

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

Consolidated Financial Statements
For the year ended 31 December 2024

REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2024

Dear Shareholders,

We are pleased to present the annual report for Takaful Emarat Insurance and its subsidiary for the year ending 31 December, 2024. This report highlights our key achievements and financial performance.

We would like to put on record our sincere appreciation and gratitude towards all stakeholders of Takaful Emarat Insurance (PSC) for their strong confidence and trust in Takaful Emarat's management and strategic direction, raising AED 185 million in additional capital. This strategic initiative has significantly strengthened the company's financial position, increasing its total capital to AED 210.6 million.

Through a comprehensive assessment of our operations, we have identified and devised strategic measures to enhance our operational efficiencies. This initiative led to a significant restructuring, optimized our resources, improved cost efficiencies, and sharpened our focus on core competencies.

Takaful revenue for the year ended 31 December 2024, has reached AED 420 million, compared to AED 229 million in the previous year. Net investment income for the year ended 31 December 2024, reached AED 32 million, up from AED 15.5 million last year. Net profit attributable to shareholders after tax for the year ended December 31, 2024, has reached AED 11.2 million, compared to a net loss of AED 12.4 million in the previous year.

As we look ahead to the coming year, the Board of Directors is committed to driving sustainable growth and innovation across our organization. Our strategic plan focuses on expanding our market presence, enhancing operational efficiencies, and investing in cutting-edge technologies to stay ahead of industry trends. We will also prioritize strengthening our customer relationships and exploring new opportunities for collaboration and partnerships. By fostering a culture of excellence and agility, we aim to deliver long-term value to our shareholders and stakeholders, ensuring continued success and resilience in an ever-evolving business landscape.

We would like to formally express our heartfelt appreciation and gratitude to all stakeholders of Takaful Emarat Insurance (PSC). Your unwavering support and trust have been instrumental in our success. Additionally, we extend our deepest thanks to our management and staff for their sincere dedication and hard work, which have significantly contributed to the Group's successful growth. Your commitment and efforts are truly valued and recognized.

May God; the Almighty; guide our steps

Signed by:

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Mr. Nooraldeen Subhi Atatreh
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 2024, 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 present fairly, in all material respects, the financial position of the Group as at 31 December 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board (IASB).

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report

To the Shareholders of 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 takaful contract liabilities, retakaful contract assets and retakaful contract liabilities	
<p>As at 31 December 2024, The Group's takaful contract liabilities, retakaful contract assets and retakaful contract liabilities are valued at AED 665 million, AED 44 million and AED 5 million respectively. Refer to note 8 to the consolidated financial statements.</p> <p>The valuation of retakaful contract liabilities, retakaful contract assets and takaful contract liabilities involves significant judgements and estimates particularly with respect to, estimation of the present value of future cash flows, the eligibility of the premium allocation approach (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>As a result of all the above factors, we consider valuation of takaful contract liabilities retakaful contract assets and retakaful contract liabilities, as a key audit matter.</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 takaful contract liabilities, retakaful contract assets and retakaful contract 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 contract liabilities, retakaful contract assets and retakaful contract assets 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
Valuation of investment properties	
<p>The Group holds investment properties under the fair value model as at 31 December 2024 amounting to AED 108 million (2023: AED 84 million. (Refer to note 6 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 for the property's value more than AED 30 million.</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"> • Obtained from the management the fair valuation report performed by external valuers. • Evaluated the qualifications, competence and objectivity of the external valuers. • Evaluated the accuracy and completeness of the source data used in the calculation of fair values; • Assessed the appropriateness of the key assumptions and methodologies used. • Performed an independent calculation after carrying out enquiries with management and independent valuer, including performing reasonableness computation by using publicly available sources of information to independently corroborate the valuation performed by management experts; • Verified the accuracy of the disposals during the year. • Assessed the adequacy of disclosures included in consolidated financial statements against the requirements of IFRSs.

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.

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)

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, UAE Federal Decree Law No 48 of 2023 regarding the regulation of insurance activities and Central Bank of the UAE Board of Director's Decision No. (25) of 2014 pertinent to the Financial Regulations for Insurance Companies, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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



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)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Decree 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 Decree Law No. 32 of 2021;
- iii) The Group has maintained proper books of account in accordance with established accounting principles;
- iv) The financial information included in Board of Directors' report is consistent with the books of accounts of the Group;
- v) As disclosed in note 7 to the consolidated financial statements, the Group has purchased and invested in securities during the year ended 31 December 2024;
- vi) Note 22 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;
- vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2024 any of the applicable provisions of the Federal Decree Law No. 32 of 2021, or in respect of the Group, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2024 and;
- viii) The Group has not made any social contributions during the year.



Grant Thornton

Independent Auditor's Report

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

Report on Other Legal and Regulatory Requirements (continued)

Further, as required by the UAE Federal Decree Law No. 48 of 2023, 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

28 MAR 2025



Takaful Emarat - Insurance (PSC) and its subsidiary
Consolidated statement of financial position
As at 31 December 2024

	Notes	2024 AED'000	2023 AED'000
Assets			
Participants' assets			
Investment properties	6	107,915	83,984
Investment at fair value through profit or loss ("FVTPL")	7	389,824	343,196
Investment at fair value through other comprehensive income ("FVTOCI")	7	8,400	-
Retakaful contract assets	8	44,240	33,700
Other receivables	9	5,475	5,648
Due from shareholders		-	106,471
Cash and bank balances	11	223,101	50,791
Total participants' assets		778,955	623,790
Shareholders' assets			
Property and equipment	5	1,210	715
Intangible assets		257	490
Investment at fair value through profit or loss ("FVTPL")	7	4,829	4,829
Other receivables	9	6,499	4,800
Statutory deposit	10	4,000	4,000
Due from participants		60,603	-
Cash and bank balances	11	103,491	25,450
Total shareholders' assets		180,889	40,284
Total assets		959,844	664,074

The notes from 1 to 31 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 2024

	Notes	2024 AED'000	2023 AED'000
Participants' liabilities			
Takaful contract liabilities	8	665,526	536,243
Retakaful contract liabilities	8	5,133	3,453
Other payables	15	13,566	18,370
Due to shareholders		-	-
Total participants' liabilities		684,225	558,066
Deficit in participants funds and Qard Hassan from shareholders			
Deficit in participants funds	16	(34,127)	(65,724)
Qard Hassan from shareholders	16	34,127	65,724
Deficit in participants funds and Qard Hassan from shareholders		-	-
Total participants' liabilities and deficit		684,225	558,066
Shareholders' liability and equity			
Shareholders' liabilities			
Employees' end of service benefits		3,295	3,636
Other payables	15	46,520	35,553
Deferred tax liability		1,996	-
Due to participants		60,603	106,471
Total shareholders' liabilities		112,414	145,660
Shareholders' equity			
Share capital	12	210,652	150,000
Statutory reserve	13	1,116	6,568
Retakaful reserve	13	3,248	1,966
Cumulative changes in fair value of FVTOCI investments		(8,522)	(16,922)
Accumulated losses		(43,289)	(181,264)
Total shareholders' equity/(deficit)		163,205	(39,652)
Total shareholders' equity and liabilities		275,619	106,008
Total liabilities, participants' fund and equity		959,844	664,074

This consolidated financial statement was authorised for issue on **28 MAR 2025** by the Board of Directors and signed on their behalf by:

Signed by:



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Mr. Nooraldeen Subhi Atatreh
Chairman

DocuSigned by:



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Mr. Adnan Sabaalish
Chief Executive Officer

The notes from 1 to 31 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 2024

	Notes	2024 AED'000	2023 AED'000
Attributable to participants			
Takaful revenue	17	420,288	228,705
Takaful service expense	18	(310,278)	(176,270)
(Expenses)/income from retakaful contracts held		(9,036)	2,946
Takaful service result		100,974	55,381
Takaful finance expenses	19	(587)	(57,848)
Retakaful finance income	19	189	1,342
Net change in fair value of participants' investment		598	56,078
Net takaful income		101,174	54,953
Investment income, net		30,621	16,754
Wakala fees		(100,198)	(43,915)
Surplus for the year attributable to participants		31,597	27,792
Attributable to shareholders			
Investment income/(loss) - net		1,432	(1,190)
Other income		725	236
Wakala fees		100,198	43,915
Policy acquisition cost		(59,269)	(34,945)
General and administrative expenses	20	(61,525)	(48,234)
Loss for the year before Qard Hassan		(18,439)	(40,218)
Reversal of provision against Qard Hassan to participants	16	31,597	27,792
Profit/(loss) before tax attributable to shareholders		13,158	(12,426)
Income tax expense		(1,996)	-
Profit/(loss) after tax attributable to shareholders		11,162	(12,426)
Earnings/(loss) per share		0.053	(0.059)
Basic and diluted earnings/(loss) per share	25	0.053	(0.059)

The notes from 1 to 31 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 2024

	2024	2023
	AED'000	AED'000
Profit/(loss) for the year	11,162	(12,426)
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Net change in fair value of equity instruments designated at FVTOCI attributable to participants	8,400	-
Total other comprehensive income for the year	8,400	-
Total comprehensive income/(loss) for the year	19,562	(12,426)

The notes from 1 to 31 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 2024

	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 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 (note 13)	-	-	698	-	(698)	-
Balance at 31 December 2023	150,000	6,568	1,966	(16,922)	(181,264)	(39,652)
Balance at 1 January 2024	150,000	6,568	1,966	(16,922)	(181,264)	(39,652)
Profit for the year	-	-	-	-	11,162	11,162
Other comprehensive income for the year	-	-	-	8,400	-	8,400
Total comprehensive income for the year	-	-	-	8,400	11,162	19,562
Reduction in accumulated losses (note 12, 13)	(124,348)	(6,568)	-	-	130,916	-
Issuance of share capital (note 12)	185,000	-	-	-	-	185,000
Transfer to statutory reserves (note 13)	-	1,116	-	-	(1,116)	-
Transfer to retakaful reserves (note 13)	-	-	1,282	-	(1,282)	-
Zakat paid (note 30)	-	-	-	-	(1,705)	(1,705)
Balance at 31 December 2024	210,652	1,116	3,248	(8,522)	(43,289)	163,205

The notes from 1 to 31 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 2024

	Notes	2024 AED'000	2023 AED'000
Cash flows from operating activities			
Profit/(loss) for the year before tax		13,158	(12,426)
Adjustments for:			
Depreciation and amortisation		671	853
Unrealised gain on investments carried at FVTPL	7	(12,198)	(55,206)
Realised gain on sale of investment properties		(614)	-
Provision for expected credit loss		198	20
Provision for employees' end of service benefits		930	488
Change in fair value of investment properties	6	(13,189)	(15,441)
Operating cash flows before changes in working capital		<u>(11,044)</u>	<u>(81,712)</u>
Changes in working capital:			
Changes in takaful contract assets		-	131
Changes in retakaful contract assets		(10,540)	(22,125)
Change in other receivables		(1,526)	11,279
Changes in takaful contract liabilities		129,283	130,028
Changes in retakaful contract liabilities		1,680	(10,442)
Change in other payables		6,163	1,918
Cash generated from operating activities		<u>114,016</u>	<u>29,077</u>
Employees end of service indemnity paid		(1,271)	(1,069)
Net cash generated from operating activities		<u>112,745</u>	<u>28,008</u>
Cash flows from investing activities			
Change in deposits with maturity of more than three months		(35,000)	27,532
Net purchase of investments at FVTPL		(34,430)	(27,161)
Purchase of property and equipment		(794)	(171)
Proceeds from disposal of property and equipment		1	-
Purchase of intangible assets		(140)	-
Addition to investments properties		(13,087)	(10,838)
Sale of investment properties		2,959	-
Net cash used in investing activities		<u>(80,491)</u>	<u>(10,638)</u>
Cash flows from financing activities			
Zakat paid		(1,705)	-
Repayment of ijarah financing		-	(17,500)
Proceeds from issuance of share capital	12	185,000	-
Net cash generated from / (used in) financing activities		<u>183,295</u>	<u>(17,500)</u>
Net change in cash and cash equivalents		<u>215,549</u>	<u>(130)</u>
Cash and cash equivalents at beginning of the year		62,701	62,831
Cash and cash equivalents at end of the year	11	<u>278,250</u>	<u>62,701</u>

The notes from 1 to 31 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 2024

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 Decree Law No. 48 of 2023, concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations.

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.

This consolidated financial statement has been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Decree 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>			2024	2023
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	Amendment to IAS 1 – Non-current liabilities with covenants and classification of liabilities as current or non-current	1 January 2024
IAS 7 & IFRS 17	Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements	1 January 2024
IFRS 16	Amendment to IFRS 16 – Leases on sale and leaseback	1 January 2024

These standards did not have a material impact on these consolidated financial statements.

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

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

3 Basis of preparation

Statement of compliance with IFRS

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 (IFRS IC) 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.

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 2023 except as described in note 4 to this consolidated financial statement.

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 2024. 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.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

3 Basis of preparation (continued)

Basis of consolidation (continued)

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

IFRS 17 Takaful contracts

IFRS 17 establishes principles for the recognition, measurement, presentation, and disclosure of takaful contracts, retakaful contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin.

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

The Company applies PAA to simplify the measurement of contracts in the non-life takaful segment. When measuring liabilities for remaining coverage, PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for incurred claims, the Company now discounts the future cash flows and includes an explicit risk adjustment for non-financial risk.

Classification and measurement

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>

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

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

4 Material accounting policies (continued)

IFRS 17 Takaful contracts (continued)

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 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;

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

4 Material accounting policies (continued)

IFRS 17 Takaful contracts (continued)

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

- 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.

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, profit accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition.
- The changes in fulfilment cash flows relating to future service, except to the extent that:
 - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or
 - Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

4 Material accounting policies (continued)

IFRS 17 Takaful contracts (continued)

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

Subsequent measurement (continued)

- 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:

- 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.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

4 Material accounting policies (continued)

IFRS 17 Takaful contracts (continued)

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)
- 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:

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

4 Material accounting policies (continued)

IFRS 17 Takaful contracts (continued)

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.

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	
	2024	2023	2024	2023	2024	2023	2024	2023
Takaful contract issued	4.82%	5.12%	4.66%	3.66%	4.71%	3.47%	4.78%	3.44%
Retakaful contracts held	4.82%	5.12%	4.66%	3.66%	4.71%	3.47%	4.78%	3.44%

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 profit 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.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

4 Material accounting policies (continued)

IFRS 17 Takaful contracts (continued)

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.

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
- 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.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

4 Material accounting policies (continued)

IFRS 17 Takaful contracts (continued)

Onerosity determination (continued)

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 and,
- Risk adjustment for non-financial risks.

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

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

4 Material accounting policies (continued)

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.

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 finances 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.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

4 Material accounting policies (continued)

Financial instruments (continued)

Financial assets at amortised cost (continued)

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.

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 2024

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 2024

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.

Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalised during the current year for such years.

Deferred taxation

Deferred taxation is accounted for using the statement of financial position liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to statement of comprehensive income in which case it is included in statement of comprehensive income.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

4 Material accounting policies (continued)

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 2023, except for the below judgements.

Takaful and retakaful contracts

The Group applies the PAA to simplify the measurement of takaful contracts. 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.

4 Material accounting policies (continued)

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

Liability for incurred claims (continued)

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 Group has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

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 (ECL)

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 2024

5 Property and equipment

	Office equipment			Fixture and fittings			Motor vehicles			Total		
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost												
Balance at 1 January 2023	2,868	3,904	172	3,904	172							6,944
Additions during the year	95	76	-	76	-							171
Disposals during the year	(5)	1	-	1	-							(4)
Balance at 31 December 2023	2,958	3,981	172	3,981	172							7,111
Additions during the year	54	740	-	740	-							794
Disposals during the year	(1)	-	-	-	-							(1)
Balance at 31 December 2024	3,011	4,721	172	4,721	172							7,904
Accumulated depreciation:												
Balance at 1 January 2023	2,104	3,873	171	3,873	171							6,148
Depreciation for the year	236	13	1	13	1							250
Disposals during the year	(2)	-	-	-	-							(2)
Balance at 31 December 2023	2,338	3,886	172	3,886	172							6,396
Depreciation for the year	247	51	-	51	-							298
Disposals for the year	-	-	-	-	-							-
Balance at 31 December 2024	2,585	3,937	172	3,937	172							6,694
Carrying amount:												
Balance at 31 December 2023	620	95	-	95	-							715
Balance at 31 December 2024	426	784	-	784	-							1,210

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

6 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 fair values were determined based on comparable method for rented out apartments and residual method of valuation for under construction properties.

	2024 AED'000	2023 AED'000
Residential apartments*	21,815	20,834
Land**	33,175	23,275
Work in progress**	52,925	39,875
	<u>107,915</u>	<u>83,984</u>

* Residential apartments are carried at fair value of the investment property as of 31 December 2024, based on an valuation undertaken by independent qualified valuers, amounted to AED 21.8 million after sale of three apartments. (2023: AED 20.8 million).

** Land, on which construction is under progress, and the work in progress as at 31 December 2024 amounting to AED 86.1 million (31 December 2023: AED 63.2 million) are stated at its fair value as determined by two independent valuer having an appropriate recognised professional qualification and recent experience in the region. The Company recognises the average of fair value from both valuers. And work in progress comprises construction of residential building and all other related costs.

The construction is expected to be completed within year 2025, at which point the property will be reclassified from work in progress to completed investment properties in accordance with the Group's accounting policies.

2024	Apartments AED'000	Building AED'000	Total AED'000
At 1 January	20,834	63,150	83,984
Sale of investment properties	(2,345)	-	(2,345)
Change in fair value during the year	3,289	9,900	13,189
Addition in WIP	37	13,050	13,087
At 31 December 2024	<u>21,815</u>	<u>86,100</u>	<u>107,915</u>
2023	Apartments AED'000	Building AED'000	Total AED'000
At 1 January	13,266	44,439	57,705
Change in fair value during the year	7,568	7,873	15,441
Addition in WIP	-	10,838	10,838
At 31 December 2023	<u>20,834</u>	<u>63,150</u>	<u>83,984</u>

During the year ended 31 December 2024, the Group sold three residential apartments located in Topaz 2, Dubai Silicon Oasis in the Emirate of Dubai for a total consideration of AED 2.3 million (2023: Nil).

The properties have been categorised as Level 3 based on the inputs to the valuation technique used; and in estimating the fair value, the highest and best use of the properties is their current use.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

6 Investment properties (continued)

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:

	2024 AED'000	2023 AED'000
Rental income	573	532
Direct operating expenses	(89)	(130)
Income from investment property	<u>484</u>	<u>402</u>

7 Investment in securities

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

	2024 AED'000	2023 AED'000
Mutual funds	355,767	343,239
Equity investments – quoted	22,500	-
Equity investments – unquoted	16,386	4,786
	<u>394,653</u>	<u>348,025</u>

Investments made:

- Within UAE	115,046	79,748
- Outside UAE	279,607	268,277
	<u>394,653</u>	<u>348,025</u>

Attributable to:

Participants	389,824	343,196
Shareholders	4,829	4,829
	<u>394,653</u>	<u>348,025</u>

The movement in other financial assets are as follows:

	2024 AED'000	2023 AED'000
At 1 January	348,025	265,658
Net purchased during the year	34,430	27,161
Change in fair value*	12,598	55,206
At 31 December	<u>394,653</u>	<u>348,025</u>

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

7 Investment in securities (continued)

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

	2024 AED'000	2023 AED'000
As at 1 January	-	-
Reversal of impairment losses*	8,400	-
As at 31 December	8,400	-

The investment carried at fair value through other comprehensive income (FVTOCI) is attributable to participants and within UAE.

*During the year, an impairment reversal on unquoted equity investment at fair value through profit and loss (FVTPL) and other comprehensive income (FVTOCI) has been recognised as a result of observable market data indicating a recovery in the fair value of previously impaired unquoted investments.

8 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:

	2024			2023		
	Assets AED'000	Liabilities AED'000	Net AED'000	Assets AED'000	Liabilities AED'000	Net AED'000
Takaful contracts issued						
Group life and medical	-	(325,972)	(325,972)	-	(206,651)	(206,651)
Individual life	-	(339,554)	(339,554)	-	(329,592)	(329,592)
Total takaful contracts issued	-	(665,526)	(665,526)	-	(536,243)	(536,243)
Retakaful contracts held						
Group life and medical	44,240	-	44,240	33,700	-	33,700
Individual life	-	(5,133)	(5,133)	-	(3,453)	(3,453)
Total retakaful contracts held	44,240	(5,133)	39,107	33,700	(3,453)	30,247

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

8 Takaful and retakaful contracts (continued)

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

2024	Liability for remaining coverage		LIC for contracts not measured under the PAA		LIC for contracts measured under the PAA		Total AED'000
	Excluding loss component AED'000	Loss component AED'000	LIC for contracts not measured under the PAA AED'000	Present value of future cash flows AED'000	Risk adjustment AED'000	Risk adjustment AED'000	
Takaful contracts issued							
Opening takaful contract liabilities	(439,484)	(12,491)	(5,412)	(76,780)	(2,076)	(536,243)	
Net balance as at 1 January 2024	(439,484)	(12,491)	(5,412)	(76,780)	(2,076)	(536,243)	
Takaful revenue	420,288	-	-	-	-	420,288	
Takaful service expenses							
Incurred claims and other directly attributable expenses	-	-	(4,920)	(351,520)	(8,870)	(365,310)	
Changes that relate to past service - adjustments to the LIC	-	-	1,179	4,236	8,167	13,582	
Losses on onerous contracts and reversal of those losses	-	3,561	-	-	-	3,561	
Takaful acquisition cash flows amortisation	(59,269)	-	-	-	-	(59,269)	
Total takaful service (expenses)/income	(59,269)	3,561	(3,741)	(347,284)	(703)	(407,436)	
Takaful service result	361,019	3,561	(3,741)	(347,284)	(703)	12,852	
Finance expenses from takaful contracts issued	(557)	(10)	(20)	-	-	(587)	
Investment components	66,945	-	(66,945)	-	-	-	
Total amounts recognised in comprehensive loss	427,407	3,551	(70,706)	(347,284)	(703)	12,265	
Cash flows							
Premiums received	(608,669)	-	-	-	-	(608,669)	
Claims and other directly attributable expenses paid	-	-	70,939	286,819	-	357,758	
Directly attributable expenses paid	-	-	2,619	26,583	-	29,202	
Takaful acquisition cash flows paid	80,161	-	-	-	-	80,161	
Total cash flows	(528,508)	-	73,558	313,402	-	(141,548)	
Net takaful contract liabilities at 31 December 2024	(540,585)	(8,940)	(2,560)	(110,662)	(2,779)	(665,526)	

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

8 Takaful and retakaful contracts (continued)

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

2023	Liability for remaining coverage		LIC for contracts not measured under the PAA		LIC for contracts measured under the PAA		Total AED'000
	Excluding loss component AED'000	Loss component AED'000	LIC for contracts not measured under the PAA AED'000	Present value of future cash flows AED'000	Risk adjustment AED'000		
Takaful contracts issued							
Opening takaful contract assets	765	(634)	-	-	-	-	131
Opening takaful contract liabilities	(294,914)	-	(6,553)	(101,976)	(2,772)	(2,772)	(406,215)
Net balance as at 1 January 2023	(294,149)	(634)	(6,553)	(101,976)	(2,772)	(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)	(5,236)	(192,600)
Changes that relate to past service - adjustments to the LIC	-	-	478	(3,798)	5,931	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)/income	(34,945)	(11,920)	(3,101)	(187,583)	695	695	(236,854)
Takaful service result	193,760	(11,920)	(3,101)	(187,583)	695	695	(8,149)
Finance expenses from takaful contracts issued	(57,895)	63	(17)	-	1	1	(57,848)
Investment components	68,664	-	(68,664)	-	-	-	-
Total amounts recognised in comprehensive income/(loss)	204,529	(11,857)	(71,782)	(187,583)	696	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)	(2,076)	(536,243)

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

8 Takaful and retakaful contracts (continued)

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

2024	Best estimate liability AED'000	Risk adjustment AED'000	Contractual service margin AED'000	Total AED'000
Opening takaful contract liabilities	(306,761)	(8,706)	(14,125)	(329,592)
Net balance as at 1 January 2024	(306,761)	(8,706)	(14,125)	(329,592)
Changes related to current services				
- CSM recognised in profit and loss	-	-	2,979	2,979
- Risk Adjustment recognised in profit and loss	-	1,474	-	1,474
- Experience adjustments	1,467	(1,184)	-	283
Changes related to future services				
- Contracts initially recognised in the period	(809)	(1,199)	(191)	(2,199)
- Changes in estimates that adjust CSM	8,255	(333)	(7,923)	(1)
- Changes in estimates that result in onerous contracts or reversal of losses	904	214	-	1,118
Changes that relate to past service - adjustments to LIC	8	1,172	-	1,180
Takaful finance expenses through profit and loss	(551)	-	(35)	(586)
Total changes in statement of comprehensive income/ (loss)	9,274	144	(5,170)	4,248
Premiums received	(102,743)	-	-	(102,743)
Claims and other directly attributable expenses paid	70,941	-	-	70,941
Directly attributable expenses paid	2,619	-	-	2,619
Takaful acquisition cash flows paid	14,973	-	-	14,973
Total cash flows	(14,210)	-	-	(14,210)
Net takaful contract liabilities at 31 December 2024	(311,697)	(8,562)	(19,295)	(339,554)

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

8 Takaful and retakaful contracts (continued)

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

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 loss/ (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 Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

8 Takaful and retakaful contracts (continued)

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

2024	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	measured under the PAA AED'000	Present value of future cash flows AED'000	Risk adjustment AED'000		
Retakaful contracts issued							
Opening retakaful contract assets	(27,762)	1,813	-	58,620	1,029		33,700
Opening retakaful contract liabilities	(13,908)	7,368	3,087	-	-		(3,453)
Net balance as at 1 January 2024	(41,670)	9,181	3,087	58,620	1,029		30,247
Allocation of retakaful premium	(200,708)	-	-	-	-		(200,708)
Amounts recoverable for claims and other expenses	-	-	921	182,204	1,535		184,660
Changes that relate to past service - adjustments to LIC	-	-	(10)	11,574	(1,002)		10,562
Changes in fulfilment cash flows that do not adjust underlying CSM	-	(3,550)	-	-	-		(3,550)
Expenses directly attributable to retakaful	-	-	(233)	(1,398)	-		(1,631)
Net (expenses)/income from retakaful contracts held	(200,708)	(3,550)	678	192,380	533		(10,667)
Finance income from retakaful contracts issued	180	-	10	-	-		190
Total amounts recognised in comprehensive (loss)/ income	(200,528)	(3,550)	688	192,380	533		(10,477)
Cash flows							
Premiums paid to retakaful net of commission	81,627	-	-	-	-		81,627
Recoveries from retakaful	-	-	269	1,427	-		1,696
Directly attributable expenses paid	-	-	(57)	(63,929)	-		(63,986)
Total cash flows	81,627	-	212	(62,502)	-		19,337
Net retakaful contract liabilities at 31 December 2024	(160,571)	5,631	3,987	188,498	1,562		39,107
Closing retakaful contract assets	(148,321)	2,501	-	188,498	1,562		44,240
Closing retakaful contract liabilities	(12,250)	3,130	3,987	-	-		(5,133)
Net retakaful contract liabilities at 31 December 2024	(160,571)	5,631	3,987	188,498	1,562		39,107

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

8 Takaful and retakaful contracts (continued)

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

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	contracts not measured under the PAA AED'000	Present value of future cash flows AED'000	Risk adjustment AED'000	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(loss)/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 2024

8 Takaful and retakaful contracts (continued)

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

2024	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 2024	(7,098)	573	3,072	(3,453)
Changes related to current services				
- CSM recognised in profit and loss	-	-	929	929
- Risk adjustment recognised in profit and loss	-	(126)	-	(126)
- Experience adjustments	(244)	12	-	(232)
Changes related to future services				
- Contracts initially recognised in the period	(45)	7	38	-
- Changes in estimates that adjust CSM	516	60	(576)	-
- Changes in estimates that result in onerous contracts or reversal of losses	-	-	(4,238)	(4,238)
- Changes that relate to past service - adjustments to LIC	(13)	4	-	(9)
- Retakaful finance expenses through profit and loss	59	-	131	190
Total changes in statement of comprehensive income/ (loss)	273	(43)	(3,716)	(3,486)
Premiums paid to reinsurer net of commission	1,595	-	-	1,595
Recoveries from retakaful	268	-	-	268
Directly attributable expenses paid	(57)	-	-	(57)
Total cash flows	1,806	-	-	1,806
Closing retakaful contract liabilities as at 31 December 2024	(5,019)	530	(644)	(5,133)

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

8 Takaful and retakaful contracts (continued)

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

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	-	-	1,411	1,411
- CSM recognised in profit and loss	-	76	-	76
- Risk adjustment recognised in profit and loss	(1,759)	(7)	-	(1,766)
- Experience adjustments				
Changes related to future services	(154)	15	139	-
- Contracts initially recognised in the period	8,376	(707)	(7,668)	1
- Changes in estimates that adjust CSM	-	-	7,368	7,368
- Changes in estimates that result in onerous contracts or reversal of losses	(11)	23	-	12
- Changes that relate to past service - adjustments to LIC	1,276	-	67	1,343
- Retakaful finance expenses through profit and loss	7,728	(600)	1,317	8,445
Total changes in statement of comprehensive income/ (loss)				
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 2024

8 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 2024.

Gross takaful contract liabilities at 31 December 2024 for contracts measured under PAA

	2021 & prior years AED'000	2022 AED'000	2023 AED'000	2024 AED'000	Total AED'000
At the end of each reporting year	1,233,796	279,038	160,846	315,276	1,988,956
One year later	734,986	231,478	156,935	-	1,123,399
Two years later	677,676	232,873	-	-	910,549
Three years later	676,304	-	-	-	676,304
Estimate of cumulative claims	676,304	232,873	156,935	315,276	1,381,388
Cumulative payments to date	(669,423)	(231,385)	(152,923)	(230,274)	(1,284,005)
Unallocated loss adjustment expense reserve	-	-	-	-	420
Claims payable	-	-	-	-	1,511
Total gross undiscounted liabilities for incurred claims	-	-	-	-	99,313
Attributable expenses	-	-	-	-	11,349
Total discounted gross reserves included in the statement of financial position	-	-	-	-	110,662
Risk adjustments	-	-	-	-	2,779

Gross retakaful contract liabilities at 31 December 2024 for contracts measured under PAA

	2021 & prior years AED'000	2022 AED'000	2023 AED'000	2024 AED'000	Total AED'000
At the end of each reporting year	475,764	94,029	96,556	189,419	855,768
One year later	299,100	88,736	95,613	-	483,449
Two years later	248,164	89,104	-	-	337,268
Three years later	248,072	-	-	-	248,072
Estimate of cumulative claims	248,072	89,104	95,613	189,419	622,208
Cumulative payments to date	(247,476)	(88,440)	(93,428)	(137,449)	(566,793)
Unallocated loss adjustment expense reserve	-	-	-	-	-
Claims receivable	-	-	-	-	134,030
Total gross undiscounted liabilities for incurred claims	-	-	-	-	189,445
RI nonperformance risk	-	-	-	-	(947)
Total discounted gross reserves included in the statement of financial position	-	-	-	-	188,498
Risk adjustments	-	-	-	-	1,562

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

9 Other receivables

	2024 AED'000	2023 AED'000
Other receivables	6,570	7,715
Investment receivables	3,335	343
Prepayments	2,031	1,759
Advances	38	631
	<u>11,974</u>	<u>10,448</u>
Attributable to:		
Participants	5,475	5,648
Shareholders	6,499	4,800
	<u>11,974</u>	<u>10,448</u>

10 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.

11 Cash and bank balances

	2024 AED'000	2023 AED'000
Cash on hand	271	45
Cash at banks	277,979	62,656
Term deposit having maturity more than 3 months	48,610	13,610
Less: Expected credit losses	(268)	(70)
Cash and bank balances	<u>326,592</u>	<u>76,241</u>
Attributable to:		
Participants	223,101	50,791
Shareholders	103,491	25,450
	<u>326,592</u>	<u>76,241</u>

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

	2024 AED'000	2023 AED'000
Cash and bank balances	326,592	76,241
Add: Expected credit losses	268	70
Less: Term deposit having maturity more than 3 months	(48,610)	(13,610)
Cash and cash equivalents	<u>278,250</u>	<u>62,701</u>

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

12 Share capital

	2024 AED'000	2023 AED'000
Authorised issued and fully paid		
210,652,000 (31 December 2023: 150,000,000) ordinary shares of AED 1 each	<u>210,652</u>	<u>150,000</u>

As part of capital restructuring plan, following events occurred during the year:

- On 21 October 2024, the Group has completed the reduction of the accumulated losses and has set off against share capital amounting to AED 124.3 million; and
- On 6 December 2024, the Group issued 185 million ordinary shares by way of right issue of AED 1 per share which is equal to the nominal value of the Group ordinary shares.

13 Statutory reserves

Statutory reserve

In accordance with U.A.E. Law No. (32) of 2021, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law.

On 21 October 2024, the Group has completed the reduction of the accumulated losses and has set off against statutory reserves amounting to AED 6.6 million, as approved by the regulators.

The Company has transferred AED 1.1 million from profits to statutory reserve (31 December 2023: Nil).

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 retakaful reserve and transferred an amount of AED 1.3 million (2023: AED 0.698 million).

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").

14 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.

	Life takaful AED'000	Medical takaful AED'000	All types of business combined AED'000
2024			
Total direct written contributions	<u>105,995</u>	<u>510,222</u>	<u>616,217</u>
2023			
Total direct written contributions	<u>126,484</u>	<u>272,635</u>	<u>399,119</u>

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

15 Other payables

	2024 AED'000	2023 AED'000
Account payables	20,516	16,327
Payable to DHA	18,041	17,706
Other payables	15,001	15,032
Accrued expenses	3,959	2,261
Employee related accruals	2,569	2,597
	<u>60,086</u>	<u>53,923</u>
Attributable to:		
Participants	13,566	18,370
Shareholders	46,520	35,553
	<u>60,086</u>	<u>53,923</u>

16 Qard Hassan

	2024 AED'000	2023 AED'000
(i) Deficit in participants' fund:		
As at 1 January	(65,724)	(93,516)
Surplus during the year	31,597	27,792
As at 31 December	<u>(34,127)</u>	<u>(65,724)</u>
	2024 AED'000	2023 AED'000
(ii) Qard Hassan from shareholders		
As at 1 January	65,724	93,516
Recovery of provision during the year	(31,597)	(27,792)
As at 31 December	<u>34,127</u>	<u>65,724</u>

17 Takaful revenue

For the year ended 31 December 2024	Group life and medical AED'000	Individual life AED'000	Total AED'000
CSM recognised for services provided	-	2,979	2,979
Change in risk adjustment for non-financial risk for risk expired	-	748	748
Expected incurred claims and other takaful service expenses	-	572	572
Experience adjustments	-	(1)	(1)
Recovery of takaful acquisition cash flows	-	6,890	6,890
Contracts not measured under the PAA	-	11,188	11,188
Contracts measured under the PAA	409,100	-	409,100
Total takaful revenue	<u>409,100</u>	<u>11,188</u>	<u>420,288</u>

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

17 Takaful revenue (continued)

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

18 Takaful service expense

For the year ended 31 December 2024	Group life and medical AED'000	Individual life AED'000	Total AED'000
Takaful Service Expenses Allocated to Participants' fund			
Incurring claims	325,161	2,260	327,421
Losses on onerous contracts and reversals of those losses	718	(4,279)	(3,561)
Changes to liabilities for incurred claims	(12,403)	(1,179)	(13,582)
Total takaful service expenses charged to participants' fund	313,476	(3,198)	310,278
Other expenses allocated to shareholders' fund			
Amortisation of takaful acquisition cash flows	52,379	6,890	59,269
Takaful maintenance expenses	35,230	2,659	37,889
Total other expenses charged to shareholders' fund	87,609	9,549	97,158
Total takaful service expenses	401,085	6,351	407,436
For the year ended 31 December 2023			
Takaful Service Expenses Allocated to Participants' fund			
Incurring 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

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

19 Takaful and retakaful expense and income

	2024 AED'000	2023 AED'000
Takaful finance expenses	(587)	(57,848)
Retakaful finance income	189	1,342
	<u>(398)</u>	<u>(56,506)</u>

20 General and administrative expenses

	2024 AED'000	2023 AED'000
TPA expenses	21,799	10,595
Salaries and other benefits	17,928	17,471
Authority fees	5,922	2,746
Miscellaneous expenses	6,183	1,205
Legal and professional fees	3,778	3,534
IT expenses	3,155	2,658
Rent and related	1,539	536
Depreciation and amortisation	671	854
Utilities, maintenance and communication	550	392
Account balances write-off	-	7,866
Ijarah finance expenses	-	377
	<u>61,525</u>	<u>48,234</u>

21 Contingent liabilities

On 31 December 2024, 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 1.6 million (31 December 2023: AED 1.3 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 2024 amounted to AED 6.5 million (31 December 2023: AED 6.5 million).

Other commitments

The Group has lease agreements which are payable as follows:

	2024 AED'000	2023 AED'000
Less than one year	<u>544</u>	<u>633</u>

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

22 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:

	2024 AED'000	2023 AED'000
Short/long term employee benefits	<u>6,693</u>	<u>6,377</u>

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

23 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 2023.

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 below gives information about how the fair values of these financial assets are determined:

31 December 2024	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Investments at fair value through profit or loss (FVTPL)				
Mutual funds	-	355,767	-	355,767
Equity investments – quoted	22,500	-	-	22,500
Equity investments – unquoted	-	-	16,386	16,386
	<u>22,500</u>	<u>355,767</u>	<u>16,386</u>	<u>394,653</u>

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

23 Financial instruments (continued)

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

31 December 2023	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Investments at fair value through profit or loss (FVTPL)				
Mutual funds	-	343,239	-	343,239
Equity investments – unquoted	-	-	4,786	4,786
	-	343,239	4,786	348,025
			2024	2023
			AED'000	AED'000
Investments at fair value through other comprehensive income (FVTOCI)				
Equity investments – unquoted - Level 3			8,400	-

There were no transfers between Level 1, Level 2 and Level 3 fair value measurement categories during the year ended 31 December 2024 (31 December 2023: Nil).

24 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 2024

24 Segment information (continued)

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

	2024			2023			
	Attributable to participants AED'000	Attributable to shareholders AED'000	Total AED'000	Attributable to participants AED'000	Attributable to shareholders AED'000	Total AED'000	
<i>Takaful</i>							
Takaful revenue	420,288	-	420,288	228,705	-	228,705	
Takaful service expenses	(310,278)	-	(310,278)	(176,270)	-	(176,270)	
(Expenses)/income from retakaful contracts held	(9,036)	-	(9,036)	2,946	-	2,946	
Takaful service results	100,974	-	100,974	55,381	-	55,381	
Takaful finance loss	(587)	-	(587)	(57,848)	-	(57,848)	
Retakaful finance income	189	-	189	1,342	-	1,342	
Net change in fair value of participants' investments	598	-	598	56,078	-	56,078	
Net takaful income	101,174	-	101,174	54,953	-	54,953	
Investment income/(loss) - net	30,621	1,432	32,053	16,754	(1,190)	15,564	
Other income	-	725	725	-	236	236	
Wakala fees	(100,198)	100,198	-	(43,915)	43,915	-	
Policy acquisition cost	-	(59,269)	(59,269)	-	(34,945)	(34,945)	
General and administrative expenses	-	(61,525)	(61,525)	-	(48,234)	(48,234)	
Profit/(loss) for the year	31,597	(18,439)	13,158	27,792	(40,218)	(12,426)	
	Takaful			Investment			Total
	2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000	2024 AED'000	2023 AED'000	
Segment assets	778,955	623,790	180,889	40,284	959,844	664,074	
Segment liabilities	684,225	558,066	112,414	145,660	796,639	703,726	

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

25 Basic and diluted earnings/(loss) per share

	2024 AED'000	Restated 2023 AED'000
Profit/(loss) for the year attributable to shareholders	11,162	(12,426)
Weighted average number of shares outstanding during the year	210,652	210,652
Basic and diluted earnings/(loss) per share	0.053	(0.059)

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.

During the year, the Company issued 185 million rights issue for the year ended 31 December 2024. Accordingly, additional number of shares under rights issue share have been adjusted retrospectively in computing the earning/(loss) per share for the prior years.

26 Capital risk management

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 takaful liabilities. The solvency margins must be maintained at all times throughout the year.

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.

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.

	2024 AED'000	2023 AED'000
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	107,539	45,934
Minimum Guarantee Fund (MGF)	56,342	29,861
Basic Own Funds	110,699	(152,740)
MCR Solvency Margin - Minimum Capital Requirement (Surplus)	10,699	(252,740)
SCR Solvency Margin - Solvency Capital Requirement (Surplus)	3,159	(198,674)
MGF Solvency Margin – Minimum Guarantee Fund (Surplus)	54,357	(182,601)

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

27 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 2024 and 31 December 2023.

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

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

27 Risk management (continued)

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.

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 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.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

27 Risk management (continued)

Retakaful risk (continued)

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

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.

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

2024	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%	(3,873)	(1,787)	(3,873)	(1,787)
Discount rate	1%	-	-	-	-
Risk adjustment	-2.5%	3,854	1,783	3,854	1,783
Discount rate	-1%				

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

27 Risk management (continued)

Sensitivity (continued)

Measured under PAA (continued)

	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
2023					
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%	-	-	-	-

Measured not under PAA

	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
2024					
Risk adjustment	2.5%	(9,513)	(8,682)	(9,513)	(8,682)
Discount rate	1%	(1,472)	(62)	(1,472)	(62)
Risk adjustment	-2.5%	7,978	7,256	7,978	7,256
Discount rate	-1%	(1,596)	(778)	(1,596)	(778)
2023					
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)

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.

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

27 Risk management (continued)

Financial risk (continued)

Credit risk (continued)

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.

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

	2024 AED'000	2023 AED'000
Financial instruments	403,053	361,635
Cash and cash equivalents	326,592	76,241
Other receivables (excluding prepayments)	9,943	8,689
Statutory deposits	4,000	4,000
Total credit risk exposure	743,588	450,565

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:

2024	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
Financial instruments at FVTPL	-	-	394,653	394,653
Financial instruments at FVTOCI	-	-	8,400	8,400
Other receivables (excluding prepayments)	9,943	-	-	9,943
Cash and bank balances	48,610	-	277,982	326,592
	58,553	-	685,035	743,588

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

27 Risk management (continued)

Financial risk (continued)

Liquidity risk (continued)

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
Financial instruments at FVTPL	-	-	348,025	348,025
Other receivables (excluding prepayments)	10,448	-	-	10,448
Cash and bank balances -	-	-	76,241	76,241
	<u>10,448</u>	<u>-</u>	<u>428,266</u>	<u>438,714</u>
Financial liabilities				
Other payables	<u>53,923</u>	<u>-</u>	<u>-</u>	<u>53,923</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 2024				
Retakaful contract assets	<u>33,433</u>	<u>10,807</u>	<u>-</u>	<u>44,240</u>
Takaful contract liabilities	355,965	135,357	174,204	665,526
Retakaful contract liabilities	2,522	1,433	1,178	5,133
	<u>358,487</u>	<u>136,790</u>	<u>175,382</u>	<u>670,659</u>
31 December 2023				
Retakaful contract assets	<u>27,985</u>	<u>5,715</u>	<u>-</u>	<u>33,700</u>
Takaful contract liabilities	245,068	125,702	165,473	536,243
Retakaful contract liabilities	1,804	774	875	3,453
	<u>246,872</u>	<u>126,476</u>	<u>166,348</u>	<u>539,696</u>

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

27 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
2024		
Profit bearing assets	20,153	(20,153)
2023		
Profit bearing assets	17,401	(17,401)

28 Corporate tax

On December 9, 2022, the United Arab Emirates (UAE) Ministry of Finance (MoF) released Federal Decree Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (CT Law) to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after 1 June 2023. As the Group's accounting year ends on 31 December, the first tax period is from 1 January 2024 to 31 December 2024, with the respective tax return to be filed on or before 30 September 2025.

The taxable income of the entities that are in scope for UAE CT purposes will be subject to the rate of 9% on taxable profits above AED 375,000. The tax charge for the year ended 31 December 2024 is AED 2 million.

	2024 AED'000	2023 AED'000
Statement of comprehensive income		
Current tax	-	-
Deferred tax	1,996	-
Income tax expense	<u>1,996</u>	<u>-</u>

Following is the analysis of deferred tax asset/(liabilities) presented in the consolidated financial statement of financial position.

	2024 AED'000	2023 AED'000
Statement of financial position		
Deferred tax assets	991	-
Deferred tax liabilities	(2,987)	-
Net deferred tax liabilities	<u>(1,996)</u>	<u>-</u>

Takaful Emarat - Insurance (PSC) and its subsidiary
Notes to the consolidated financial statements
For the year ended 31 December 2024

28 Corporate tax (continued)

Relationship between tax expense and accounting profit:

	2024 AED'000	2023 AED'000
<u>Deferred tax asset:</u>		
Annual taxable income	(11,007)	-
Taxation at 9%	(991)	-
<u>Deferred tax liability:</u>		
Unrealised gain/loss subject to deferred tax	33,189	-
Taxation at 9%	2,987	-

29 Internal sharia supervisory committee

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

According to the Internal Sharia Supervision Committee, the Group 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.

30 Zakat

For the fiscal year ending December 31, 2024, the company is not liable for zakat, as the zakat value per share was AED 0.0081, due to the company's outstanding debts. The same applies to zakat for the year 2023.

31 Subsequent events

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