on net profit gross of retakaful AED'000 | Impact on net profit net of retakaful AED'000 | Impact on equity gross of retakaful AED'000 | Impact on equity net of retakaful AED'000 |
| Weighted average term to settlement | +10% | 255 | 135 | 255 | 135 |
| Expected loss | +10% | 8,801 | 4,560 | 8,801 | 4,560 |
| Inflation rate | +1% | 26 | 14 | 26 | 14 |
| Weighted average term to settlement | -10% | (255) | (135) | (255) | (135) |
| Expected loss | -10% | (8,801) | (4,560) | (8,801) | (4,560) |
| Inflation rate | -1% | (26) | (14) | (26) | (14) |

Notes to the financial statements for the year ended 31 December 2025 (continued)**32 Risk Management** (continued)**Takaful risk** (continued)**Financial risk****Market risk**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, profit rates and equity price risk.

Foreign currency risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams, other G.C.C. currencies or US Dollars to which the AED is pegged.

Credit risk

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

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

- 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.

The Company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

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

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the 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 Company.

Takaful receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of takaful receivable.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristic, other than takaful receivables at the end of reporting period. The Company defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 10% of gross monetary assets at any time during the year. The credit risk on liquid funds is limited because the counterparties are banks registered in the United Arab Emirates.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

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Notes to the financial statements for the year ended 31 December 2025 (continued)

32 Risk Management (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with management, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table on next page summarises the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the end of the reporting period to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements is given below:

| 2025 | Less than 90 days AED'000 | 91-180 days AED'000 | 181-365 days AED'000 | Above 365 days AED'000 | Total AED'000 |
|---|---------------------------------|---------------------------|----------------------------|------------------------------|------------------|
| Assets | | | | | |
| At FVTOCI (note 5) | 3,117 | - | - | 14,993 | 18,110 |
| At FVTPL (note 5) | - | - | - | 5,018 | 5,018 |
| At amortized cost (note 5) | 13,745 | 5,829 | 5,574 | 143,010 | 168,158 |
| Statutory deposits | - | - | - | 10,000 | 10,000 |
| Takaful, retakaful contract assets | 38,125 | 13,350 | 13,259 | 12,395 | 77,129 |
| Other receivables | 2,386 | 984 | 373 | 2,249 | 5,992 |
| Bank balances - profit bearing | 17,743 | 32,973 | 77,763 | - | 128,479 |
| Bank balances - non-profit bearing | 17,344 | - | - | - | 17,344 |
| | 92,460 | 53,136 | 96,969 | 187,665 | 430,230 |
| Liabilities | | | | | |
| Other liabilities | 7,377 | 10,405 | 131 | 1,917 | 19,830 |
| Investment contract liabilities | - | - | - | 3,941 | 3,941 |
| Takaful, retakaful contract liabilities | 117,635 | 52,824 | 51,455 | 43,518 | 265,432 |
| | 125,012 | 63,229 | 51,586 | 49,376 | 289,203 |
| 2024 | Less than 90 days AED'000 | 91-180 days AED'000 | 181-365 days AED'000 | Above 365 days AED'000 | Total AED'000 |
| Assets | | | | | |
| At FVTOCI (note 5) | - | - | - | 19,249 | 19,249 |
| At FVTPL (note 5) | - | - | - | 545 | 545 |
| At amortized cost (note 5) | - | - | - | 83,171 | 83,171 |
| Statutory deposits | - | - | - | 10,000 | 10,000 |
| Takaful, retakaful contract assets | 28,954 | 8,735 | 7,582 | 6,649 | 51,920 |
| Other receivables | 4,344 | 1,071 | 653 | 162 | 6,230 |
| Bank balances - profit bearing | 22,428 | 27,560 | 83,452 | - | 133,440 |
| Bank balances - non-profit bearing | 8,392 | - | - | - | 8,392 |
| | 64,118 | 37,366 | 91,687 | 119,776 | 312,947 |
| Liabilities | | | | | |
| Other liabilities | 8,100 | 1,692 | 1,941 | 2,205 | 13,938 |
| Takaful, retakaful contract liabilities | 87,420 | 39,380 | 32,647 | 22,814 | 182,261 |
| | 95,520 | 41,072 | 34,588 | 25,019 | 196,199 |

Notes to the financial statements for the year ended 31 December 2025 (continued)**32 Risk Management** (continued)*Equity price risk**Sensitivity analysis*

At the reporting date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant the Company's statement of income/comprehensive income would have increased/decreased by AED 733 thousand (2024: AED 861 thousand).

Method and assumptions for sensitivity analysis

The sensitivity analysis has been done based on the exposure to equity price risk as at the end of the reporting period.

- As at the reporting date if equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on statement of income and other comprehensive income has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

33 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 participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company 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 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 financial statements for the year ended 31 December 2024.

Fair value measurements recognised in the statement of financial position

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

- 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).

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Notes to the financial statements for the year ended 31 December 2025 (continued)

33 Fair value measurements (continued)

| Fair value as at | 31 December 2025 AED'000 | 31 December 2024 AED'000 | Fair value hierarchy | Valuation techniques and key inputs | Significant unobservable input | Relationship of unobservable inputs to fair value |
|--|---|---|---------------------------------|--|---|--|
| Financial assets measured at FVTPL | | | | | | |
| Unit linked investments | 4,489 | - | Level 2 | Quoted prices in a secondary market | None | Not applicable |
| Unquoted equity investments | 529 | 545 | Level 3 | Net assets valuation method | Net assets value | EV/EBITDA multiple for similar companies will directly impact the fair value calculation |
| Financial assets measured at FVTOCI | | | | | | |
| Unquoted equity securities | 6,368 | 7,795 | Level 3 | Net assets valuation method | Net assets value | Higher the net assets value of investees, higher the fair value |
| Unquoted equity securities | 337 | 270 | Level 3 | Multiple base approach | Relative value | Higher the multiple based value of investees, higher the fair value |
| Quoted Sukuk | 11,405 | 11,184 | Level 1 | Quoted bid prices in an active market | None | Not applicable |
| Financial assets at amortised cost | | | | | | |
| Quoted Sukuk | 168,158 | 83,171 | Level 1 | Quoted prices in a secondary Market | None | Not applicable |
| Financial liabilities measured at FVTPL | | | | | | |
| Investment contract liabilities | 3,941 | - | Level 2 | Quoted prices in a secondary Market | None | Not applicable |

There were no transfers between levels during the period. There are no other financial liabilities which should be categorised under any of the levels in the above table.

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Notes to the financial statements for the year ended 31 December 2025 (continued)

34 Contingent liabilities

| | 2025 AED'000 | 2024 AED'000 |
|-----------------------|-----------------|-----------------|
| Letters of guarantees | <u>10,505</u> | <u>10,579</u> |

The Company is subject to litigation in the normal course of its business. Although the ultimate outcome of these claims cannot presently be determined, adequate provisions have been made for any liability that may result, based on management's best estimates.

35 Internal Sharia supervisory committee

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

According to the Internal Sharia Supervision Committee, the Company is required to identify any income deemed to be derived from transactions not acceptable under Islamic Sharia rules and principles, as interpreted by Internal Sharia Supervision Committee, 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.

36 Subsequent events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation of these financial statements.