

**TAKAFUL EMARAT - INSURANCE
(PSC) AND ITS SUBSIDIARY**

Consolidated Financial Statements
For the year ended 31 December 2023

REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2023

Dear Shareholders,

We have the pleasure in presenting you the financial results of Takaful Emarat - Insurance (PSC), (the "Group") for the year ended 31 December 2023.

In Q4 2023, we have decided to start a new chapter by initiating a capital restructuring process to write-off the accumulated losses as of Q3 2023. The process will start with capital reduction to offset the accumulated losses followed by capital injection to revive the business.

A comprehensive assessment of our operations, identifying inefficiencies, and devising strategic measures to enhance our operational efficacy will lead to a significant restructuring, optimising our resources, cost efficiencies and focusing on core competencies. The effects of these actions will start resonating in our results positively in 2024 compared with previous year.

Looking ahead to 2024, the transformation journey we have embarked on will continue with full momentum, where the strategic initiatives implemented this year will fully start delivering results.

Takaful revenue for the year ended 31 December 2023 has reached AED 228.7 million against AED 342.8 million in the last year.

Net loss attributable to shareholders revenue for the year ended 31 December 2023 has reached AED 12.4 million against the net loss of AED 97.2 million in the last year.

Participants surplus for the year ended 31 December 2023 has reached AED 27.8 million against a deficit of AED 92.2 million in the last year.

This loss is predominantly pertaining to create provisions and recognising impairment losses for investments held as of Q4 2023.

We would like to put on record our sincere appreciation and gratitude towards all stakeholders of Takaful Emarat Insurance (PSC). We would also like to thank our management and staff of the Group for their sincere and dedicated contribution to the successful growth of the Group.

May God; the Almighty; guide our steps.



Mr. Mones Madani
Vice Chairman

Independent Auditor's Report

To the Shareholders of Takaful Emarat - Insurance (PSC) and its subsidiary

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Takaful Emarat Insurance (P.S.C) (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Emphasis of Matter

We draw attention to the note 28 of the consolidated financial statement which states that the Group did not meet the Minimum Capital Requirements of AED 100 million, Solvency Capital Requirements of AED 45.9 million and Minimum Guarantee Fund of AED 29.9 million as at 31 December 2023. Further, the Group has a negative equity of AED 39.6 million and net current liabilities of AED 252.3 million. The Group's ability to comply with the solvency requirements depends on the capital injection and effective implementation of the business plan submitted to the regulatory authorities. This indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

Independent Auditor's Report

To the Shareholders of Takaful Emarat - Insurance (PSC) and its subsidiary

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

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of Retakaful and Takaful Contract Assets and Liabilities	
<p>As at 31 December 2023, The Group retakaful contract assets, takaful contract liabilities and retakaful contract liabilities are valued at AED 33.7 million, AED 536.2 million and AED 3.5 million respectively. Refer to note 9 to the consolidated financial statements.</p> <p>The valuation of retakaful and takaful contract assets and liabilities involves significant judgements and estimates particularly with respect to, estimation of the present value of future cash flows, the eligibility of the PAA model and estimation of the liabilities for incurred claims.</p> <p>These cashflows and liabilities primarily include determination of expected premium receipts, expected ultimate cost of claims and allocation of takaful acquisition cash flows which are within the contract boundaries.</p> <p>The calculation for these liabilities includes significant estimation and involvement of actuarial experts to ensure appropriateness of methodology, assumptions and data used to determine the estimated future cash flows and the appropriateness of the discount rates used to determine the present value of these cashflows.</p>	<p>We performed the following procedures in conjunction with our actuarial specialists:</p> <ul style="list-style-type: none"> • Understood and evaluated the process, the design and implementation of controls in place to determine valuation of retakaful and takaful contract assets and liabilities; • Assessed the competence, capabilities and objectivity of the management appointed actuary; • Tested the completeness, and on sample basis, the accuracy and relevance of data used to determine future cashflows; • Evaluated the appropriateness of the methodology, significant assumptions including risk adjustment, PAA eligibility assessment, discount rates and expenses included within the fulfilment cashflows. This included consideration of the reasonableness of assumptions against actual historical experience and the appropriateness of any judgments applied; • We independently reperformed the calculation to assess the mathematical accuracy of the retakaful and takaful contract assets and liabilities on selected classes of business, particularly focusing on largest and most uncertain reserves; • Evaluated and tested the data used in the impairment model calculations for takaful receivables; and • Evaluated and tested the calculation of the expected credit loss allowance and the key assumption and judgements used.

Independent Auditor's Report

To the Shareholders of Takaful Emarat - Insurance (PSC) and its subsidiary

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

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Disclosure of transition impact of adopting IFRS 17	
<p>We determined the disclosure of the impact of adopting IFRS 17 to be a key audit matter because of the significant changes introduced by the standard, which includes significant estimates and judgements. These impacts will be of particular importance to the readers of these consolidated financial statements. Refer to note 4 and 31 to the consolidated financial statements.</p> <p>In particular, we have focused on the following key judgements that management have taken on implementing IFRS 17.</p> <ul style="list-style-type: none"> - The determination of the transition approach adopted for each group of takaful contracts. - The methodology adopted and key assumptions used to determine the impact and restatement of previously reported numbers in accordance with IFRS 17. - Disclosure of the impact of restatement, in accordance with IFRS 17. 	<p>Our audit procedures, among others, include:</p> <ul style="list-style-type: none"> • Assessed whether the judgements applied by management in determining their accounting policies are in accordance with IFRS 17; • Using our actuarial specialist team members, evaluated the appropriateness of the methodology used to determine discount rates as at the transition date; • Evaluated the appropriateness of significant assumptions including risk adjustment, PAA eligibility assessment, discount rates and expenses included within the fulfilment cashflows; • Evaluated the completeness, and on sample basis, the accuracy and relevance of the data used to determine the impact of IFRS 17 adoption and restatement; and • Evaluated the reasonableness of the quantitative and qualitative disclosures included in the consolidated financial statements in accordance with IFRS 17.
Valuation of investment properties	
<p>The Group holds investment properties under the fair value model as at 31 December 2023 amounting to AED 84.0 million (2022: AED 57.7 million). Refer to note 7 to the consolidated financial statements.</p> <p>The fair value requires significant judgement and estimates by management and independent valuers. The Group has involved two external valuers in order to value their investments properties for the purpose of determining the fair value for inclusion in the consolidated financial statements.</p> <p>The existence of significant judgement and estimation could result in material change. Therefore, the valuation of these investment properties were significant to our audit.</p>	<p>Our audit procedures, among others, included:</p> <ul style="list-style-type: none"> • Assessed the competence, capabilities, and objectivity of external valuers; • Evaluated the accuracy and completeness of the source data used in the calculation of fair values; • Assessed the appropriateness of the key assumptions and methodologies used. • Involved our expert to assess the key assumptions and methodologies used for reaching the fair values; • Performed an independent calculation after carrying out enquiries with management and independent valuer, including performing reasonableness computation by using publicly available sources of information to independently corroborate the valuation performed by management experts; and • Assessed the adequacy of disclosures included in consolidated financial statements.

Independent Auditor's Report

To the Shareholders of Takaful Emarat - Insurance (PSC) and its subsidiary

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

Other Matter

The consolidated financial statements for the year ended 31 December 2022 were audited by another auditor who expressed a qualified opinion on those consolidated financial statements in their audit report dated 7 April 2023.

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. 32 of 2021 and Federal Law No 48 of 2023 (previously Federal Law No. 6 of 2007, as amended), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the audit of the Consolidated Financial Statements

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

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

Independent Auditor's Report

To the Shareholders of Takaful Emarat - Insurance (PSC) and its subsidiary

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

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

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

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

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

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

Independent Auditor's Report

To the Shareholders of Takaful Emarat - Insurance (PSC) and its subsidiary

Report on other Legal and Regulatory Requirements

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

- i) We have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. 32 of 2021;
- iii) The Group has maintained proper books of account;
- iv) The financial information included in Board of Directors' Report, in so far as it relates to these consolidated financial statements, is consistent with the books of accounts of the Group;
- v) As disclosed in note 8 to the consolidated financial statements, the Group has purchased or invested in securities during the year ended 31 December 2023;
- vi) Note 24 to the consolidated financial statements discloses material related party transactions;
- vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the Federal Law No. 32 of 2021, or in respect of the Group, its Memorandum of Association which would materially affect its activities or its financial position as at 31 December 2023; and
- viii) The Group has not made any social contributions during the year.

Further, as required by the UAE Federal Law No. 48 of 2023 (previously Federal Law No. 6 of 2007, as amended), we report that we have obtained all the information and explanation we considered necessary for the purpose of our audit.


GRANT THORNTON UAE

Farouk Mohamed
Registration No: 86
Dubai, United Arab Emirates

5 April 2024



Takaful Emarat - Insurance (PSC) and its subsidiary
Consolidated statement of financial position
As at 31 December 2023

	Notes	2023 AED'000	Restated 2022 AED'000	Restated 2021 AED'000
Assets				
Participants' assets				
Investment properties	7	83,984	57,705	54,962
Investments carried at FVTPL	8	343,196	258,533	360,883
Investments carried at FVTOCI		-	-	57,620
Takaful contract assets	9	-	131	1,152
Retakaful contract assets	9	33,700	11,575	33,138
Other receivables	10	5,648	18,249	20,940
Due from shareholders		106,471	94,368	-
Cash and bank balances	12	50,791	90,875	55,473
Total participants' assets		623,790	531,436	584,168
Shareholders' assets				
Property and equipment	5	715	796	45,369
Intangible assets	6	490	1,094	1,866
Investments carried at FVTPL	8	4,829	7,125	21,794
Other receivables	10	4,800	3,478	1,444
Statutory deposit	11	4,000	4,000	4,000
Cash and bank balances	12	25,450	13,048	11,372
Due from participants		-	-	100,918
Total shareholders' assets		40,284	29,541	186,763
Total assets		664,074	560,977	770,931


The notes from 1 to 34 form an integral part of these consolidated financial statements.

Takaful Emarat - Insurance (PSC) and its subsidiary
Consolidated statement of financial position (continued)
As at 31 December 2023

	Notes	2023 AED'000	Restated 2022 AED'000	Restated 2021 AED'000
Participants' liabilities and deficit				
Participants' liabilities				
Takaful contract liabilities	9	536,243	406,215	460,491
Retakaful contract liabilities	9	3,453	13,895	11,247
Other payables	16	18,370	17,810	10,201
Due to shareholders		-	-	100,918
Total participants' liabilities		558,066	437,920	582,857
Deficit in participants funds and Qard Hassan from shareholder's				
Deficit in participants funds	17	(65,724)	(93,516)	1,311
Qard Hassan from Shareholder's	17	65,724	93,516	(1,311)
Deficit in participants funds and Qard Hassan from shareholder's		-	-	-
Total participants' liabilities and deficit		558,066	437,920	582,857
Shareholder's liability and equity				
Shareholder's liabilities				
Employees' end of service benefits		3,636	4,217	3,133
Ijarah finance		-	17,500	21,700
Other payables	16	35,553	34,198	35,638
Due to participants		106,471	94,368	-
Total shareholder's liabilities		145,660	150,283	60,471
Shareholder's equity				
Share capital	13	150,000	150,000	150,000
Statutory reserve	14	6,568	6,568	6,568
Retakaful reserves	14	1,966	1,268	830
Cumulative changes in fair value of FVTOCI investments		(16,922)	(16,922)	40,698
Accumulated losses		(181,264)	(168,140)	(70,493)
Total shareholder's (deficit)/equity		(39,652)	(27,226)	127,603
Total shareholder's equity and liabilities		106,008	123,057	188,074
Total liabilities, participants' fund and equity		664,074	560,977	770,931

This consolidated financial statement was authorised for issue on 05 April 2024 by the Board of Directors and signed on their behalf by:


Mr. Mones Madani
Vice Chairman


Mr. Mohd Amin Abu Quora
Chief Executive Officer

The notes from 1 to 34 form an integral part of these consolidated financial statements.

Takaful Emarat - Insurance (PSC) and its subsidiary
Consolidated statement of profit and loss
For the year ended 31 December 2023

	Notes	2023 AED'000	Restated 2022 AED'000
Attributable to participants'			
Takaful revenue	18	228,705	342,753
Takaful service expense	19	(176,270)	(263,297)
Expenses from retakaful contracts held		2,946	(25,208)
Takaful service result		55,381	54,248
Takaful finance expenses	20	(57,848)	(15,145)
Retakaful finance income/(expense)	20	1,342	(2,519)
Net change in fair value of participants' investment		56,078	11,781
Net takaful income		54,953	48,365
Investment income/(loss), net		16,754	(82,221)
Wakala fees		(43,915)	(58,349)
Surplus/(deficit) for the year attributable to participants		27,792	(92,205)
Attributable to shareholders			
Investment loss - net		(1,190)	(780)
Other income	21	236	18,893
Wakala fees		43,915	58,349
Policy acquisition cost		(34,945)	(25,782)
General and administrative expenses	22	(48,234)	(55,633)
Loss for the year before Qard Hassan		(40,218)	(4,953)
Reversal/(provision) against Qard Hassan to participants	17	27,792	(92,205)
Loss for the year attributable to shareholders		(12,426)	(97,158)
Loss per share			
Basic and diluted loss per share	27	(0.08)	(0.65)

The notes from 1 to 34 form an integral part of these consolidated financial statements.

Takaful Emarat - Insurance (PSC) and its subsidiary
Consolidated statement of comprehensive income
For the year ended 31 December 2023

	2023 AED'000	Restated 2022 AED'000
Net loss for the year	(12,426)	(97,158)
Other comprehensive loss		
Net changes in fair value of financial assets at fair value through other comprehensive income (FVTOCI)		
Attributable to participants	-	(57,620)
Total other comprehensive loss for the year	(12,426)	(154,778)

The notes from 1 to 34 form an integral part of these consolidated financial statements.

Takaful Emarat - Insurance (PSC) and its subsidiary
Consolidated statement of changes in equity
For the year ended 31 December 2023

	Share capital AED'000	Statutory reserve AED'000	Retakaful reserve AED'000	Cumulative changes in fair value of investments (FVTOCI) AED'000	Accumulated losses AED'000	Total equity/(deficit) AED'000
Balance at 1 January 2022, as previously reported	150,000	6,568	830	40,698	(74,987)	123,109
Impact of IFRS 17 and IFRS 9 adoption	-	-	-	-	4,494	4,494
Restated balance at 1 January 2022	150,000	6,568	830	40,698	(70,493)	127,603
Loss for the year (restated)	-	-	-	-	(97,158)	(97,158)
Unrealised loss on equity investments carried at FVTOCI	-	-	-	(57,620)	-	(57,620)
Zakat paid	-	-	-	-	(51)	(51)
Total comprehensive loss for the year	-	-	-	(57,620)	(97,209)	(154,829)
Transfer to retakaful reserves	-	-	438	-	(438)	-
Balance at 31 December 2022 (Restated)	150,000	6,568	1,268	(16,922)	(168,140)	(27,226)
Balance at 1 January 2023, as previously reported	150,000	6,813	1,268	40,698	(73,273)	125,506
Impact of IFRS 17 and IFRS 9 adoption	-	-	-	-	1,217	1,217
Impact of restatement (note 31)	-	(245)	-	(57,620)	(96,084)	(153,949)
Restated balance at 1 January 2023	150,000	6,568	1,268	(16,922)	(168,140)	(27,226)
Loss for the year	-	-	-	-	(12,426)	(12,426)
Total comprehensive loss for the year	-	-	-	-	(12,426)	(12,426)
Transfer to retakaful reserves	-	-	698	-	(698)	-
Balance at 31 December 2023	150,000	6,568	1,966	(16,922)	(181,264)	(39,652)

The notes from 1 to 34 form an integral part of these consolidated financial statements.

Takaful Emarat - Insurance (PSC) and its subsidiary
Consolidated statement of cash flows
For the year ended 31 December 2023

		2023	Restated 2022
	Notes	AED'000	AED'000
Cash flows from operating activities			
Loss for the year		(12,426)	(97,158)
Adjustments for:			
Depreciation and amortisation		853	4,173
Gain on disposal of property and equipment		-	(11,439)
Unrealised (gain)/loss on investments carried at FVTPL	8	(55,206)	71,881
Realised gain on sale of investments at FVTPL		-	(1,656)
Provision for expected credit loss		20	17
Provision for employees' end of service benefits		488	2,804
Change in fair value of investment properties	7	(15,441)	1,770
Operating cash flows before changes in working capital		(81,712)	(29,608)
Changes in working capital:			
Changes in takaful contract assets		131	1,021
Changes in retakaful contract assets		(22,125)	21,563
Change in other receivables		11,279	657
Changes in takaful contract liabilities		130,028	(54,276)
Changes in retakaful contract liabilities		(10,442)	2,648
Change in other payables		1,918	6,171
Cash generated from /(used in) operating activities		29,077	(51,824)
Employees end of service indemnity paid		(1,069)	(686)
Net cash generated from/(used in) operating activities		28,008	(52,510)
Cash flows from investing activities			
Change in deposits with maturity of more than three months		27,532	(23,892)
Net (purchase)/proceeds from investments at FVTPL		(27,161)	46,792
Purchase of property and equipment		(171)	(289)
Purchase of intangible assets		-	(101)
Proceeds from disposal of property and equipment		-	53,000
Addition to investments properties		(10,838)	(5,546)
Net cash (used in)/generated from investing activities		(10,638)	69,964
Cash flows from financing activities			
Zakat paid		-	(51)
Repayment of ijarah financing		(17,500)	(4,200)
Net cash used in financing activities		(17,500)	(4,251)
Net change in cash and cash equivalents		(130)	13,203
Cash and cash equivalents at beginning of the year		62,831	49,628
Cash and cash equivalents at end of the year	12	62,701	62,831

The notes from 1 to 34 form an integral part of these consolidated financial statements.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

1 Legal status and activities

Takaful Emarat - Insurance (PSC) and its subsidiary, Dubai, United Arab Emirates (the “Group”) is a public stock company incorporated in the Emirate of Dubai – United Arab Emirates, subject to the regulations of the UAE Federal Law No. 32 of 2021 and the UAE Federal Law No. 48 of 2023 (previously UAE Federal Law No. 6 of 2007, as amended) relating to commercial companies in the UAE and is registered in the Insurance Companies Register of Central Bank of the United Arab Emirates.

The Group carries out takaful activities in Health, Life and Credit and Saving lines of business in accordance with the Islamic Sharia’a and within the provisions of the Articles of Association of the Group.

The registered address of the Group is P.O. Box 57589, Dubai, United Arab Emirates.

During the year, Federal Law No. 48 of 2023 has been issued with effective date of 30 November 2023, repealing Federal Law No. 6 of 2007. In accordance with Article 112 of the Federal Law No. 48 of 2023, the Group has 6 months from this date of effect to apply the provisions of new Law.

This consolidated financial statement has been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Law No. 32 of 2021.

This consolidated financial statement incorporates the financial statements of the Company and its subsidiary (collectively referred to as the “Group”).

Subsidiary	Principal activity	Country of incorporation	Ownership	
<i>Directly owned</i>			2023	2022
Modern Tech Investment	Investment	United Arab Emirates	100%	100%

2 Application of new and revised international financial reporting standards (“IFRS”)

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

Standard number	Title	Effective date
IAS 1	Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
IAS 8	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction – Amendments to IAS 12	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023

With the exception of the changes arising on adoption of “IFRS 17 Insurance contracts” and “IFRS 9 Financial instruments” as explained in note 4 to the consolidated financial statements, the new and revised IFRS effective in the period did not have any significant impact.

Standards issued but not yet effective

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

Standard number	Title	Effective date
IAS 1	Amendment to IAS 1 – Non-current liabilities with covenants	1 January 2024
IFRS 16	Amendment to IFRS 16 – Leases on sale and leaseback	1 January 2024

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

3 Basis of preparation

Statement of compliance

These consolidated 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, relating to commercial companies, and of UAE Federal Law No. 48 of 2023 (previously UAE Federal Law No.6 of 2007), concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations. These consolidated financial statements are prepared in UAE Dirhams ("AED") being the economic, functional and reporting currency, rounded to the nearest thousand.

While applying the requirements of International Financial Reporting Standards 17 - Insurance Contracts (IFRS-17), the Group has considered policy acquisition cost and general and administrative expenses (attributable) for the assessment of takaful service expenses. This contradicts the principles as per Article 3.3 of Section 7 of the Financial Regulations for Takaful Companies (FRTC) as these are shareholders' expenses. Further, to align the presentation in line with FRTC requirements, the Group reclassified all maintenance and acquisition expenses from the takaful service expenses under the participants fund to the general expenses and acquisition cost to be under the shareholders' fund.

The Group did not meet the Minimum Capital Requirements of AED 100 million, Solvency Capital Requirements of AED 45.9 million and Minimum Guarantee Fund of AED 29.8 million as at 31 December 2023. Further, the Group has a negative equity of AED 39.6 million and net current liabilities of AED 252.3 million. The Group has made a business plan to meet the solvency requirements which is submitted to the regulatory authorities. However, as certain actions included in the business plan are not wholly within management's control, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Basis of measurement

The consolidated financial statement has been prepared on the historical cost basis except for the following which are measured at fair value:

- i. Financial assets at fair value through other comprehensive income ("FVTOCI");
- ii. Financial assets at fair value through profit or loss ("FVTPL"); and
- iii. Investment properties.

The Group's consolidated statement of financial position is not presented using a current/non-current classification. However, the following balances would generally be classified as current: Cash and cash equivalents, Takaful and other receivables and Takaful and other payables. The following balances would generally be classified as non-current: property and equipment and statutory deposit. The following balances are of mixed nature (including both current and non-current portions): financial assets at fair value through other comprehensive income, retakaful contract assets, takaful contract liabilities, bank balances and fixed deposits and provision for employees' end of service indemnity.

Functional and presentation currency

The consolidated financial statement is presented in U.A.E. Dirhams ("AED") rounded to the nearest thousand, since that is the currency in which the majority of the Group's transactions are denominated.

Use of estimates and judgments

The preparation of consolidated financial statement is in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected. In preparing this consolidated financial statement, the significant judgments made by management in applying the Group's accounting policies and estimation of key sources of uncertainty were the same as those that applied to the audited annual consolidated financial statements as at and for the year ended 31 December 2022 except as described in note 4 to this consolidated financial statement.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

3 Basis of preparation (continued)

Basis of consolidation

The consolidated financial statement comprises the financial statements of the Group and its investees that are considered subsidiary as at 31 December 2023. Subsidiary is investees that the Group has control over. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial information of a subsidiary is included in the Group's consolidated financial statements from the date that control commences until the date that control ceases. The Group maintains control over the subsidiaries as it has power over the investee, exposure or rights to its variable returns and the power to affect the investor's returns.

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

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

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

4 Material accounting policies

Standards, interpretations, and amendments to existing standards – Impact of new IFRS

IFRS 17 Insurance contracts

The Group has adopted IFRS 17 Insurance Contracts ("IFRS 17"), which replaces IFRS 4 Insurance Contracts ("IFRS 4"), from 1 January 2023. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts covering all relevant accounting aspects. Along with IFRS 17, the Group has also adopted IFRS 9 Financial Instruments.

Changes to classification and measurement

IFRS 17 establishes specific principles for the recognition, measurement, presentation and disclosure of takaful contracts issued and retakaful contracts held by the Group. The Group uses different measurement approaches, depending on the type of contracts, as follows:

Nature of Contracts	Product classification	Measurement model
<i>Unit Linked</i>	<i>Takaful contracts</i>	<i>Variable Fee Approach</i>
<i>Term Life</i>	<i>Takaful contracts</i>	<i>General Measurement Model</i>
<i>Group Life</i>	<i>Takaful contracts</i>	<i>Premium Allocation Approach</i>
<i>Group Medical</i>	<i>Takaful contracts</i>	<i>Premium Allocation Approach</i>
<i>Individual Medical</i>	<i>Takaful contracts</i>	<i>Premium Allocation Approach</i>
<i>All retakaful contracts held other than those held corresponding to term life and Unit linked contracts</i>	<i>Retakaful contracts held</i>	<i>Premium Allocation Approach</i>
<i>retakaful contracts held corresponding to term life and unit linked contracts</i>	<i>Retakaful contracts held</i>	<i>General Measurement Model</i>

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance contracts (continued)

Changes to classification and measurement (continued)

The key principles of IFRS 17 under the different measurement models, where applicable, are that the Group:

- Identifies takaful contracts as those under which the Group accepts significant takaful risk from another party (the participant) by agreeing to compensate the participant if a specified uncertain future event (the insured event) adversely affects the participant.
- Divides the takaful and retakaful contracts into groups it will recognise and measure.
- Recognises profit from a group of takaful contracts over each period the Group provides takaful contract services, when the risk is released. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Group recognises the loss immediately.

The premium allocation approach (PAA) simplifies the measurement of takaful contracts in comparison with the general measurement model (GMM/VFA) in IFRS 17. The measurement principles of the PAA differ from the ‘earned premium approach’ used by the Group under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for takaful services provided (takaful revenue for each period is the amount of expected premium receipts for providing services in the period).
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision or premium deficiency reserves).
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) claims under IFRS 4) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Group’s obligation to pay other incurred takaful expenses.

Measurement of the asset for remaining coverage (reflecting retakaful premiums paid for retakaful held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

Under the GMM and the variable fee approach (VFA), the Group recognises and measures groups of takaful contracts at:

- i. A risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information; and
- ii. An amount representing the unearned profit in the group of contracts (the contractual service margin or CSM)

The VFA is a mandatory modification of the GMM regarding the treatment of the CSM in order to accommodate direct participating contracts.

The Group capitalises takaful acquisition cash flows for all takaful group of contracts measured under PAA. The Group allocates the acquisition cash flows to groups of takaful contracts issued using a systematic and rational basis. takaful acquisition cash flow include the cash flows arising from the costs of selling, underwriting and starting a group of takaful contracts (issued or expected to be issued) that are directly attributable to the portfolio of takaful contracts to which the group belongs.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance contracts (continued)

Changes to presentation and disclosure

IFRS 17 introduces a new way of presenting income and expenses relating to takaful contracts that moves away from a premium based presentation approach for the consolidated statement of comprehensive income. It also introduces changes in the way takaful contract related account balances are presented in the consolidated statement of financial position.

In addition, IFRS 17 requires more granular and detailed disclosures to provide information on the composition and movements of the amounts recognised in the consolidated financial statements that arise from takaful contracts in the form of roll forward and reconciliation tables.

The Group will present the following line items separately in the consolidated statement of financial position as required under IFRS 17:

- Portfolios of takaful contracts that are assets.
- Portfolios of takaful contracts that are liabilities.
- Portfolios of retakaful contracts that are assets.
- Portfolios of retakaful contracts that are liabilities.

The carrying amount of a takaful contract asset/liability is the sum of the liability of remaining coverage and the liability for incurred claims. retakaful contracts held that are either assets or liabilities, comprise liability for remaining coverage and liability for incurred claims that correspond to the ceded business. The line-item descriptions in the profit or loss and other comprehensive income have been changed significantly compared with prior year. Previously the Group reported the following line items:

- Gross contribution written
- Changed in unearned contribution
- Takaful contribution earned
- Retakaful contributions
- Net earned contribution
- Retakaful contributions ceded
- Net earned contributions
- Gross claims incurred
- Retakaful share of claims incurred
- Net claims incurred
- Change in reserves
- Net change in fair value of participants' investment linked contracts
- Wakalah fees
- Wakalah fees from participants'
- Amortisation of deferred policy acquisition cost
- Recovery of/(provision for) Qard Hassan to participants' fund

Instead, IFRS 17 requires separate presentation of:

- Takaful revenue/ Takaful service expense
- Income or expenses from retakaful contracts held.
- Takaful service results
- Takaful/ retakaful finance income or expenses
- Net takaful finance income or expenses

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance contracts (continued)

Transition impact

On transition date, 1 January 2022, the Group identified, recognised and measured each group of takaful contracts using the applicable transition approaches discussed below, and derecognised any existing balances that would not exist had IFRS 17 always been applied, recognising any resulting net difference in equity.

Changes in accounting policies resulting from the adoption of IFRS 17 are applied using the Full Retrospective Approach (FRA) to the extent possible. However, if the FRA for a group of takaful contracts is impracticable, then the Group can choose either a Modified Retrospective Approach or Fair Value Approach.

The majority of the non-life and group life policies written by the Group are short-term, i.e., having tenure of less than or equal to 12 months. Considering the short-term duration of policies and availability of the data, the Group applied the full retrospective approach for the non-life and group portfolio.

Whereas for the Long-term Individual life and unit linked portfolios, the Group assessed historical information available and determined that all reasonable and supportable information necessary for applying the full retrospective approach was not available for contracts issued prior to the transition date. Considering this, the Group applied the Fair Value Approach (FVA).

Fair Value Approach is one of the two alternatives provided by IFRS 17 for determining the various accounts, but more specifically the Contractual Service Margin (CSM), at the transition date for groups of takaful contracts for which Full Retrospective Approach would be impracticable.

To apply the fair value approach, an entity shall determine the Contractual Service Margin or Loss Component of the liability for remaining coverage at the transition date as the difference between the fair value of a group of takaful contracts and the fulfilment cash flows at the transition date.

IFRS 17 does not provide guidance on determining Fair Value of takaful Contracts, but it refers to the standard “IFRS 13 - Fair Value Measurement”. IFRS 13 provides guidance in the measurement, but not specifically for takaful contracts and it defines the Fair value as a market-based measurement, not an entity specific measurement. The fair value at transition is applied for the liability at transition. Where two different takaful contract liabilities are calculated one being the market participant based Fair Value of Liability and the other being the fulfilment cashflow under IFRS-17 (BEL+RA) and difference between the two is recognised as initial CSM. The Group has aggregated contracts issued more than one year apart for groups of contracts applying the Fair Value approach at transition, as it did not have supportable information to aggregate contracts into groups including only contracts issued within one year.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance contracts (continued)

Transition impact (continued)

The table below summaries the impact of initial application of IFRS 17 as at 31 December 2022. Refer to the note 31 of the consolidated financial statements for the detailed restatement disclosure.

Description	As previously reported AED'000	Effect of IFRS 17&9 application AED'000	As restated AED'000
Assets			
Deferred policy acquisition cost	38,920	(38,920)	-
Takaful and other receivables	49,887	(28,160)	21,727
Takaful contract assets	-	131	131
Retakaful contract assets	66,966	(55,391)	11,575
Cash and bank balances	103,970	(47)	103,923
Liabilities			
Takaful and other payables	139,924	(87,916)	52,008
Retakaful contract liability	-	13,895	13,895
Takaful contract liabilities	455,798	(49,583)	406,215
Equity			
Accumulated losses	(169,357)	1,217	(168,140)

The table below summaries the impact of initial application of IFRS 17 as at 1 January 2022

Description	As previously reported AED'000	Effect of IFRS 17&9 application AED'000	As restated AED'000
Assets			
Deferred policy acquisition cost	51,246	(51,246)	-
Takaful and other receivables	195,099	(172,715)	22,384
Takaful contract assets	-	1,152	1,152
Retakaful contract assets	113,871	(80,733)	33,138
Cash and bank balances	66,877	(32)	66,845
Liabilities			
Takaful and other payables	192,483	(146,644)	45,839
Retakaful contract liability	-	11,247	11,247
Takaful contract liabilities	633,162	(172,671)	460,491
Equity			
Accumulated losses	(74,987)	4,494	(70,493)

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance contracts (continued)

Transition impact (continued)

The line-item descriptions in the consolidated profit or loss and other comprehensive income have changed significantly compared with prior period.

The Group issues takaful contracts in the normal course of business, under which it accepts significant takaful risk from its participants'. As the policies written by the Group transfer significant takaful risk, all the policies issued are within the scope of IFRS 17. The Group currently does not write any takaful policies that include embedded derivatives, provide warranties (similar to those provided by a manufacturer, dealer, or retailer) or include non-takaful distinct service components. There are no contracts that meet the definition of a takaful contract but have as their primary purpose the provision of services for a fixed fee.

Level of aggregation

While deciding on the portfolio level under IFRS 17, the Group has considered the criteria of "similar risk and managed together" while taking into account the materiality of each product/portfolio.

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.

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 participant is due or actually received, if there is no due date; or
- when the Group determines that a group of contracts becomes onerous

Separating components from takaful and retakaful contracts

The Group assessed its takaful and retakaful contracts to determine whether they contained distinct components which must be accounted for under another reporting standard instead of IFRS 17.

The investment components included in the life takaful contracts are highly interrelated to the takaful component and are thus not distinct. Accordingly, the Group shall not unbundle the cash flows related to the investment component.

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 takaful contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the participant to pay the premiums, or in which the Group has a substantive obligation to provide the participant with takaful contract services. A substantive obligation to provide takaful contract services ends when:

- The Group has the practical ability to reassess the risks of the particular participant 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 Group 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 premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance contracts (continued)

Measurement

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

	Applicable Measurement Model	IFRS 17 options	Adopted approach
Takaful acquisition cash flows	PAA	In applying the premium allocation approach, an entity may choose to recognise any takaful acquisition cash flows as expenses when it incurs those costs, provided that the coverage period of each contract in the group at initial recognition is no more than one year.	Group currently amortises acquisition cash flows for all lines. Group will use the same approach under IFRS 17 as this would not only ensure consistency with current practice but would also be consistent with the treatment under GMM and VFA.
LRC adjusted for financial risk and time value of money	PAA	The entity is not required to adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk if, at initial recognition, the entity expects that the time between providing each part of the services and the related premium due date is no more than a year.	The expected delay between provision of services and receipt of payment is small for contracts eligible to be run under the PAA. Hence, the Group does not expect significant financing component for LRC for these contracts.
LIC adjusted for time value of money	PAA	In applying PAA, an entity may choose to not adjust future cash flows for Liability of Incurred Claims (LIC) for the time value of money and the effect of financial risk if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred.	Most of the claims are settled within 12 months from the date of incurrence. Accordingly, the Group has decided not to discount the LIC computed under the PAA approach.
Takaful finance income and expense	All	IFRS 17 provides an accounting policy choice to an entity may decide to include Takaful finance income/expense either in the P&L or systematically allocate it between P&L and OCI.	The Group has made an accounting policy choice to account for the takaful finance income or expenses in P&L instead of disaggregating it between P&L and OCI.
Disaggregation of risk adjustment	All	The Group can choose the option not to disaggregate the entire change in the risk adjustment for non-financial risk in the takaful service result, or it can choose to split the amount between the takaful service result and takaful finance income or expenses.	Group has decided not to disaggregate the changes in the risk adjustment for non - financial risk in the takaful service result and takaful finance income or expenses.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance contracts (continued)

Measurement (continued)

	Applicable measurement model	IFRS 17 options	Adopted approach
Presentation of income/ (expense) from retakaful contracts held	All	IFRS 17 allows options in presenting income or expenses from retakaful contracts held, other than takaful finance income or expenses. An alternative would be to gross up this single amount and present separately the amounts recovered from the reinsurer (as income) and an allocation of the premiums paid (as retakaful expenses) in line items separate from takaful revenue and takaful service expenses.	The Group elected to present the net expenses from retakaful contracts held as one line-item.

4 Material accounting policies (continued)

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance contracts (continued)

Takaful contracts measured under the premium allocation approach - Initial and subsequent measurement

The Group applies the premium allocation approach to all the takaful contracts (other than long term Individual and Group life 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 all the portfolios having contracts longer than one year, the Group expects the measurement of the liability for remaining coverage for the group does not differ materially from the measurement that would be produced applying the general measurement model. In assessing materiality, the Group has decided to set the acceptable threshold for the comparison of LRC between PAA and GMM using a combination of relative and absolute materiality criteria.

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

- The premiums, if any, received at initial recognition;
- Minus any takaful acquisition cash flows at that date;
- Plus, or minus any amount arising from the derecognition at that date of the asset recognised for takaful acquisition cash flows;
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Group pays or receives before the group of takaful contracts is recognised;
- The Group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period;
- Plus, premiums received in the period;
- Minus takaful acquisition cash flows;
- Plus, any amounts relating to the amortisation of the takaful acquisition cash flows recognised as an expense in the reporting period for the group;
- 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 liability for incurred claims.

The Group estimates the liability for incurred claims 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 Group and include an explicit adjustment for non-financial risk (the risk adjustment).

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

Takaful contracts measured other than PAA - Initial and subsequent measurement

The Group 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 representing the unearned profit in the contracts relating to services that will be provided under the contracts.

4 Material accounting policies (continued)

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance contracts (continued)

Takaful contracts measured other than PAA - Initial and subsequent measurement (continued)

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 Group'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 Group 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 Group determines its current expectations of probabilities of future events occurring at the end of the reporting period. In developing new estimates, the Group considers the most recent experience and earlier experience, as well as other information.

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, interest 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.

For direct participating contracts measured under the VFA, the Group adjusts the CSM for the change in the amount of the Group'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 Group'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 Group'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 changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance contracts (continued)

Subsequent measurement (continued)

- Experience adjustments that arise from the difference between the premium 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 premiums received (or due) related to current or past services are recognised immediately in profit or loss while differences related to premiums 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 income statement 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 Group 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 Group for the liability for remaining coverage for such onerous group depicting the losses recognised.

The Group 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.

Retakaful contracts held

Retakaful contracts held are accounted for applying IFRS 17 when they meet the definition of an takaful contract.

This includes the condition that the contract must transfer significant takaful risk.

Retakaful contracts transfer significant takaful risk only if they transfer to the reinsurer substantially all the takaful risk relating to the reinsured portions of the underlying takaful contracts, even if a retakaful contract does not expose the issuer (reinsurer) to the possibility of a significant loss.

Portfolios of retakaful contracts held are assessed for aggregation separately from portfolios of takaful contracts issued. Applying the grouping requirements to retakaful contracts held, the Group aggregates retakaful contracts held concluded within a calendar year (annual cohorts) into groups of (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which at initial recognition there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

A group of retakaful contracts held is recognised at the earlier of the following:

- If the retakaful contracts provide proportionate coverage, the date the Group initially recognises any underlying takaful contracts (onerous or not)

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance contracts (continued)

Retakaful contracts held (continued)

- In all other cases, at the beginning of the coverage period of the group of retakaful contracts. However, if the Group recognises an onerous group of underlying takaful contracts on an earlier date and the related retakaful contract was entered into before that earlier date, then the group of retakaful contracts is recognised on that earlier date.

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

A substantive right to receive services from the reinsurer shall end when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

The Group measures its retakaful assets for a group of retakaful contracts that it holds on to the same basis as takaful contracts that it issues. However, they are adapted to reflect the features of retakaful contracts held that differ from takaful contracts issued.

Where the Group recognises a loss on initial recognition of an onerous group of underlying takaful contracts or when further onerous underlying takaful contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of retakaful contracts held depicting the recovery of losses.

Modification and derecognition

The Group derecognises takaful contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model, or the applicable standard for measuring a component of the contract. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Allocation of expenses

Group has prepared an expense allocation model, on the basis of which, operating expenses have been classified into the following categories:

Fully attributable expenses

These are expenses which are directly related to fulfilling takaful obligation. Expenses such as commission paid to the broker against an takaful contract, are considered fully attributable expenses.

Partially attributable expenses

These are expenses which are partially related to fulfilling takaful obligation. Of the total expense, the attributable portion will be allocated to the group of contracts, and the non-attributable portion will be booked as other operating expense.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance contracts (continued)

Non attributable expenses

Overhead expenses that would be incurred by any business organisation, regardless of whether these expenses are utilised for fulfilment of takaful obligations would be expensed as incurred as part of ‘other operating expenses’ (i.e. out of scope of IFRS 17) – being considered predominantly corporate in nature, or any other expenses that cannot be allocated to group of contracts.

After the expenses were classified into attributable, partially attributable and non-attributable expenses, they are further classified into the following classes:

- Acquisition cost
- Maintenance expenses

Discount rates

The bottom-up approach is used to derive the discount rate for all contracts within the scope of IFRS 17, where applicable. 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 premium’).

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

	1 year		5 years		10 years		15 years	
	2023	2022	2023	2022	2023	2022	2023	2022
Takaful contract issued	5.12%	3.48%	3.66%	4.27%	3.47%	4.48%	3.44%	4.60%
Retakaful contracts held	5.12%	3.48%	3.66%	4.27%	3.47%	4.48%	3.44%	4.60%

The three-step approach to derive discount rates has been highlighted below:

- Credit risk premium component is removed from the asset yields of the reference portfolio;
- The illiquidity risk premium is then derived using the risk-free rates and the rates computed in above step; and
- Subsequently, the bottom-up approach is used by adding this illiquidity premium to the risk-free base curve in order to arrive at the “point-in-time” locked-in interest rate curve.

Currently, all the premiums written by the Group are received within 12 months from the policy start date, so there are no contracts with significant financing component or credit facilities. Hence, there is no requirement of discounting the liabilities for remaining coverage (LRC) under PAA.

Similarly, most of the claims are settled within 12 months from the date of incurrence. Hence, there is no requirement of discounting the liability for incurred claims (LIC) under PAA.

In the future, if the Group has policies with claims pattern exceeding one year, then the Group shall use the discount rate computed under the bottom-up approach to determine the impact of discounting.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Group 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 an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

4 Material accounting policies (continued)

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance contracts (continued)

Risk adjustment for non-financial risk (continued)

The portfolios for which the Group has adopted PAA simplification for the calculation of liability for remaining coverage, risk adjustment for LRC would only be estimated in case group of contracts recognised as onerous. For portfolios measured under general measurement model or the variable fee approach, risk adjustment would be required for the calculation of both LRC and LIC.

The Group reviewed a range of possible methodologies to estimate the RA for LRC and LIC. For RA LIC, under non-life and group lifelines of business, the Group has decided to use the Mack approach. For long term life contracts, the Group will use the e-forms approach for LRC RA. For LIC RA, the Group will use the same risk adjustment % as calculated for LRC. The Group has decided to use 70th to 75th percentile for all lines of business.

Contractual service margin (CSM) – GMM and VFA

The CSM is a component of the asset or liability for the group of takaful contracts that represents the unearned profit the Group will recognise as it provides services in the future.

An amount of the CSM for a group of takaful contracts is recognised in profit or loss as takaful revenue in each period to reflect the takaful contract services provided under the group of takaful contracts in that period. The amount is determined by:

- Identifying the coverage units in the group.
- Allocating the CSM at the end of the period (before recognising any amounts in profit or loss to reflect the takaful contract services provided in the period) equally to each coverage unit provided in the current period and expected to be provided in the future.

The number of coverage units in a group is the quantity of takaful contract services provided by the contracts in the group, determined by considering the quantity of the benefits provided and the expected coverage period.

The coverage unit for both groups, unit linked life takaful contracts and other long term life groups of contracts, the coverage unit is the amount of benefit payable in case of death claim. The total coverage units of each group of takaful contracts are reassessed at the end of each reporting period to adjust for the reduction of remaining coverage for claims paid, expectations of lapses and cancellation of contracts in the period. They are then allocated based on probability-weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

For retakaful contracts issued, the number of coverage units in a group reflects the expected sum at risk of contracts because the level of service provided depends on the amount of sum at risk in force. The remaining coverage is allocated based on probability weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

Onerosity determination

IFRS 17 does not provide any specific guidance about which facts and circumstances should be considered, to indicate that a group of contracts is onerous on initial recognition or subsequently. The Group assesses the onerosity considering the factors such as:

- a) the expected ratio of claims to premiums (or any other measurement of expected profitability) compared with the actual ratio over the coverage period.
- b) economic or regulatory changes that can cause significant revisions in the expected cash flows; or

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

Standards, interpretations, and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance contracts (continued)

Onerosity determination (continued)

- c) significant changes to the costs involved in fulfilling contracts: e.g., as a result of internal reorganisations or changes to the prices of services or products used to fulfil its takaful obligations.

For long term individual life contracts the onerosity is determined based on the level of profit margin at inception of the group of contracts. If the level of profit margin falls below a defined limit, the group of contracts are marked as onerous.

Profit margin is calculated as proportion of expected present value of inflows to expected present value of premium at inception of the group of contracts.

Time value of money

The Group adjusts the carrying amount of the takaful contracts liabilities and retakaful contracts assets to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cashflows of the group of contracts for the takaful contracts recognised under GMM and VFA.

Discounting

For cash flows that do not vary based on the returns on underlying items, an entity may determine the discount rate based on a liquid risk-free yield curve. This is adjusted to eliminate differences between the liquidity characteristics of the financial instruments that underlie the chosen curve and those of the takaful contract. The Group has elected to use the Bottom-up approach in determining the discount rates based on liquid risk-free yield curve.

Liability for incurred claims

The Group will calculate the LFIC as follows:

- Best Estimate (BEL) of the fulfilment cash flows relating to incurred claims including outstanding claims, IBNR and IBNER.
- Expenses already incurred but not yet paid in relation to claims and the cost of handling incurred claims at that date.
- Adjustment for the time value of money.
- Risk adjustment for non-financial risks.

IFRS 9 Financial instruments

IFRS 9 Financial instruments replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, the Group elected, under the amendments to IFRS 4, to apply the temporary exemption from IFRS 9, thereby deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17. On 1 January 2023, the Group has applied IFRS 9 retrospectively and restated comparative information for 2022 for financial instruments in the scope of IFRS 9.

Changes to classification and measurements

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories for financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost) have been replaced by:

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

IFRS 9 Financial instruments (continued)

Changes to classification and measurements (continued)

Financial assets at fair value through profit or loss, including equity instruments and derivatives;

Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;

Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Group);

Debt instruments at amortised cost;

Changes to impairment calculation

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for debt instruments held at FVTOCI or amortised cost by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at FVTPL.

For debt instruments, the ECL is based on the portion of lifetime ECLs (LTECL) that would result from default events on a financial instrument that are possible within 12 months after the reporting date.

However, when there has been a significant increase in credit risk since the origination or purchase of the assets, the allowance is based on the full LTECL.

The Group considers an instrument to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider an instrument to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. The adoption of the ECL requirements of IFRS 9 has resulted in increases in impairment allowances in respect of the Group's debt instruments. The increase in allowance was adjusted to retained earnings.

As it was possible to do so without the use of hindsight, the Group restated the statement of financial position as at 1 January 2022, resulting in decreases in financial assets and retained earnings amounting by AED 21 thousand respectively. The consolidated statement of financial position for the year ended 31 December 2022 was also restated, resulting in decreases in impairment loss on financial assets amounting to AED 16 thousand.

The table on next page explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2022.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

IFRS 9 Financial instruments (continued)

Changes to impairment calculation (continued)

Financial assets	Classification		Carrying amount			Instrument balances as at 1 January 2022
	IAS 39	IFRS 9	IAS 39	IFRS 9	ECL under IFRS 9	
			As previously reported AED'000	As previously reported AED'000	AED'000	(Restated) AED'000
Cash and cash equivalent	Cash and cash equivalent	Amortised cost	49,628	49,628	(16)	49,612
Fixed deposits	Cash and cash equivalent	Amortised cost	17,250	17,250	(5)	17,245
Equity investments	Available for sale	FVTOCI	57,620	57,620	-	57,620
Equity investments, mutual funds and sukuks	FVTPL	FVTPL	382,676	382,676	-	382,676
Total financial assets			507,174	507,174	(21)	507,153

Rental income

Rental income from investment property which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

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 consolidated statement of profit and loss.

	Years
Buildings	22
Office equipment	5
Fixtures and fittings	7
Motor vehicles	5

Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in providing services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change there in recognised in the consolidated statement of profit or loss.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

Investment properties (continued)

The Group determines fair value on the basis of valuations provided by two independent valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment properties being valued. Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties include the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs.

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use.

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

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

Financial instruments

Recognition, initial measurement and derecognition

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

Classification and subsequent measurement of financial assets

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

Financial assets at amortised cost

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

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

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

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

Financial instruments (continued)

Financial assets at amortised cost (continued)

These are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Financial assets at amortised cost comprise statutory deposits, cash and cash equivalents, due from related parties and most other receivables.

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

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

Gain or loss arising from change in fair value of investments at FVTOCI is recognised in other comprehensive income and reported within the fair value reserve for investments at FVTOCI within equity.

When the asset is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity reserve to profit or loss but is reclassified to retained earnings.

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

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

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

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

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.

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 Group 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 Group 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.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

Impairment and uncollectability of financial assets (continued)

The Group 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 Group 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 Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group 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.

Employee benefits

Short-term employee benefits

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

Provision for employees' end of service benefits

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

Foreign currency transactions

Transactions in foreign currencies are translated to AED at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to AED at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss.

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.

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.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

4 Material accounting policies (continued)

Cash and cash equivalents

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably.

Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

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

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

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

Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Other details for reserves are mentioned in note 14 to the consolidated financial statements.

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.

Segment reporting

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

Critical accounting judgements and key sources of estimation uncertainty

Judgements and estimates

The preparation of this consolidated 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 these consolidated financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the audited consolidated financial statements as at and for the year ended 31 December 2022, except for the below judgements.

4 Material accounting policies (continued)

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

Takaful and retakaful contracts

The Group applies the PAA to simplify the measurement of takaful contracts. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Group 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 Group 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 Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios.

Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Group 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 Group has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 65th percentile. That is, the Group has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 65th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The 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.

4 Material accounting policies (continued)

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

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

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

Expected credit losses

The measurement of ECL is a significant estimate that involves determination of methodology, models and data inputs. The following components have a major impact on the credit loss allowance for debt instruments carried at amortised cost, FVTOCI investments, bank balances and fixed deposits: definition of default, significant increase in credit risk, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD") and the historical loss experience per ageing bucket has the major impact on the credit loss allowance for takaful and other receivables. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

5 Property and equipment

	Office equipment AED'000	Fixture and fittings AED'000	Motor vehicles AED'000	Total AED'000
Cost				
Balance at 1 January 2022	3,375	11,170	172	14,717
Additions during the year	289	-	-	289
Disposals during the year	(796)	(7,266)	-	(8,062)
Balance at 31 December 2022	2,868	3,904	172	6,944
Additions during the year	95	76	-	171
Disposals during the year	(5)	1	-	(4)
Balance at 31 December 2023	2,958	3,981	172	7,111
Accumulated depreciation:				
Balance at 1 January 2022	2,459	7,676	169	10,304
Depreciation for the year	361	901	2	1,264
Disposals during the year	(716)	(4,704)	-	(5,420)
Balance at 31 December 2022	2,104	3,873	171	6,148
Depreciation for the year	236	13	1	250
Disposals for the year	(2)	-	-	(2)
Balance at 31 December 2023	2,338	3,886	172	6,396
Carrying amount:				
Balance at 31 December 2022	764	31	1	796
Balance at 31 December 2023	620	95	-	715

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

6 Intangible assets

	Software AED'000	Work in progress AED'000	Total AED'000
Cost:			
Balance at 1 January 2022	13,854	-	13,854
Additions during the year	-	101	101
Balance at 31 December 2022 and 2023	13,854	101	13,955
Accumulated amortisation:			
Balance at 1 January 2022	11,990	-	11,990
Amortisation for the year	871	-	871
Balance at 31 December 2022	12,861	-	12,861
Amortisation for the year	604	-	604
Balance at 31 December 2023	13,465	-	13,465
Carrying amount:			
Balance at 31 December 2022	993	101	1,094
Balance at 31 December 2023	389	101	490

7 Investment properties

Investment properties include plot of land, rented out apartments and apartments that are still under construction. All investment properties are located in the U.A.E.

The carrying amount of investment properties are the fair value of the properties as determined by two independent appraisers having an appropriate recognised professional qualification and recent experience in the region. Investment properties are being valued and reviewed by the Board of Directors on a yearly basis. Fair values were determined based on comparable method for rented out apartments and residual method of valuation for under construction properties.

	2023 AED'000	Restated 2022 AED'000
Residential apartments*	20,834	13,266
Land**	23,275	15,402
Work in progress**	39,875	29,037
	83,984	57,705

* Residential apartments are classified as Level 3 in the fair value hierarchy as at 31 December 2023 (31 December 2022: Level 3). This includes an apartments with a fair value of AED 12.3 million (31 December 2022: AED 5.8 million(restated)) which is still under construction.

** Land, on which construction is under progress, and the work in progress as at 31 December 2023 amounting to AED 63.1 million are stated at its fair value. This includes land with fair value of AED 23.2 million and work in progress with an amount of AED 39.9 million. (31 December 2022: Land, on which construction is under progress, and the work in progress amounting to AED 44.4 million are not stated at its fair value, and this investment properties under construction will be fair valued when its fair value becomes reliably measurable, or construction is completed (whichever is earlier)).

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

7 Investment properties (continued)

2023	Apartments AED'000	Building AED'000	Total AED'000
As at 1 January	13,266	44,439	57,705
Change in fair value during the year	7,568	7,783	15,441
Addition in WIP	-	10,838	10,838
As at 31 December 2023	20,834	63,150	83,984
2022 (<i>restated</i>)	Apartments AED'000	Building AED'000	Total AED'000
As at 1 January	16,070	38,892	54,962
Change in fair value during the year	(2,804)	-	(2,804)
Addition in WIP	-	5,547	5,547
As at 31 December 2022	13,266	44,439	57,705

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

	2023 AED'000	2022 AED'000
Rental income	532	493
Direct operating expenses	(130)	(134)
Income from investment property	402	359

8 Investments carried at FVTPL

	2023 AED'000	Restated 2022 AED'000
Mutual funds	343,239	192,342
Sukuk investments	-	66,234
Equity investments – Unquoted	4,786	7,082
	348,025	265,658
Attributable to:		
Participants	343,196	258,533
Shareholders	4,829	7,125
	348,025	265,658
Within UAE	79,748	71,827
Outside UAE	268,277	193,831
	348,025	265,658

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

8 Investments carried at FVTPL (continued)

The movement in other financial assets are as follows:

	FVTPL	
	2023	2022
	AED'000	AED'000
As at 1 January	265,658	382,677
Purchased during the year	538,977	177,963
Sold during the years	(511,816)	(223,101)
Change in fair value	55,206	(71,881)
As at 31 December	348,025	265,658

9 Takaful and retakaful contracts

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

	2023			2022 (restated)		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Takaful contracts issued						
Group life and medical	-	(206,651)	(206,651)	-	(166,072)	(166,072)
Individual life	-	(329,592)	(329,592)	131	(240,143)	(240,012)
Total takaful contracts issued	-	(536,243)	(536,243)	131	(406,215)	(406,084)
Retakaful contracts held						
Group life and medical	33,700	-	33,700	11,575	-	11,575
Individual life	-	(3,453)	(3,453)	-	(13,895)	(13,895)
Total retakaful contracts held	33,700	(3,453)	30,247	11,575	(13,895)	(2,320)

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

9 Takaful and retakaful contracts (continued)

Reconciliation of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC) for takaful contracts

2023	Liability for remaining coverage		LIC for contracts not measured under the PAA		LIC for contracts measured under the PAA		Total AED'000
Takaful contracts issued	Excluding loss component AED'000	Loss component AED'000	contracts not measured under the PAA AED'000	Present value of future cash flows AED'000		Risk adjustment AED'000	
Opening takaful contract assets	765	(634)	-	-	-	-	131
Opening takaful contract liabilities	(294,914)	-	(6,553)	(101,976)	(2,772)	(406,215)	
Net balance as at 1 January 2023	(294,149)	(634)	(6,553)	(101,976)	(2,772)	(406,084)	
Takaful revenue	228,705	-	-	-	-	-	228,705
Takaful service expenses							
Incurred claims and other directly attributable expenses	-	-	(3,579)	(183,785)	(5,236)	(192,600)	
Changes that relate to past service - adjustments to the LIC	-	-	478	(3,798)	5,931	2,611	
Losses on onerous contracts and reversal of those losses	-	(11,920)	-	-	-	(11,920)	
Takaful acquisition cash flows amortisation	(34,945)	-	-	-	-	(34,945)	
Total takaful service expenses	(34,945)	(11,920)	(3,101)	(187,583)	695	(236,854)	
Takaful service result	193,760	(11,920)	(3,101)	(187,583)	695	(8,149)	
Finance expenses from takaful contracts issued	(57,895)	63	(17)	-	1	(57,848)	
Investment components	68,664	-	(68,664)	-	-	-	
Total amounts recognised in comprehensive income	204,529	(11,857)	(71,782)	(187,583)	696	(65,997)	
Cash flows							
Premiums received	(405,823)	-	-	-	-	(405,823)	
Claims and other directly attributable expenses paid	-	-	72,923	212,779	-	285,702	
Takaful acquisition cash flows paid	55,959	-	-	-	-	55,959	
Total cash flows	(349,864)	-	72,923	212,779	-	(64,162)	
Net takaful contract liabilities at 31 December 2023	(439,484)	(12,491)	(5,412)	(76,780)	(2,076)	(536,243)	
Takaful contract assets	-	-	-	-	-	-	
Takaful contract liabilities	(439,484)	(12,491)	(5,412)	(76,780)	(2,076)	(536,243)	
Net takaful contract liabilities at 31 December 2023	(439,484)	(12,491)	(5,412)	(76,780)	(2,076)	(536,243)	

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

9 Takaful and retakaful contracts (continued)

Reconciliation of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC) for takaful contracts (continued)

2022 (<i>restated</i>)	Liability for remaining coverage		LIC for contracts not measured under the PAA		LIC for contracts measured under the PAA		Total AED'000
Takaful contracts issued	Excluding loss component AED'000	Loss component AED'000	under the PAA AED'000	Present value of future cash flows AED'000	Risk adjustment AED'000		
Opening takaful contract assets	1,152	-	-	-	-	1,152	
Opening takaful contract liabilities	(302,754)	-	(4,404)	(147,887)	(5,445)	(460,490)	
Net balance as at 1 January 2022	(301,602)	-	(4,404)	(147,887)	(5,445)	(459,338)	
Takaful revenue	342,753	-	-	-	-	342,753	
Takaful service expenses							
Incurred claims and other directly attributable expenses	-	-	(6,208)	(294,289)	(8,124)	(308,621)	
Changes that relate to past service - adjustments to the LIC	-	-	1,321	5,457	10,797	17,575	
Losses on onerous contracts and reversal of those losses	-	(588)	-	-	-	(588)	
Takaful acquisition cash flows amortisation	(25,782)	-	-	-	-	(25,782)	
Total takaful service expenses	(25,782)	(588)	(4,887)	(288,832)	2,673	(317,416)	
Takaful service result	316,971	(588)	(4,887)	(288,832)	2,673	25,337	
Finance income expenses from takaful contracts issued	(15,094)	(46)	(5)	-	-	(15,145)	
Investment components	90,369	-	(90,369)	-	-	-	
Total amounts recognised in comprehensive income	392,246	(634)	(95,261)	(288,832)	2,673	10,192	
Cash flows							
Premiums received	(426,919)	-	-	-	-	(426,919)	
Claims and other directly attributable expenses paid	-	-	93,112	334,742	-	427,854	
Takaful acquisition cash flows paid	42,127	-	-	-	-	42,127	
Total cash flows	(384,792)	-	93,112	334,742	-	43,062	
Net takaful contract liabilities at 31 December 2022	(294,148)	(634)	(6,553)	(101,977)	(2,772)	(406,084)	
Takaful contract assets	765	(634)	-	-	-	131	
Takaful contract liabilities	(294,913)	-	(6,553)	(101,977)	(2,772)	(406,215)	
Net takaful contract liabilities at 31 December 2022	(294,148)	(634)	(6,553)	(101,977)	(2,772)	(406,084)	

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

9 Takaful and retakaful contracts (continued)

Reconciliation of the components of takaful contract liabilities - Contracts not measured under the PAA

2023	Best estimate liability AED'000	Risk adjustment AED'000	Contractual service margin AED'000	Total AED'000
Opening takaful contract assets	759	(71)	(557)	131
Opening takaful contract liabilities	(217,226)	(7,737)	(15,180)	(240,143)
Net balance as at 1 January 2023	(216,467)	(7,808)	(15,737)	(240,012)
Changes related to current services				
- CSM recognised in profit and loss	-	-	1,422	1,422
- Risk Adjustment recognised in profit and loss	-	885	-	885
- Experience adjustments	4,856	(398)	-	4,458
Changes related to future services				
- Contracts initially recognised in the period	(1,016)	(1,631)	(366)	(3,013)
- Changes in estimates that adjust CSM	(356)	(242)	598	-
- Changes in estimates that result in onerous contracts or reversal of losses	(4,664)	30	-	(4,634)
Changes that relate to past service - adjustments to LIC	19	458	-	477
Takaful finance expenses through profit and loss	(57,806)	-	(42)	(57,848)
Total changes in statement of comprehensive income	(58,967)	(898)	1,612	(58,253)
Premiums received	(124,538)	-	-	(124,538)
Claims and other directly attributable expenses paid	72,927	-	-	72,927
Takaful acquisition cash flows paid	20,284	-	-	20,284
Total cash flows	(31,327)	-	-	(31,327)
Net takaful contract liabilities at 31 December 2023	(306,761)	(8,706)	(14,125)	(329,592)
Takaful contract assets	-	-	-	-
Takaful contract liabilities	(306,761)	(8,706)	(14,125)	(329,592)
Net takaful contract liabilities at 31 December 2023	(306,761)	(8,706)	(14,125)	(329,592)

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

9 Takaful and retakaful contracts (continued)

Reconciliation of the components of takaful contract liabilities - Contracts not measured under the PAA (continued)

2022 <i>(restated)</i>	Best estimate liability AED'000	Risk adjustment AED'000	Contractual service margin AED'000	Total AED'000
Opening takaful contract assets	1,213	(60)	(1)	1,152
Opening takaful contract liabilities	(212,206)	(9,237)	(5,436)	(226,879)
Net balance as at 1 January 2022	(210,993)	(9,297)	(5,437)	(225,727)
Changes related to current services				
- CSM recognised in profit and loss	-	-	1,710	1,710
- Risk adjustment recognised in profit and loss	-	820	-	820
- Experience adjustments	(4,046)	(1,336)	-	(5,382)
Changes related to future services				
- Contracts initially recognised in the period	7,237	(871)	(6,366)	-
- Changes in estimates that adjust CSM	5,744	(117)	(5,627)	-
- Changes in estimates that result in onerous contracts or reversal of losses	(6,117)	1,687	-	(4,430)
Changes that relate to past service - adjustments to LIC	14	1,306	-	1,320
Takaful finance expenses through profit and loss	(15,128)	-	(17)	(15,145)
Total changes in statement of comprehensive income	(12,296)	1,489	(10,300)	(21,107)
Premiums received	(98,693)	-	-	(98,693)
Claims and other directly attributable expenses paid	93,111	-	-	93,111
Takaful acquisition cash flows paid	12,404	-	-	12,404
Total cash flows	6,822	-	-	6,822
Net takaful contract liabilities at 31 December 2022	(216,467)	(7,808)	(15,737)	(240,012)
Takaful contract assets	759	(71)	(557)	131
Takaful contract liabilities	(217,226)	(7,737)	(15,180)	(240,143)
Net takaful contract liabilities at 31 December 2022	(216,467)	(7,808)	(15,737)	(240,012)

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

9 Takaful and retakaful contracts (continued)

Reconciliation of the assets for remaining coverage (ARC) and the assets for incurred claims (LIC) for retakaful contracts

2023	Asset for remaining coverage		AIC for contracts not measured under the PAA		AIC for contracts measured under the PAA		Total AED'000
	Excluding loss component AED'000	Loss component AED'000	Excluding loss component AED'000	Loss component AED'000	Present value of future cash flows AED'000	Risk adjustment AED'000	
Retakaful contracts issued							
Opening retakaful contract assets	(11,919)	-	-	-	22,818	676	11,575
Opening retakaful contract liabilities	(14,725)	-	830	-	-	-	(13,895)
Net balance as at 1 January 2023	(26,644)	-	830	-	22,818	676	(2,320)
Allocation of retakaful premium	(105,790)	-	-	-	-	-	(105,790)
Amounts recoverable for claims and other expenses	-	-	138	-	89,994	1,693	91,825
Changes that relate to past service - adjustments to LIC	-	-	12	-	9,058	(1,340)	7,730
Changes in fulfilment cash flows that do not adjust underlying CSM	-	9,181	-	-	-	-	9,181
Expenses directly attributable to retakaful	-	-	(571)	-	(1,114)	-	(1,685)
Net (expenses)/income from retakaful contracts held	(105,790)	9,181	(421)	-	97,938	353	1,261
Finance income from retakaful contracts issued	1,340	-	2	-	-	-	1,342
Total amounts recognised in comprehensive income	(104,450)	9,181	(419)	-	97,938	353	2,603
Cash flows							
Premiums paid to retakaful net of commission	89,424	-	-	-	-	-	89,424
Recoveries from retakaful	-	-	2,023	-	(63,479)	-	(61,456)
Directly attributable expenses paid	-	-	653	-	1,343	-	1,996
Total cash flows	89,424	-	2,676	-	(62,136)	-	29,964
Net retakaful contract liabilities at 31 December 2023	(41,670)	9,181	3,087	-	58,620	1,029	30,247
Closing retakaful contract assets	(27,762)	1,813	-	-	58,620	1,029	33,700
Closing retakaful contract liabilities	(13,908)	7,368	3,087	-	-	-	(3,453)
Net retakaful contract liabilities at 31 December 2023	(41,670)	9,181	3,087	-	58,620	1,029	30,247

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

9 Takaful and retakaful contracts (continued)

Reconciliation of the assets for remaining coverage (ARC) and the assets for incurred claims (LIC) for retakaful contracts (continued)

2022 <i>(restated)</i>	Asset for remaining coverage		AIC for contracts not measured under the PAA		AIC for contracts measured under the PAA		
	Excluding loss component AED'000	Loss component AED'000	contracts not measured under the PAA AED'000	Present value of future cash flows AED'000	Risk adjustment AED'000	Total AED'000	
Retakaful contracts issued <i>(restated)</i>							
Opening retakaful contract assets	(30,670)	-	-	62,372	1,436	33,138	
Opening retakaful contract liabilities	(12,873)	-	1,625	-	-	(11,248)	
Net balance as at 1 January 2022	(43,543)	-	1,625	62,372	1,436	21,890	
Allocation of reinsurer premium	(104,151)	-	-	-	-	(104,151)	
Amounts recoverable for claims and other expenses	-	-	(565)	84,433	2,594	86,462	
Changes that relate to past service - adjustments to LIC	-	-	(58)	(5,747)	(3,354)	(9,159)	
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-	-	-	-	-	
Net (expenses)/income from retakaful contracts held	(104,151)	-	(623)	78,686	(760)	(26,848)	
Finance (expenses)/income from retakaful contracts issued	(2,523)	-	4	-	-	(2,519)	
Total amounts recognised in comprehensive income	(106,674)	-	(619)	78,686	(760)	(29,367)	
Cash flows							
Premiums paid to retakaful net of commission	123,573	-	-	-	-	123,573	
Recoveries from retakaful	-	-	(176)	(118,240)	-	(118,416)	
Total cash flows	123,573	-	(176)	(118,240)	-	5,157	
Net retakaful contract liabilities at 31 December 2022	(26,644)	-	830	22,818	676	(2,320)	
Closing retakaful contract assets	(11,919)	-	-	22,818	676	11,575	
Closing retakaful contract liabilities	(14,725)	-	830	-	-	(13,895)	
Net retakaful contract liabilities at 31 December 2022	(26,644)	-	830	22,818	676	(2,320)	

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

9 Takaful and retakaful contracts (continued)

Reconciliation of the components of retakaful contract liabilities - Contracts not measured under the PAA

2023	Best estimate liability AED'000	Risk adjustment AED'000	Contractual service margin AED'000	Total AED'000
Opening retakaful contract liabilities as at 1 January 2023	(16,823)	1,173	1,755	(13,895)
Changes related to current services				
- CSM recognised in profit and loss	-	-	1,411	1,411
- Risk adjustment recognised in profit and loss	-	76	-	76
- Experience adjustments	(1,759)	(7)	-	(1,766)
Changes related to future services				
- Contracts initially recognised in the period	(154)	15	139	-
- Changes in estimates that adjust CSM	8,376	(707)	(7,668)	1
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	7,368	7,368
- Changes that relate to past service - adjustments to LIC	(11)	23	-	12
- Retakaful finance expenses through profit and loss	1,276	-	67	1,343
Total changes in statement of comprehensive income	7,728	(600)	1,317	8,445
Premiums paid to reinsurer net of commission	(676)	-	-	(676)
Recoveries from retakaful	2,020	-	-	2,020
Directly attributable expenses paid	653	-	-	653
Total cash flows	1,997	-	-	1,997
Closing retakaful contract liabilities as at 31 December 2023	(7,098)	573	3,072	(3,453)

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

9 Takaful and retakaful contracts (continued)

Reconciliation of the components of retakaful contract liabilities - Contracts not measured under the PAA (continued)

2022 <i>(restated)</i>	Best estimate liability AED'000	Risk adjustment AED'000	Contractual service margin AED'000	Total AED'000
Opening retakaful contract liabilities as at 1 January 2022	(12,429)	984	197	(11,248)
Changes related to current services				
- CSM recognised in profit and loss	-	-	(230)	(230)
- Risk adjustment recognised in profit and loss	-	96	-	96
- Experience adjustments	(2,600)	35	-	(2,565)
Changes related to future services				
- Changes in estimates that adjust CSM	(1,894)	113	1,781	-
Changes that relate to past service - adjustments to LIFC	(3)	(55)	-	(58)
Retakaful finance expenses through profit and loss	(2,526)	-	7	(2,519)
Total changes in statement of comprehensive income	(7,023)	189	1,558	(5,276)
Premiums paid to retakaful net of commission	2,805	-	-	2,805
Recoveries from retakaful	(895)	-	-	(895)
Directly attributable expenses paid	719	-	-	719
Total cash flows	2,629	-	-	2,629
Closing retakaful contract liabilities as at 31 December 2022	(16,823)	1,173	1,755	(13,895)

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

9 Takaful and retakaful contracts (continued)

In addition to scenario testing, the development of takaful contract liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of each table illustrates how the Group's estimate of liability for incurred claims for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position. The following tables illustrate the Group's estimate of total liability for incurred claims for the years up to 2023.

Gross takaful contract liabilities at 31 December 2023 for contracts measured under PAA

	2021 & Prior AED'000	2022 AED'000	2023 AED'000	Total AED'000
At the end of each reporting year	1,233,795	279,038	160,846	1,673,679
One year later	742,165	231,478	-	973,643
Two years later	677,676	-	-	677,676
Estimate of cumulative claims	677,676	231,478	160,846	1,070,000
Cumulative payments to date	(669,170)	(228,191)	(99,556)	(996,917)
Unallocated loss adjustment expense reserve	-	-	-	358
Claims payable	-	-	-	696
Total gross undiscounted liabilities for incurred claims	-	-	-	74,137
Attributable expenses	-	-	-	2,643
Total discounted gross reserves included in the statement of financial position	-	-	-	76,780
Risk adjustments	-	-	-	2,076

Gross retakaful contract liabilities at 31 December 2023 for contracts measured under PAA

	2021 AED'000	2022 AED'000	2023 AED'000	Total AED'000
At the end of each reporting year	475,764	94,029	96,556	666,349
One year later	301,175	88,735	-	389,910
Two years later	248,164	-	-	248,164
Estimate of cumulative claims	248,164	88,735	96,556	433,455
Cumulative payments to date	(247,443)	(87,368)	(61,573)	(396,384)
Unallocated loss adjustment expense reserve	-	-	-	-
Claims payable	-	-	-	21,872
Total gross undiscounted liabilities for incurred claims	-	-	-	58,943
Attributable expenses	-	-	-	(28)
RI nonperformance risk	-	-	-	(295)
Total discounted gross reserves included in the statement of financial position	-	-	-	58,620
Risk adjustments	-	-	-	1,029

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

10 Other receivables

	2023 AED'000	Restated 2022 AED'000
Prepayments	1,759	1,513
Other receivables	7,715	18,815
Advances	631	700
Investment receivables	343	699
	<u>10,448</u>	<u>21,727</u>
Attributable to:		
Participants	5,648	18,249
Shareholders	4,800	3,478
	<u>10,448</u>	<u>21,727</u>

11 Statutory deposit

Statutory deposit of amounting AED 4 million is maintained in accordance with the requirements of UAE Federal Law No. (48) of 2023 (previously UAE Federal Law No. (6) of 2007, as amended) for the purpose of carrying on takaful operations in the United Arab Emirates and is not available to finance the day-to-day operations of the Group.

12 Cash and bank balances

	2023 AED'000	Restated 2022 AED'000
Cash on hand	45	761
Cash at banks	62,656	62,070
Term deposit having maturity more than 3 months	13,610	41,142
Less: Expected credit losses	(70)	(50)
Cash and bank balances	<u>76,241</u>	<u>103,923</u>
Attributable to:		
Participants	50,791	90,875
Shareholders	25,450	13,048
	<u>76,241</u>	<u>103,923</u>

For the purpose of cash flow, the cash and cash equivalents at each year end is as follows:

	2023 AED'000	Restated 2022 AED'000
Cash and bank balances	76,241	103,923
Add: Expected credit losses	70	50
Less: Term deposit having maturity more than 3 months	(13,610)	(41,142)
Cash and cash equivalents	<u>62,701</u>	<u>62,831</u>

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

13 Share capital

	2023 AED'000	2022 AED'000
Authorised issued and fully paid		
150,000,000 ordinary shares of AED 1 each	<u>150,000</u>	<u>150,000</u>

14 Statutory reserves

Statutory reserve

In accordance with the UAE Federal Law No. 32 of 2021, 10% of the net profit of the Group has to be transferred to a non-distributable legal reserve until such reserve equals 50% of the paid-up share capital of the Group.

Regulatory reserve

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

This reserve is accumulated year after year and may not be disposed of without the written approval of the Central Bank of United Arab Emirates.

Retakaful reserve

In accordance with Article 34 issued by the Central Bank of the United Arab Emirates ("CBUAE"), Board of Directors Decision No. (23) of 2019 the Company has created a reinsurance reserve and transferred an amount of AED 0.698 million (2022: AED 0.438 million) from retained earnings to retakaful reserve. The Company shall accumulate such reserve year on year and not dispose-off the reserve without the written approval of the Director General of the Central Bank of the United Arab Emirates ("CBUAE").

15 Gross written contributions

Details relating to gross written contributions are disclosed below to comply with the requirements of CBUAE and are not calculated as per the requirements of IFRS 17.

2023	Life takaful AED'000	Fund accumulation AED'000	Medical takaful AED'000	Property & liability AED'000	All types of business combined AED'000
Direct written contributions	126,484	-	272,635	-	399,119
Assumed business					
Foreign	-	-	-	-	-
Local	-	-	-	-	-
Total assumed business	-	-	-	-	-
Total gross written contributions	<u>126,484</u>	<u>-</u>	<u>272,635</u>	<u>-</u>	<u>399,119</u>
 2022					
Direct written contributions	100,096	-	254,344	-	354,440
Assumed business					
Foreign	-	-	-	-	-
Local	-	-	-	-	-
Total assumed business	-	-	-	-	-
Total gross written contributions	<u>100,096</u>	<u>-</u>	<u>254,344</u>	<u>-</u>	<u>354,440</u>

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

16 Other payables

	2023 AED'000	2022 AED'000
Payable to DHA	17,706	17,569
Account payables	16,327	12,224
Accrued expenses	2,261	433
Employee related accruals	2,597	544
General reserves	-	574
Other payables	15,032	20,664
	53,923	52,008
Attributable to:		
Participants	18,370	17,810
Shareholders	35,553	34,198
	53,923	52,008

17 Qard Hasan

	2023 AED'000	Restated 2022 AED'000
(i) Deficit in participants' fund:		
As at 1 January	(93,516)	(1,311)
Surplus /(deficit) during the year	27,792	(92,205)
As at 31 December	(65,724)	(93,516)

	2023 AED'000	Restated 2022 AED'000
(ii) Qard Hasan from shareholders		
As at 1 January	93,516	1,311
Recovery of / (provision) during the year	(27,792)	92,205
As at 31 December	65,724	93,516

18 Takaful revenue

For the year ended 31 December 2023	Group life and medical AED'000	Individual life AED'000	Total AED'000
CSM recognised for services provided	-	1,422	1,422
Change in risk adjustment for non-financial risk for risk expired	-	890	890
Expected incurred claims and other takaful service expenses	-	7,956	7,956
Experience adjustments	-	24	24
Recovery of takaful acquisition cash flows	-	5,065	5,065
Contracts not measured under the PAA	-	15,357	15,357
Contracts measured under the PAA	213,348	-	213,348
Total takaful revenue	213,348	15,357	228,705

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

18 Takaful revenue (continued)

For the year ended 31 December 2022 (Restated)	Group life and medical AED'000	Individual life AED'000	Total AED'000
CSM recognised for services provided	-	1,710	1,710
Change in risk adjustment for non-financial risk for risk expired	-	297	297
Expected incurred claims and other takaful service expenses	-	3,156	3,156
Experience adjustments	-	(5,649)	(5,649)
Recovery of takaful acquisition statements	-	1,835	1,835
Contracts not measured under the PAA	-	1,349	1,349
Contracts measured under the PAA	341,404	-	341,404
Total takaful revenue	341,404	1,349	342,753

19 Takaful service expense

2023	Group life and medical AED'000	Individual life AED'000	Total AED'000
Takaful Service Expenses Allocated to Participants' fund			
Incurred claims	166,052	909	166,961
Losses on onerous contracts and reversals of those losses	4,326	7,594	11,920
Changes to liabilities for incurred claims	(2,134)	(477)	(2,611)
Total takaful service expenses charged to participants' fund	168,244	8,026	176,270
Other expenses allocated to shareholders' fund			
Amortisation of takaful acquisition cash flows	29,882	5,063	34,945
Takaful maintenance expenses	22,968	2,671	25,639
Total other expenses charged to shareholders' fund	52,850	7,734	60,584
Total takaful service expenses	221,094	15,760	236,854
2022			
Takaful Service Expenses Allocated to Participants' fund			
Incurred claims	278,723	1,561	280,284
Losses on onerous contracts and reversals of those losses	-	588	588
Changes to liabilities for incurred claims	(16,254)	(1,321)	(17,575)
Total takaful service expenses charged to participants' fund	262,469	828	263,297
Other expenses allocated to shareholders' fund			
Amortisation of takaful acquisition cash flows	23,948	1,834	25,782
Takaful maintenance expenses	23,690	4,647	28,337
Total other expenses charged to shareholders' fund	47,638	6,481	54,119
Total takaful service expenses	310,107	7,309	317,416

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

20 Takaful and retakaful finance income and expense

	2023 AED'000	Restated 2022 AED'000
Takaful finance expenses	(57,848)	(15,145)
Retakaful finance income/(expense)	1,342	(2,519)
	<u>(56,506)</u>	<u>(17,664)</u>

21 Other income

	2023 AED'000	2022 AED'000
Gain from sales of assets	-	17,519
Foreign exchange gain	36	953
Other gain from takaful contracts	200	421
	<u>236</u>	<u>18,893</u>

22 General and administrative expenses

	2023 AED'000	2022 AED'000
Salaries and other benefits	17,471	17,284
TPA expenses	10,595	9,754
Account balances write-off	7,866	5,984
Loss on retirement of PP&E	-	6,080
Legal and professional fees	3,534	3,770
Authority fees	2,746	3,144
IT expenses	2,658	3,201
Depreciation and amortization	854	4,173
Rent and related	536	-
Utilities, maintenance and communication	392	671
Ijarah finance expenses	377	846
Miscellaneous expenses	1,205	726
	<u>48,234</u>	<u>55,633</u>

23 Contingent liabilities

On 31 December 2023, the Group had contingent liabilities in respect of medical claims and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 1.3 million (31 December 2022: AED 0.75 million).

Legal claims

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

Capital commitments

Capital commitments for under construction properties as at 31 December 2023 amounted to AED 6.5 million (31 December 2022: AED 6.5 million).

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

23 Contingent liabilities (continued)

Other commitments

The Group has lease agreements which are payable as follows:

	2023 AED'000	2022 AED'000
Less than one year	<u>633</u>	<u>369</u>

24 Related party transactions

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

Compensation of the key management personnel is as follows:

	2023 AED'000	2022 AED'000
Short/long term employee benefits	<u>6,377</u>	<u>5,419</u>

The Group has no balance receivable and payable from its related parties.

25 Financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Group is a going concern without any intention or requirement to materially curtail the scale of its operations or to undertake a transaction on adverse terms.

Fair value of financial instruments carried at amortised cost

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

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

The fair values of assets and liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2022.

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

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table on next page gives information about how the fair values of these financial assets are determined:

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

25 Financial instruments (continued)

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

2023	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Investments at fair value through profit or loss				
Mutual funds	-	343,239	-	343,239
Equity investments – Unquoted	-	-	4,786	4,786
	-	343,239	4,786	348,025
2022 (Restated)	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Investments at fair value through profit or loss				
Mutual funds	-	192,342	-	192,342
Sukuk investments	66,234	-	-	66,234
Equity investments – Unquoted	-	-	7,082	7,082
	66,234	192,342	7,082	265,658

26 Segment information

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

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

Except for wakalah fees, allocation charges and Qard Hassan, no other inter-segment transactions occurred during the year.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

26 Segment information (continued)

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

	2023			2022		
	Attributable to participants AED'000	Attributable to shareholders AED'000	Total AED'000	Restated Attributable to participants AED'000	Restated Attributable to shareholders AED'000	Restated Total AED'000
Takaful						
Takaful revenue	228,705	-	228,705	342,753	-	342,753
Takaful service expenses	(176,270)	-	(176,270)	(263,297)	-	(263,297)
Expenses from retakaful contracts held	2,946	-	2,946	(25,208)	-	(25,208)
Takaful service results						
Takaful finance loss	55,381	-	55,381	54,248	-	54,248
Retakaful finance income/(loss)	(57,848)	-	(57,848)	(15,145)	-	(15,145)
Net change in fair value of participants' investments	1,342	-	1,342	(2,519)	-	(2,519)
	56,078	-	56,078	11,781	-	11,781
Net takaful income	54,953	-	54,953	48,365	-	48,365
Investment income/(loss) - net	16,754	(1,190)	15,564	(82,221)	(780)	(83,001)
Other income	-	236	236	-	18,893	18,893
Wakala fees	(43,915)	43,915	-	(58,349)	58,349	-
Policy acquisition cost	-	(34,945)	-	-	25,782	25,782
General and administrative expenses	-	(48,234)	(48,234)	-	(55,633)	(55,633)
Profit/(loss) for the year	27,792	(40,218)	(12,426)	(92,205)	(4,953)	(97,158)

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

27 Basic and diluted loss per share

	2023 AED'000	Restated 2022 AED'000
Loss for the period attributable to shareholders	(12,426)	(97,158)
Weighted average number of shares outstanding during the year	150,000	150,000
Basic and diluted loss per share	(0.08)	(0.65)

Basic loss per share are calculated by dividing the loss for the year by the number of weighted average shares outstanding during the reporting year. Diluted loss per share is equivalent to basic loss per share as the Group did not issue any new instrument that would impact loss per share when executed.

28 Capital risk management and going concern

Section 2 of the Financial Regulations for Insurance Companies (the "Regulations") issued by Central Bank of UAE identifies the required solvency margins to be held in addition to insurance liabilities. The solvency margins must be maintained at all times throughout the year.

The table below summarises the consolidated Minimum Capital Requirement (MCR), Minimum Guarantee Fund (MGF) and Solvency Capital Requirement (SCR) of the Group and the total capital held at the Group level to meet the required Solvency Margins in line with the requirements of the financial regulations issued for takaful companies in UAE.

	2023 AED'000	Restated 2022 AED'000
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	45,934	49,831
Minimum Guarantee Fund (MGF)	29,861	64,033
Basic Own Funds	(152,740)	(80,138)
MCR Solvency Margin - Minimum Capital Requirement (deficit)	(252,740)	(180,138)
SCR Solvency Margin - Solvency Capital Requirement (deficit)	(198,674)	(129,969)
MGF Solvency Margin - Minimum Guarantee Fund (deficit)	(182,601)	(144,171)

As per Article (8) of Section 2 of the financial regulations issued for takaful companies in the UAE, the Group shall always comply with the requirements of Solvency Margin. As at 31 December 2023, the Group has a solvency deficit as compared to the Minimum Capital Requirements of AED 100 million, Solvency Capital Requirements of AED 45.9 million and Minimum Guarantee Fund of AED 29.8 million as at 31 December 2023. The Group has conducted General Assembly meeting subsequent to the year end and approved a capital injection of AED 125 million. Further deficit will be covered as part of the business plan.

29 Risk management

Capital management framework

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group fully complied with the externally imposed capital requirements and no changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 31 December 2022.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

29 Risk management (continued)

Regulatory framework

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

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

Asset liability management (ALM) framework

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

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

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

Takaful risk

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

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

Frequency and amounts of claims

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

Medical, group life and personal accident

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

Individual Life

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

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

Geographical concentration of risks

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

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

29 Risk management (continued)

Retakaful risk

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

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

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

The three largest reinsurers account for 86% of amounts due from retakaful companies at 31 December 2022 (2021: 87%).

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

Sources of uncertainty in the estimation of future claim payments

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

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

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

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

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

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

29 Risk management (continued)

Retakaful risk (continued)

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

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

Sensitivity

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.

Measured Under PAA

2023	Change in assumptions	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
Risk adjustment	2.5%	(2,578)	(1,346)	(2,578)	(1,346)
Discount rate	1%	-	-	-	-
Risk adjustment	-2.5%	2,546	1,340	2,546	1,340
Discount rate	-1%	-	-	-	-
2022 (restated)	Change in assumptions	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
Risk adjustment	2.5%	(2,248)	(1,743)	(2,284)	(1,743)
Discount rate	1%	-	-	-	-
Risk adjustment	-2.5%	2,261	1,706	2,261	1,706
Discount rate	-1%	-	-	-	-

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

29 Risk management (continued)

Sensitivity (continued)

Measured not under PAA

2023	Change in assumptions	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
Risk adjustment	2.5%	(7,850)	(6,062)	(7,850)	(6,062)
Discount rate	1%	(752)	61	(752)	61
Risk adjustment	-2.5%	6,720	5,162	6,720	5,162
Discount rate	-1%	625	(54)	625	(54)
2022 (restated)	Change in assumptions	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
Risk adjustment	2.5%	(4,092)	(3,385)	(4,092)	(3,385)
Discount rate	1%	2,079	3,695	2,079	3,695
Risk adjustment	-2.5%	3,047	2,340	3,047	2,340
Discount rate	-1%	(8,376)	(10,377)	(8,376)	(10,377)

Financial risk

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

The Group does not enter into derivative transactions.

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

Credit risk

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

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

The Group only enters into takaful and retakaful contracts with recognised, credit worthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from takaful and retakaful contracts are monitored on an ongoing basis in order to reduce the Group's exposure to bad debts.

The Group seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.

The Group's investments at fair value through profit or loss are managed by the Chief Operating Officer in accordance with the guidance of the Board of Directors. The Group's bank balances are maintained with a range of international and local banks in accordance with limits set by the management.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

29 Risk management (continued)

Financial risk (continued)

Credit risk (continued)

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

	2023 AED'000	Restated 2022 AED'000
Financial instruments – deposits	361,635	306,800
Cash and cash equivalents	76,241	62,831
Other receivables (excluding prepayments)	8,689	20,214
Statutory deposits	4,000	4,000
Total credit risk exposure	450,565	393,845

Currency risk

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

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

Liquidity risk

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

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

2023	Less than one year AED'000	More than one year AED'000	No maturity date AED'000	Total AED'000
Financial assets				
Statutory deposits			4,000	4,000
At FVTPL			348,025	348,025
Other receivables	10,448	-	-	10,448
Cash and bank balances -	-	-	76,241	76,241
	10,448	-	428,266	438,714
Financial liabilities				
Other payables	53,923	-	-	53,923

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

29 Risk management (continued)

Financial risk (continued)

Liquidity risk (continued)

2022 (restated)	Less than one year AED'000	More than one year AED'000	No maturity date AED'000	Total AED'000
Financial assets				
Statutory deposits	-	-	4,000	4,000
At FVTPL	-	-	265,658	265,658
Other receivables	20,887	840	-	21,727
Cash and bank balances -	-	-	103,923	103,923
	<u>32,593</u>	<u>840</u>	<u>373,581</u>	<u>407,014</u>
Financial liabilities				
Other payables	<u>52,008</u>	<u>-</u>	<u>-</u>	<u>52,008</u>

The breakup for the retakaful and takaful contract assets and liabilities is given below:

	Less than 1 year AED'000	1-5 years AED'000	More than 5 years AED'000	Total AED'000
31 December 2023				
Takaful contract assets	-	-	-	-
Retakaful contract assets	<u>27,985</u>	<u>5,715</u>	<u>-</u>	<u>33,700</u>
Takaful contract liabilities	<u>245,068</u>	<u>125,702</u>	<u>165,473</u>	<u>536,243</u>
Retakaful contract liabilities	<u>1,804</u>	<u>774</u>	<u>875</u>	<u>3,453</u>
	Less than 1 year AED'000	1-5 years AED'000	More than 5 years AED'000	Total AED'000
31 December 2022 (Restated)				
Takaful contract assets	131	-	-	131
Retakaful contract assets	<u>(32,638)</u>	<u>44,213</u>	<u>-</u>	<u>11,575</u>
Takaful contract liabilities	<u>166,513</u>	<u>54,436</u>	<u>185,266</u>	<u>406,215</u>
Retakaful contract liabilities	<u>1,072</u>	<u>2,934</u>	<u>9,889</u>	<u>13,895</u>

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

29 Risk management (continued)

Financial risk (continued)

Equity price risk

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

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

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

	Favorable change AED'000	Unfavorable change AED'000
2023		
Profit bearing assets	17,401	(17,401)
2022		
Profit bearing assets	13,283	(13,283)

30 Corporate tax

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal Corporate Tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116/2022 effective from 2023, specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000.

For the Group, current taxes shall be accounted for as appropriate in the consolidated financial statements for the period beginning 1 January 2024. In accordance with IAS 12 income Taxes, the Group has assessed the deferred tax implications for the year ended 31 December 2023 and, after considering its interpretations of applicable tax law, official pronouncements, cabinet decisions and ministerial decisions (especially with regard to transition rules), it has been concluded that it is not material.

31 Restatement

Group financial statements were subject to restatement due to the following reasons:

IFRS 17 and IFRS 9 adaptation

The Group have adopted the IFRS 17 "Insurance Contracts" and IFRS 9 "Financial Instruments" during the current year, as a result, the comparative information is restated (refer to note 4 for more details).

Investments carried at FVTPL and FVTOCI

During the year ended 31 December 2022, the Group had an unquoted investment carried at FVTPL and FVTOCI amounting to AED 80.7 million and AED 57.6 million respectively, however these investments were not fair valued at the reporting date. During the current year, management concluded that this investment has been fully impaired and as a result, the comparative information is restated for the respective investments.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

31 Restatement (continued)

Investment properties

During the year ended 31 December 2022, the Group investment properties includes a residential apartment with a carrying value of AED 9.8 million that were still under construction as of 31 December 2022, however as per independent valuation provided by the management expert indicated that the fair values of such properties are based on comparable for completed properties, as results the investment property was overstated. During the current year management conducted the fair valuation and has revised the value of the aforementioned property due to which the comparative information is restated by AED 4 million.

Other receivables

Few balances in other receivables were not recoverable, the Group has written these off and restated the comparatives.

Statement of financial position

	2022			
	As previously reported AED'000	Effect of IFRS 17 & 9 application AED'000	Restatement related to other matters AED'000	As restated AED'000
Assets				
Participants' assets				
Investment properties	61,709	-	(4,004)	57,705
Investments carried at FVTPL	339,294	-	(80,761)	258,533
Investments carried at FVTOCI	57,620	-	(57,620)	-
sTakaful contract assets	-	131	-	131
Retakaful contract assets	66,966	(55,391)	-	11,575
Deferred acquisition cost	38,920	(38,920)	-	-
Other receivables	39,549	(18,232)	(3,068)	18,249
Due from shareholders	-	14,082	80,286	94,368
Cash and bank balances	90,917	(42)	-	90,875
Total participants' assets	694,975	(98,372)	(65,167)	531,436
Shareholders' assets				
Property and equipment	796	-	-	796
Intangible assets	1,094	-	-	1,094
Investments carried at FVTPL	12,622	-	(5,497)	7,125
Other receivables	16,406	(9,929)	(2,999)	3,478
Statutory deposit	4,000	-	-	4,000
Cash and bank balances	13,053	(5)	-	13,048
Due from participants	149,931	-	(149,931)	-
Total shareholders' assets	197,902	(9,934)	(158,427)	29,541
Total assets	892,877	(108,306)	(223,594)	560,977

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2023

31 Restatement (continued)

	2022			
	As previously reported AED'000	Effect of IFRS 17 & 9 application AED'000	Restatement related to other matters AED'000	As restated AED'000
Participants' liabilities and deficit				
participants' liabilities				
Takaful contract liabilities	455,798	(49,583)	-	406,215
Retakaful contract liabilities	-	13,895	-	13,895
Other payables	87,642	(69,832)	-	17,810
Due to shareholders	149,931	-	(149,931)	-
Total participants' liabilities	693,371	(105,520)	(149,931)	437,920
Shareholder's liability and equity				
Shareholder's liabilities				
Employees' end of service benefits	4,217	-	-	4,217
Ijarah finance	17,500	-	-	17,500
Other payables	52,283	(18,085)	-	34,198
Due to participants	-	14,082	80,286	94,368
Total shareholders liabilities	74,000	(4,003)	80,286	150,283
Shareholder's equity				
Share capital	150,000	-	-	150,000
Statutory reserve	6,813	-	(245)	6,568
Retakaful reserves	1,268	-	-	1,268
Cumulative changes in fair value of FVTOCI investments	40,698	-	(57,620)	(16,922)
Accumulated losses	(73,273)	1,217	(96,084)	(168,140)
Total shareholder's equity	125,506	1,217	(153,949)	(27,226)
Total shareholder's equity and liabilities	892,877	(108,306)	(223,594)	560,977

32 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.

33 Subsequent events

The Group carried out General Assembly of Shareholders in order to begin the process of the capital restructure following the review of the Company's business plan and recovery plan and received the non-objection of the Securities and Commodities Authority to proceed. The approval was obtained from the shareholders on 27 February 2024. The process is expected to be completed by end of June 2024.

34 Approval of the consolidated financial statement

The consolidated financial statement was approved by the Board of Directors and authorised for issue on 5 April 2024.