

**Islamic Arab Insurance Co.
(Salama) PJSC and its
subsidiaries**

**REVIEW REPORT AND INTERIM
CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS**

30 JUNE 2023 (UNAUDITED)

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2023

Contents	Pages
Independent auditor's review report	1-2
Interim consolidated statement of financial position	3
Interim consolidated statement of profit or loss	4
Interim consolidated statement of comprehensive income	5
Interim consolidated statement of changes in equity	6 – 7
Interim consolidated statement of cash flows	8
Notes to the interim condensed consolidated financial statements	9 – 41

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Islamic Arab Insurance Co. (Salama) PSJC (the “Company”) and its subsidiaries (the “Group”), which comprise the interim consolidated statement of financial position as at 30 June 2023 and the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods then ended, and the related interim consolidated statements of cash flows and changes in equity for the six month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

The Group’s total assets include investment properties with a carrying amount of AED 141,268 thousand (2022: AED 143,776 thousand), investments carried at fair value through other comprehensive income amounting to AED 87,488 (2022: AED 64,019 thousand), investments held at amortised cost amounting to AED 392,323 thousand (2022: AED 414,084), and other assets and receivables which are carried at AED 107,430 thousand (2022: AED 106,343).

The aforementioned assets include:

- Investment property with a carrying amount of AED 84,957 thousand (2022: AED 84,957 thousand) (note 8);
- Investment at fair value through other comprehensive income of AED 58,244 thousand (2022: AED 58,244 thousand) and investments held at amortised cost of AED 111,627 thousand (2022: AED 111,627 thousand) (note 10); and
- Other receivables with a carrying amount of AED 33,639 thousand (2022: AED 33,639 thousand) (note 18).

Due to the ongoing litigations between the Group and different parties, we were unable to complete our review of the aforementioned investment property, investments and other receivables because we could not determine if the judgements applied and estimates made in the determination of the fair value of these assets were appropriate and we were unable to determine if the Group legally owned these assets.

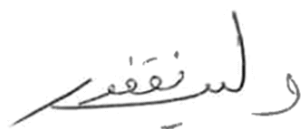
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC (continued)

Basis for Qualified Conclusion (continued)

This matter is described in note 19 to the interim condensed consolidated financial statements. Had we been able to complete our review of the aforementioned investment property, investments, and other receivables, matters might have come to our attention indicating that adjustments might be necessary to the interim condensed consolidated financial statements. The audit opinion on the consolidated financial statements for the year ended 31 December 2022 and the review conclusion for the period ended 30 June 2022 was also qualified in respect to this matter.

Qualified Conclusion

Except for the adjustments to the interim condensed consolidated financial information that we might have become aware of had it not been for the matters described above, based on our review, nothing has come to our attention that causes us to believe the accompanying interim condensed consolidated financial statements are not prepared, in all material respects in accordance with IAS 34, "Interim Financial Reporting".



Signed by:
Walid Joseph Nakfour
Partner
Ernst & Young
Registration No.: 5479

14 August 2023

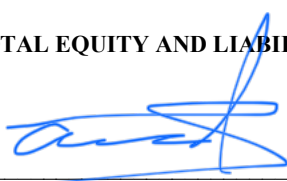
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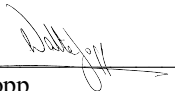
Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 (unaudited)

		30 June 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Restated*)
	Notes		
ASSETS			
Property and equipment		33,326	34,467
Goodwill and intangibles		117,796	117,819
Investment properties	8	141,268	143,776
Right-of-use assets		3,768	8,734
Investment in associate	9	35,604	35,188
Investment in financial assets	10	509,065	492,961
Participants' investments in unit-linked contracts	10	1,982,901	1,948,146
Insurance contract assets	20	27,122	-
Reinsurance contract assets	20	282,735	281,846
Deposits with takaful and retakaful companies		1,052	1,347
Other receivables and prepayments	18	107,430	106,343
Statutory deposits		262,202	269,111
Cash and cash equivalents	17	84,566	133,445
TOTAL ASSETS		3,588,835	3,573,183
Share capital	12	939,589	1,210,000
Treasury shares	13	(35,972)	(35,972)
Statutory reserve	14	2,815	104,077
Accumulated losses		(5,307)	(371,911)
Other reserves	15	(169,660)	(160,131)
Equity attributable to equity holders of the Company		731,465	746,063
Non-Controlling interests		74,339	70,208
		805,804	816,271
LIABILITIES			
Lease liability		3,888	8,821
Other payables		131,824	141,760
Total other liabilities		135,712	150,581
Family takaful reserve		63,815	54,770
Insurance contract liabilities	20	2,391,612	2,366,360
Reinsurance contract liabilities	20	191,892	185,201
Total insurance contract liabilities		2,647,319	2,606,331
Total liabilities		2,783,031	2,756,912
TOTAL EQUITY AND LIABILITIES		3,588,835	3,573,183


Saeed Alhajeri
Chairman of the Board of Directors


Walter Jopp
Chief Executive Officer

*Comparative information has been restated on account of first-time adoption of IFRS 17 and IFRS 9 (refer note 4).

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS

For the six-month period ended 30 June 2023 (Unaudited)

	Six-month period ended 30 June		Three-month period ended 30 June	
	2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
Underwriting income				
Insurance revenue	544,177	425,146	278,939	200,627
Insurance service expenses	(465,287)	(305,944)	(240,013)	(129,895)
Net expenses from reinsurance contracts held	(46,023)	(66,535)	(27,925)	(41,334)
INSURANCE SERVICE RESULT	32,867	52,667	11,001	29,398
Policyholders' investment income/(loss) – net	128,570	(225,889)	78,051	(189,968)
Shareholders' investment income/(loss) – net	47,014	13,008	28,862	1,712
INVESTMENT INCOME/(LOSS)	175,584	(212,881)	106,913	(188,256)
Insurance finance expense for insurance contracts issued	(142,121)	212,787	(76,791)	189,844
Reinsurance finance income/(expense) for reinsurance contracts held	3,046	2,149	747	1,952
NET INSURANCE FINANCE (EXPENSE) / INCOME	(139,075)	214,936	(76,044)	191,796
NET INSURANCE AND INVESTMENT RESULT	69,376	54,722	41,870	32,938
Other operating income	5,486	4,272	1,391	1,097
Other operating expenses	(53,640)	(38,067)	(33,898)	(23,139)
NET PROFIT BEFORE TAX	21,222	20,927	9,363	10,896
Income tax for the period	(8,962)	(4,268)	(5,140)	(1,901)
NET PROFIT AFTER TAX	12,260	16,659	4,223	8,995
Attributable to:				
Shareholders	(880)	8,873	(5,020)	5,708
Non-controlling interest	13,140	7,786	9,243	3,287
	12,260	16,659	4,223	8,995
Basic and diluted earnings per share (AED) (Note 16)	(0.001)	0.007	(0.005)	0.005

*Comparative information has been restated on account of first-time adoption of IFRS 17 (refer note 4).

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2023 (Unaudited)

	<i>Six-month period ended 30 June</i>		<i>Three-month period ended 30 June</i>	
	<i>2023 AED'000</i>	<i>2022 AED'000</i>	<i>2023 AED'000</i>	<i>2022 AED'000</i>
Profit after tax and distribution to policyholders for the period	12,260	16,659	4,223	8,995
Other comprehensive (loss)/income net of income tax				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Net movement or change in foreign Exchange translation reserve	(17,026)	(31,842)	3,185	(8,668)
Investments carried at FVTOCI net change in fair value	(2,270)	-	(2,362)	-
Share of other comprehensive (loss)/income of associates	(316)	(131)	540	(88)
Total other comprehensive (loss)/income for the period	(19,612)	(31,973)	1,363	(8,756)
Total comprehensive (loss)/income for the period	(7,352)	(15,314)	5,586	239
Attributable to:				
Shareholders	(11,483)	(12,723)	(4,160)	(1,322)
Non-controlling interest	4,131	(2,591)	9,746	1,561
	(7,352)	(15,314)	5,586	239

*Comparative information has been restated on account of first-time adoption of IFRS 17 (refer note 4).

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 June 2023 (Unaudited)

	Share capital AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Foreign currency translation reserve AED'000	Investment fair value reserve AED'000	Treasury shares AED'000	Regulatory reserve AED'000	Retained earnings / (accumulated losses) AED'000	Total AED'000	Non- controlling interests AED'000	Total AED'000
At 31 December 2022 as previously reported	1,210,000	104,077	20,753	(156,723)	(27,154)	(35,972)	3,317	(376,447)	741,851	67,788	809,639
Impact of initial application of IFRS 17 (note 4)	-	-	-	(324)	-	-	-	4,536	4,212	2,420	6,632
Restated* balance at 31 December 2022 (unaudited)	1,210,000	104,077	20,753	(157,047)	(27,154)	(35,972)	3,317	(371,911)	746,063	70,208	816,271
Profit for the period	-	-	-	-	-	-	-	(880)	(880)	13,140	12,260
Other comprehensive loss											
Changes in other comprehensive loss for the period	-	-	-	(8,017)	-	-	-	-	(8,017)	(9,009)	(17,026)
Investments carried at FVTOCI net change in fair value	-	-	-	-	(2,270)	-	-	-	(2,270)	-	(2,270)
Share of OCI of associate	-	-	-	-	(316)	-	-	-	(316)	-	(316)
Total other comprehensive loss for the period	-	-	-	(8,017)	(2,586)	-	-	-	(10,603)	(9,009)	(19,612)
Total comprehensive loss for the period	-	-	-	(8,017)	(2,586)	-	-	(880)	(11,483)	4,131	(7,352)
Other movement in equity											
Board Remuneration (note 11)	-	-	-	-	-	-	-	(2,377)	(2,377)	-	(2,377)
Transfer to regulatory reserve	-	-	-	-	-	-	1,074	(1,074)	-	-	-
Capital reduction (note 12,14)	(270,411)	(101,262)	-	-	-	-	-	371,673	-	-	-
Transition impact of IFRS 9 (note 4)	-	-	-	-	-	-	-	(738)	(738)	-	(738)
Balance as at 30 June 2023 (unaudited)	939,589	2,815	20,753	(165,064)	(29,740)	(35,972)	4,391	(5,307)	731,465	74,339	805,804

*Comparative information has been restated on account of first-time adoption of IFRS 17 (refer note 4).

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2023 (Unaudited) (continued)

	Share capital AED'000	Statutory reserve AED'000	Revaluation reserve AED'000	Foreign currency translation reserve AED'000	Investment fair value reserve AED'000	Treasury shares AED'000	Regulatory reserve AED'000	Retained earnings / (accumulated losses) AED'000	Total AED'000	Non- controlling interests AED'000	Total AED'000
At 31 December 2021 as previously reported	1,210,000	101,262	20,753	(130,718)	(27,920)	(35,972)	1,756	(371,673)	767,488	75,682	843,170
Impact of initial application of IFRS 17 (note 4)	-	-	-	-	-	-	-	13,788	13,788	1,371	15,159
*Restated balance as on 1 January 2022 (Unaudited)	1,210,000	101,262	20,753	(130,718)	(27,920)	(35,972)	1,756	(357,885)	781,276	77,053	858,329
Profit for the period (restated)	-	-	-	-	-	-	-	8,873	8,873	7,786	16,659
<i>Other comprehensive loss</i>											
Changes in other comprehensive income for the period (restated)	-	-	-	(21,465)	-	-	-	-	(21,465)	(10,377)	(31,842)
Share of OCI of associate	-	-	-	-	(131)	-	-	-	(131)	-	(131)
Total other comprehensive loss	-	-	-	(21,465)	(131)	-	-	-	(21,596)	(10,377)	(31,973)
Total comprehensive loss for the period	-	-	-	(21,465)	(131)	-	-	8,873	(12,723)	(2,591)	(15,314)
<i>Other movement in equity</i>											
Capital increase	-	-	-	-	-	-	-	-	-	1,101	1,101
Dividend paid	-	-	-	-	-	-	-	(23,747)	(23,747)	-	(23,747)
Transfer to regulatory reserve	-	-	-	-	-	-	626	(626)	-	-	-
Restated* balance at 30 June 2022 (Unaudited)	1,210,000	101,262	20,753	(152,183)	(28,051)	(35,972)	2,382	(373,385)	744,806	75,563	820,369

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June 2023 (Unaudited)

	<i>Six-month period ended</i>	
	<i>30 June 2023</i> <i>AED'000</i> <i>(Unaudited)</i>	<i>30 June 2022</i> <i>AED'000</i> <i>(Unaudited)</i> <i>(Restated*)</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	12,260	16,659
Adjustments for:		
Depreciation of property and equipment	1,810	1,411
Depreciation on right to use assets	710	1,524
Unrealized (gain)/loss on investment	(20,370)	14,621
Unrealised gain on investment properties	-	(4,236)
Amortisation of intangible assets	870	702
Share of profit from associate	(1,964)	(2,036)
Operating cash flows before changes in operating assets and liabilities	(6,684)	28,645
Changes in insurance contract assets	(27,122)	1,838
Changes in reinsurance contract assets	(889)	51,341
Decrease in deposits with takaful and retakaful companies	295	547
Change in other assets and receivables	(1,087)	20,892
Change in other payables	(9,936)	(4,259)
Change in Family takaful reserve	9,045	-
Changes in insurance contract liabilities	25,252	(461,404)
Changes in reinsurance contract liabilities	6,691	(13,714)
Release of restricted bank balances	-	258,469
Net cash used in operating activities	(4,435)	(117,645)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(2,951)	(1,002)
Purchase of intangible assets	(893)	(860)
Repayment of principal and interest on lease liability	(4,933)	(4,987)
Decrease in term deposits under lien or with maturity after three months	2,828	1,298
Net movement in deposits	6,909	24,858
Increase in investments – net	(6,720)	(21,149)
Net movement in participants' investments in unit-linked contracts	(34,755)	211,922
Dividend received from Associate	1,232	1,231
Dividend received	44	55
Net cash (used in)/generated from investing activities	(39,239)	211,366
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(23,747)
Funds received from short term borrowings	-	6,250
Net movement in non-controlling interest	-	1,101
Board of Directors' remuneration	(2,377)	-
Net cash used in financing activities	(2,377)	(16,396)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(46,051)	77,325
Cash and cash equivalents at the beginning of the period (note 17)	124,457	104,440
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (NOTE 17)	78,406	181,765

* Comparative information has been restated on account of first-time adoption of IFRS 17 (refer note 4).

The attached notes 1 to 25 form part of these interim condensed consolidated financial statements.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Islamic Arab Insurance Co. (Salama) PJSC (“the Company”) is a public shareholding company, registered in the Emirate of Dubai, United Arab Emirates (UAE) and operates through various branches in the UAE. The registered office of the Company is P.O. Box 10214, Dubai, United Arab Emirates. The principal activity of the Company is the writing of all classes of general takaful and family takaful business, in accordance with Islamic Shari’ah principles and in accordance with the relevant Articles of the Company, UAE Federal Law No. (32) of 2021 for commercial companies and U.A.E. Federal Law No. (6) of 2007, concerning regulations of insurance operations.

The Company and its subsidiaries are referred to as “the Group”. Tariic Holding B.S.C (Tariic), a subsidiary of the Company, is an intermediate holding company in Bahrain and no commercial activities are carried out in the Kingdom of Bahrain. The Group has the following principal subsidiaries which are engaged in insurance and reinsurance under Islamic Shari’ah principles:

Subsidiaries	Principal activities	Group’s ownership		Country of incorporation
		2023	2022	
<i>Directly owned</i>				
Tariic Holding Company B.S.C	No takaful operations	99.40%	99.40%	Kingdom of Bahrain
Misr Emirates Takaful Life Insurance Co.	Family Takaful	85.19%	85.19%	Egypt
Salama Immobilier	No takaful operations	84.25%	84.25%	Senegal
Egyptian Saudi Insurance House	General Takaful	51.15%	51.15%	Egypt
<i>Through Tariic</i>				
Salama Assurances Algeria	General Takaful	96.98%	96.98%	Algeria

On 16 January 2023, in the General Assembly Meeting the Shareholders’ have approved to write off the accumulated losses of AED 371,673 thousand. These accumulated losses were set off during the period against the following components of equity:

- Cancellation of 270,414,470, AED 1 shares on 24 March 2023 (note 12);
- Accumulated losses of AED 101,262 thousand were set off against statutory reserves (note 14).

2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

New and revised IFRSs Effective for annual periods beginning on or after 1 January 2023

IFRS 17 – Insurance Contracts

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

Amendments to IAS 1 – Presentation of Financial Statements

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

Amendments to IAS 12 – Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

With the exception of the changes arising on adoption of IFRS 17 and IFRS 9 as explained in note 4, the new and revised IFRS effective in the period did not have any significant impact.

3 BASIS OF PREPARATION

a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all of the information required for full annual consolidated financial statements, and should be read in conjunction with the annual consolidated financial statements as at and for the year ended 31 December 2022, which have been prepared in accordance with International Financial Reporting Standards (IFRS). Significant accounting policies have been mentioned below for all newly adopted IFRSs as policies pursuant to other IFRSs remain consistent with accounting policies presented in the audited consolidated financial statements for the year ended 31 December 2022.

b) Basis of measurement

The condensed consolidated interim financial information 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 ("FVOCI"); and
- ii) financial assets at fair value through profit or loss ("FVTPL").

c) Functional and presentation currency

These interim condensed consolidated financial statements are 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.

d) Use of estimates and judgments

The preparation of interim condensed consolidated financial statements 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 these interim condensed consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and estimation of key sources of uncertainty were the same as those that applied to the audited annual consolidated financial statements as at and for the year ended 31 December 2022 except as described in note 4 to these interim condensed consolidated financial statements.

e) Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiaries are 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.

Non controlling interest in the equity and results of the entities that are controlled by the Group are shown separately as a part of consolidated statements of changes in equity in the Group's consolidated financial statements. Any contribution or discounts on subsequent acquisition, after control is obtained, of equity instruments from (or sale of equity instruments to) non controlling interest is recognised directly in consolidated statement of changes in equity.

4 SIGNIFICANT ACCOUNTING POLICIES

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

Changes to classification and measurement

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

<i>Nature of Contracts</i>	<i>Product classification</i>	<i>Measurement model</i>
Unit Linked	Insurance contracts	Variable Fee Approach
Term Life	Insurance contracts	General Measurement Model
Group Life – Short Term	Insurance contracts	Premium Allocation Approach
Group Life – Long Term	Insurance contracts	General Measurement Model
Engineering	Insurance contracts	Premium Allocation Approach
Fire	Insurance contracts	Premium Allocation Approach
General Accident	Insurance contracts	Premium Allocation Approach
Liabilities	Insurance contracts	Premium Allocation Approach
Marine	Insurance contracts	Premium Allocation Approach
Motor	Insurance contracts	Premium Allocation Approach
Health	Insurance contracts	Premium Allocation Approach
All reinsurance contracts held other than long term individual and Group life	Reinsurance contracts held	Premium Allocation Approach
Long term individual and Group life reinsurance contracts held	Reinsurance contracts held	General Measurement Model

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes to classification and measurement (continued)

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

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

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

The Group capitalises insurance acquisition cash flows for all insurance group of contracts. The Group allocates the acquisition cash flows to groups of insurance contracts issued using a systematic and rational basis. Insurance acquisition cash flows include those that are directly attributable to a group.

Changes to presentation and disclosure

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

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

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

- Portfolios of Insurance contracts that are assets.
- Portfolios of Insurance contracts that are liabilities.
- Portfolios of Reinsurance contracts that are assets.
- Portfolios of Reinsurance contracts that are liabilities.

The carrying amount of an insurance contract asset / liability is the sum of the liability of remaining coverage and the liability for incurred claims. Reinsurance contracts held that are either assets or liabilities, comprise liability for remaining coverage and liability for incurred claims that correspond to the ceded business.

The line-item descriptions in the profit or loss and other comprehensive income have been changed significantly compared with prior year. Previously the Group reported the following line items:

- Gross Written Contribution
- reinsurance and retakaful contributions ceded
- Net contributions
- Net movement in unearned contributions
- Contributions earned.
- Commission income on ceded and retakaful
- Gross claims paid.
- reinsurance and retakaful share of claims paid
- Net claims paid.
- Net movement in outstanding claims and reserves
- Claims incurred.
- Commissions paid and other costs.
- Net Underwriting income

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expense
- Income or expenses from reinsurance contracts held.
- Insurance finance income or expenses
- Reinsurance finance income or expenses
- Net insurance finance income or expenses

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Transition impact

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

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

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

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

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

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

IFRS 17 does not provide guidance on determining Fair Value of Insurance Contracts, but it refers to the standard "IFRS13 - Fair Value Measurement". IFRS 13 provides guidance in the measurement, but not specifically for insurance contracts and it defines the Fair value as a market-based measurement, not an entity specific measurement. The objective of a fair value measurement is to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). For the Fair Value measurement, the company opted for the Cost of Capital (CoC) Approach, where the fair value was determined by a CoC in addition to BEL. The Group has aggregated contracts issued more than one year apart for groups of contracts applying the value approach at transition, as it did not have supportable information to aggregate contracts into groups including only contracts issued within one year.

The transition to IFRS 17 resulted in a positive equity impact of AED 15,159 thousand. The table below provides the extract of insurance contracts assets and liabilities under IFRS 17 and also portrays the transition impact on the Retained Earnings, due to initial application of IFRS 17 as at 1 January 2022:

<i>Financial statement caption</i>	<i>As previously reported (Audited) AED '000</i>	<i>Restated Amount (Unaudited) AED '000</i>	<i>Effect of IFRS 17 adoption (Unaudited) AED '000</i>
Assets			
Insurance contract assets	213,404	6,812	(206,592)
Reinsurance contract assets	398,139	339,678	(58,461)
Other assets	256,354	74,784	(181,570)
Liabilities			
Insurance contract liabilities	(3,503,331)	(2,986,190)	517,141
Reinsurance contract liabilities	-	(198,194)	(198,194)
Other payables and accruals	(391,906)	(249,071)	142,835
Equity			
Accumulated Losses	(371,672)	(357,884)	13,788
Non-controlling interests	75,681	77,052	1,371
Total	(295,991)	(280,832)	15,159

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Transition impact (continued)

The line item descriptions in the interim consolidated statement of profit or loss and other comprehensive income have changed significantly compared with prior period. The adoption of IFRS 17 has led to the restatement of the profit for the six-month period ended 30 June 2022 from AED 19,202 thousand to AED 16,659 thousand and the other comprehensive loss from AED 31,164 thousand to AED 31,973 thousand.

Insurance and reinsurance contracts issued classification

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As the policies written by the Group transfer significant insurance risk, all the policies issued are within the scope of IFRS 17. The Group currently does not write any insurance policies that include embedded derivatives, provide warranties (similar to those provided by a manufacturer, dealer, or retailer) or include non-insurance distinct service components.

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. In grouping insurance contracts into portfolios, the Group considers the similarity of risks rather than the specific labelling of product lines.

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 insurance contracts issued are initially recognised from the earliest of the following:

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

Separating components from insurance and reinsurance contracts

The Group assessed its insurance and reinsurance 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 insurance contracts are highly interrelated to the insurance component and are thus not distinct. Accordingly, the Group shall not unbundle the cash flows related to the investment component.

In the case of non-life policies / general insurance, roadside assistance is the only service component that is offered along with the motor policies. However, since the road-side assistance cover also ends once the policy expires, it is not distinct. Thus, the Group shall not unbundle the roadside assistance offered along with motor policies.

Contract boundary

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

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks; or
- Both of the following criteria are satisfied:
 - i. The Group has the practical ability to reassess the risks of the portfolio of insurance 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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement (continued)

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

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

Insurance contracts measured under the premium allocation approach - Initial and Subsequent Measurement

The Group applies the premium allocation approach to all the insurance contracts (other than long term Individual and Group life insurance contracts) that it issues and reinsurance contracts that it holds as:

- The coverage period of each contract in the group is one year or less, including insurance 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 insurance acquisition cash flows at that date,
- Plus, or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- 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 insurance contracts is recognised.

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

- Plus, premiums received in the period.
- Minus insurance acquisition cash flows
- Plus, any amounts relating to the amortisation of the insurance 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 insurance 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance 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 insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

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

- The effect of any new contracts added to the group.
- For contracts measured under the GMM, interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition.
- The changes in fulfilment cash flows relating to future service, except to the extent that:
 - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or
 - Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage.
- The effect of any currency exchange differences on the CSM
- The amount recognised as insurance revenue because of the transfer of insurance 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 insurance 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 insurance service expenses).

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contracts measured other than PAA - Initial and Subsequent Measurement (continued)

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 insurance acquisition cash flows and insurance 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 profit or loss and other comprehensive income rather than adjusting the CSM)
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the start of the period plus any insurance 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 insurance 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 insurance 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.

Reinsurance contracts held

Reinsurance contracts held are accounted for applying IFRS 17 when they meet the definition of an insurance contract. This includes the condition that the contract must transfer significant insurance risk.

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

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Group aggregates reinsurance 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 reinsurance contracts held is recognised at the earlier of the following:

- If the reinsurance contracts provide proportionate coverage, the date the Group initially recognizes any underlying insurance contracts (onerous or not).
- In all other cases, at the beginning of the coverage period of the group of reinsurance contracts. However, if the Group recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance contracts held (continued)

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 reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

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

Modification and derecognition

The Group derecognises insurance contracts when:

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

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

Allocation of Expenses

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

- **Fully attributable expenses**

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

- **Partially attributable expenses**

These are expenses which are partially related to fulfilling an insurance 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 organization, regardless of whether these expenses are utilized for fulfilment of insurance 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
- Claims related expenses
- Maintenance expenses

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Discount rates

The Group adjusts the carrying amount of the insurance contracts liabilities and reinsurance contracts assets to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cash flows of the group of contracts.

Considering the investment portfolio and the insurance contracts written by the Group, the entity has decided to proceed with the bottom-up approach to compute the discount rates. Under the bottom-up 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'). The Group has determined illiquidity premium using Replicating Portfolio technique.

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 insurance 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 company 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 recognized 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 life lines of business, the Group has decided to use the Mack approach. For long term life contracts, the company will use the Provision for Adverse Deviation approach or 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 a 65th percentile for all lines of business.

Contractual service margin (CSM)

The CSM is a component of the asset or liability for the group of insurance 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 insurance contracts is recognised in profit or loss as insurance revenue in each period to reflect the insurance contract services provided under the group of insurance 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 insurance 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 insurance 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 insurance contracts and other long term life groups of contracts, the coverage unit is net amount of risk. The total coverage units of each group of insurance 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 reinsurance contracts issued, the number of coverage units in a group reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in force. The coverage unit is net amount of risk ceded. The remaining coverage units are reassessed at the end of each reporting period to reflect the expected pattern of service and the expectations of lapses and cancellations of contracts. 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.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Contractual service margin (CSM) (continued)

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 reorganizations or changes to the prices of services or products used to fulfil its insurance obligations.

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 insurance contract. The Group has elected to use the Bottom-up approach in determining the discount rates based on liquid risk-free yield curve.

Time value of money

The Group adjusts the carrying amount of the insurance contracts liabilities and reinsurance 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.

Under the bottom-up 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'). The risk-free curve itself will either be derived by the Group from risk free assets in the market, or the Group may choose to apply a published risk-free yield curve. The top-down approach starts with the determination of a reference portfolio. The reference portfolio yield will be taken as the yield on the underlying items to which the liability cashflows are linked.

Liability for Incurred Claims

The Group will calculate the LFIC as follows:

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

IFRS 9 Financial Instruments

The Group has adopted the impairment requirements of IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2023, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the consolidated financial statements.

The adoption of the impairment requirements of IFRS 9 has resulted in changes in accounting policies for impairment of financial assets. The Group has applied the transition provisions in IFRS 9 and has not disclosed the impact of the adoption on each financial statement line item.

The effects of adopting these standards on the interim condensed consolidated financial statements on 1 January 2023 is presented in the statement of changes in equity since IFRS 9 permits but does not require restatement of comparative periods, and prohibits companies from applying IFRS 9 to financial assets derecognized in the comparative period.

5 TAKAFUL AND FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of takaful and financial risks: underwriting risk, market risk (which includes foreign currency risk, profit rate risk and price risk), credit risk and liquidity risk.

The condensed interim consolidated financial information does not include all takaful and financial risk management information and disclosures required in the annual consolidated financial statements; therefore, they should be read in conjunction with the Group's audited annual consolidated financial statements for the year ended 31 December 2022.

There have been no changes in the risk management department or in any risk management policies since the year end.

6 INTERIM MEASUREMENT

The nature of the Group's business is such that income and expense are incurred in a manner, which is not materially impacted by any form of seasonality. These interim condensed consolidated financial statements were prepared based upon an accrual concept, which requires income and expense to be recorded as earned or incurred and not as received or paid throughout the period. However, the results may not represent a proportionate share of the annual profits due to variability in contributions and investment income and uncertainty of claims occurrences.

7 CORPORATE TAXATION

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000.

The Group is currently in the process of assessing the possible impact on its consolidated financial statements, both from current and deferred tax perspective, in preparation for full compliance with the new Corporate tax law noting that the first tax period for the Group is starting on 1 January 2024.

8 INVESTMENT PROPERTIES

The geographic dispersion of investment properties is as follows.

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Within UAE	10,500	10,500
Outside UAE	130,768	133,276
	141,268	143,776

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

8 INVESTMENT PROPERTIES (continued)

The variations in the value of investment properties are due to change in foreign exchange translation of investment properties held in foreign locations. The Group has an investment in Kingdom of Saudi Arabia amounting to AED 84,957 thousand (2022: AED 84,957 thousand) which is subject to an ongoing legal case as described in note 19.

The Group investment properties portfolio is being managed and maintained by a third party; administrative costs and the rental income received from these properties are being set off with the administrative fees.

Movement during the period/year is as follows;

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Balance at 1 January	143,776	142,055
Addition	-	233
Unrealized gain on investment properties	-	9,171
Currency translation impact	(2,508)	(7,683)
	141,268	143,776

9 INVESTMENT IN ASSOCIATE

The details of the associate of the Group are as follows;

<i>Associates</i>	2023	Ownership 2022	Country of incorporation	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Islamic Insurance Jordan	20%	20%	Jordan	35,604	35,188
				35,604	35,188
Movement during the period / year				2023 AED'000	2022 AED'000
Balance at 1 January				35,188	34,447
Share of profit from associate				1,964	1,720
Dividend received				(1,232)	(1,231)
Share of other comprehensive (loss) / income				(316)	252
				35,604	35,188

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

10 INVESTMENT IN FINANCIAL ASSETS

At 30 June 2023 (Unaudited)

	<i>Amortised Cost AED'000</i>	<i>Fair value through OCI AED'000</i>	<i>Fair value through profit & loss AED'000</i>	<i>Total AED'000</i>
Inside UAE				
Shares and securities	-	-	28,830	28,830
Wakalah certificates	54,064	-	-	54,064
Sukuks	12,480	-	-	12,480
	66,544	-	28,830	95,374
Outside UAE				
Sukuk and Government bonds	95,025	-	-	95,025
Other mudariba investments	65,738	-	-	65,738
Islamic placements	165,016	-	-	165,016
Shares and securities	-	953	424	1,377
Mutual funds and externally managed	-	86,535	-	86,535
	325,779	87,488	424	413,691
	392,323	87,488	29,254	509,065

At 31 December 2022 (Audited)

	<i>Held to maturity AED'000</i>	<i>Available for sale AED'000</i>	<i>Fair value through profit & loss AED'000</i>	<i>Total AED'000</i>
Inside UAE				
Shares and securities	-	-	7,063	7,063
Wakalah certificates	54,094	-	-	54,094
Sukuks	4,404	-	-	4,404
	58,498	-	7,063	65,561
Outside UAE				
Sukuk and Government bonds	103,560	-	-	103,560
Other mudariba investments	87,267	-	-	87,267
Islamic placements	164,759	-	-	164,759
Shares and securities	-	942	7,795	8,737
Mutual funds and externally managed	-	63,077	-	63,077
	355,586	64,019	7,795	427,400
	414,084	64,019	14,858	492,961

Islamic placements represent Shari'ah compliant placements with different financial institutions having profit rates of 0.79% to 5% (2022: 0.22% to 5%) and maturing in more than three month when acquired.

The following investments are subject to an ongoing legal case as described in note 19:

- Investment held at fair value through other comprehensive income amounting to AED 58,244 thousand (2022: AED 58,244 thousand);
- Investments at amortised cost of AED 65,738 thousand (2022: AED 65,738 thousand); and
- Islamic placement investments held at amortised cost of AED 45,889 thousand (2022: AED 45,889 thousand).

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

10 INVESTMENT IN FINANCIAL ASSETS (continued)

10.1 Participants' investments in unit-linked contracts

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Financial asset at fair value through P&L	1,982,901	1,948,146

Determining fair values

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

30 June 2023 (Unaudited)

	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
Financial assets				
Fair value through profit or loss				
Shares and securities	29,254	-	-	29,254
	29,254	-	-	29,254
Fair value through other comprehensive income				
Mutual fund	-	86,535	-	86,535
Shares and securities	400	553	-	953
	400	87,088	-	87,488
Non-financial assets				
Investment properties (note 8)	-	-	141,268	141,268

31 December 2022 (audited)

	<i>Level 1 AED'000</i>	<i>Level 2 AED'000</i>	<i>Level 3 AED'000</i>	<i>Total AED'000</i>
Financial assets				
Fair value through profit or loss				
Shares and securities	14,858	-	-	14,858
	14,858	-	-	14,858
Available for sale				
Mutual fund	-	63,077	-	63,077
Shares and securities	396	546	-	942
	396	63,623	-	64,019
Non-financial assets				
Investment properties	-	-	143,776	143,776

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

10 INVESTMENT IN FINANCIAL ASSETS (continued)

10.2 Investment income

	30 June 2023 AED'000 (unaudited)	30 June 2022 AED'000 (audited)
<i>Policyholders' income</i>		
Unrealised gain/(loss) on unit-linked portfolio	128,570	(225,889)
<i>Shareholders' income</i>		
Unrealised gain/(loss) on investment at FVTPL	6,662	(14,621)
Realised gain on investment at FVTPL	20,370	2,730
Fair value gain on investment properties	-	4,236
Income on deposits and wakala certificates	17,613	18,251
Share of profit from associates	1,964	2,036
Others	405	376
	<u>47,014</u>	<u>13,008</u>
	<u>175,584</u>	<u>(212,881)</u>

11 RELATED PARTY TRANSACTIONS

The Group, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party as defined by International Accounting Standard 24 (Revised). The Group's management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties. Following are the details of significant transactions with related parties.

	<i>Six-month period ended 30 June</i>		<i>Three-month period ended 30 June</i>	
	2023 AED'000	2022 AED'000	2023 AED'000	2022 AED'000
Contribution	-	65	-	-
Claims paid	-	47	-	10
Investment expenses	<u>1,070</u>	<u>-</u>	<u>1,070</u>	<u>-</u>
Compensation of key management personnel				
Short term benefits	2,056	2,618	725	1,177
Employees end of service benefits	<u>37</u>	<u>94</u>	<u>20</u>	<u>82</u>
	<u>2,093</u>	<u>3,165</u>	<u>745</u>	<u>1,259</u>
Directors' remuneration				
Directors' remuneration	<u>2,377</u>	<u>14,200</u>	<u>2,377</u>	<u>14,200</u>

The Shareholders at the Annual General Meeting held on April 24, 2023, have approved the Board of Directors' remuneration of AED 2,377 thousand for the financial year ended 31 December 2022.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

11 RELATED PARTY TRANSACTIONS (continued)

Balances with related parties

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Investments carried at amortised cost	54,094	54,094
Participants' investments in unit-linked contracts	1,035,197	766,393
Intangible assets	-	801
Other assets and receivables*	43,277	43,282

*This includes the accrued interest of AED 14,163 thousand (2022: 13,126 thousand) and AED 29,114 thousand (2022: AED 30,156 thousand) receivable against sale of investment.

12 SHARE CAPITAL

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
<i>Issued and fully paid</i> (939.589 million (2022: 1,210 million) ordinary shares of AED 1 each)	939,589	1,210,000

During the period, the Group has cancelled its 270.4 million AED 1 ordinary shares and the accumulated losses were adjusted against this cancellation. Below is the movement in quantity and value of share capital. (note 1)

	Number of Shares	Value AED'000
Share capital as of 1 January 2023	1,210,000,000	1,210,000
Cancellation of shares	(270,411,002)	(270,411)
Balance as of 30 June 2023	939,588,998	939,589

13 TREASURY SHARES

In 2008, the Company bought back 21,669,790 shares amounting to AED 35.97 million. The treasury shares are debited as a separate category of shareholders' equity at cost. During the period ended 30 June 2023 due to the cancellation of share capital the treasury shares were reduced to 16,830,489 ordinary shares.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

14 STATUTORY RESERVES

In accordance with Article 239 of the U.A.E. Federal Law No. (32) of 2021 and the Articles of Association of the Company, 10% of the net profit is required to be transferred to a non-distributable statutory reserve until this reserve equals 50% of the paid up share capital. This reserve is not available for distribution other than in circumstances stipulated by law.

During the period ended 30 June 2023, the Group has utilised the AED 101,262 thousand to adjust against the accumulated losses of the Group. This adjustment was approved by the general assembly and the regulators.

15 OTHER RESERVES

Other reserves includes following:

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Revaluation reserve	20,753	20,753
Foreign exchange translation reserve	(165,064)	(157,047)
Investment fair value reserve	(29,740)	(27,154)
Regulatory reserve – UAE operations	4,391	3,317
	(169,660)	(160,131)

16 BASIC AND DILUTED EARNINGS PER SHARE

	Six-month period ended 30 June		Three-month period ended 30 June	
	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Profit / (loss) for the period attributable to shareholders (AED'000)	(880)	8,873	(5,020)	5,708
Number of shares (in thousands)	1,043,073	1,188,330	922,759	1,188,330
Basic and diluted earnings per share (AED)	(0.001)	0.007	(0.005)	0.005

Basic earnings per share are calculated by dividing the profit for the period by the number of weighted average shares outstanding at the end of the reporting period after taking into account the treasury shares held. Diluted earnings per share is equivalent to basic earnings per share as the Group did not issue any new instrument that would impact earnings per share when executed.

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

17 CASH AND CASH EQUIVALENTS

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (Audited)	30 June 2022 AED'000 (unaudited)
Cash in hand	40	25	17
Cash at bank	71,684	84,665	167,930
Term deposits	12,842	48,755	17,401
	84,566	133,445	185,348
Less: term deposits under lien	(6,160)	(8,988)	(3,583)
Cash and cash equivalents	78,406	124,457	181,765

18 OTHER ASSETS AND RECEIVABLES

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Profit receivable (note 11)	14,163	13,126
Receivable against sales of investments (note 11)	29,114	30,523
Other receivables*	64,153	62,694
	107,430	106,343

*The other assets and receivables include other receivables amounting to AED 13,821 thousand (2022: AED 13,821 thousand) which was previously subjected to a legal case, and on which the Group has won, and the court has issued performance order and is now under execution against the relevant counter parties. The other assets and receivables also include other receivables amounting to AED 19,818 thousand (2022: AED 19,818 thousand) receivable against sale of investment in Best Re Holding Ltd.

The management believes at this stage that these receivables are recoverable and thus, no provision has been made.

19 COMMITMENTS AND CONTINGENCIES

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Letter of Guarantees in favor of CBUAE	160,000	160,000
Other letter of guarantees	5,969	8,798
	165,969	168,798

Statutory Deposits of AED 262,202 thousand (31 Dec 2022: AED 269,111 thousand) includes deposits amounting to AED 70,000 thousand (31 Dec 2022: AED 70,000 thousand) which are held as lien by the bank against the abovementioned letter of guarantee issued by bank in favor of the Central Bank of United Arab Emirates ("CBUAE").

Other letter of guarantee was issued during normal course of business against which term deposit of AED 6,160 thousand (note 17) which is held as lien by the bank.

19 COMMITMENTS AND CONTINGENCIES (continued)

Ongoing legal case

In the prior years, a bank (previously related party) has filed legal claim against the Group seeking to obligate the Group to pay a net sum of AED 258 million after setting off investment property amounting to AED 83 million and available for sale investments amounting to AED 54 million against the alleged loan granted to the Group amounting to AED 395 million during the year 2008. In 2022, the above claim was dismissed by the court in the first instance stage. As at reporting date, no provision has been considered by the Group's management in respect of this claim of AED 258 million and also aforementioned investment property and available for sale investments are continuing to be recorded in these consolidated financial statements at AED 85 million and AED 58 million respectively.

Furthermore, a Precautionary Attachment Order has been issued by the bank Court against the Group on the request of the bank, however, the management has taken immediate action to file a grievance request and the Court has decided to cancel the aforesaid Precautionary Attachment Order (Court Cancellation Decision). This Court Cancellation Decision has been appealed by the bank and the Court issued a decision overruling the Court Cancellation Decision (the Appeal Decision). The Management has appealed on cassation the Appeal Decision and the Appeal Court of Dubai has issued its judgement in March 2022, refuting the Letter of Demand and cancelling the legal actions taken against the Company Therefore, full amount that was blocked under the bank attachment order has been released, amounting to AED 258.46 million.

The Group is exposed to certain claims and litigations, these are subject to legal cases filed by policyholders, cedants and retakaful operators in connection with policies issued. The management believes, based on independent legal counsel opinions that the ascertainment of liabilities and its timing is highly subjective and dependent on outcomes of court's decisions. Furthermore, as per independent legal counsel, the Group has strong grounds to defend the suits successfully. Accordingly, no additional provision for these claims has been made in the consolidated financial statements. However, a provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Group in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

There are no significant capital commitments at 30 June 2023 (2022: nil).

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

20 INSURANCE CONTRACT ASSETS AND LIABILITIES

Reconciliation of the Insurance liability of remaining coverage (LRC) & liability for incurred claims for insurance contracts (LIC) as on 30 June 2023

	<i>Liability for remaining coverage</i>		<i>Liability for incurred claims (PAA)</i>		
	<i>Excluding loss component</i>	<i>Loss component</i>	<i>LIC for contracts not under under PAA</i>	<i>Present value of future cash flows</i>	<i>Risk adjustment for non-financial risk</i>
					<i>Total</i>
Insurance contracts that are liabilities at beginning of period	(1,873,636)	(3,298)	(119,778)	(356,322)	(13,326)
Insurance contracts that are assets at beginning of period	-	-	-	-	-
Insurance contracts liabilities at beginning of period	(1,873,636)	(3,298)	(119,778)	(356,322)	(2,366,360)
Insurance revenue	544,177	-	-	-	544,177
Incurred claims and other directly attributable expenses	-	-	(28,482)	(149,308)	(1,958)
Changes that relate to past service - changes in the FCF relating to LIC	-	-	-	(199,677)	319
Losses on onerous contracts and reversals of those losses	-	1,137	-	-	1,137
Insurance acquisition cash flows amortisations	(87,319)	-	-	-	(87,319)
Insurance service expenses	(87,319)	1,137	(28,482)	(348,985)	(1,639)
Insurance service result	456,858	1,137	(28,482)	(348,985)	78,889
Finance expense from insurance contracts issued recognised	(129,643)	-	(2,168)	(9,981)	(330)
Forex adjustment to comprehensive income	(1,650)	(3)	-	16,296	442
Total amounts recognised in profit & loss and Other comprehensive income	325,565	1,134	(30,650)	(342,670)	(48,148)
Investment component	233,297	-	(233,297)	-	-
Premium received	(668,544)	-	-	-	(668,544)
Claims and other directly attributable expenses paid	-	-	291,557	349,637	-
Insurance acquisition cash flows	77,368	-	-	-	77,368
Total cash flows	(591,176)	-	291,557	349,637	50,018
Insurance contracts liabilities at end of period	(1,905,949)	(2,165)	(92,168)	(349,355)	2,364,490
Insurance contracts that are liabilities at end of period	(1,933,071)	(2,165)	(92,168)	(349,355)	(2,391,612)
Insurance contracts that are assets at end of period	27,122	-	-	-	27,122
Insurance contract net position at end of period	(1,905,949)	(2,165)	(92,168)	(349,355)	(2,364,490)

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

20 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

Reconciliation of the Reinsurance asset for remaining coverage (ARC) & asset for incurred claims for insurance contracts (AIC) as on 30 June 2023

	<i>Remaining Coverage</i>		<i>LIC for contracts not under under PAA</i>	<i>Incurred claims</i>		<i>Total</i>
	<i>Excluding loss component</i>	<i>Loss recovery component</i>		<i>Present value of future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	
Reinsurance contracts held that are liabilities at beginning of period	(185,201)	-	-	-	-	(185,201)
Reinsurance contracts held that are assets at beginning of period	25,510	1,466	59,072	188,276	7,522	281,846
Reinsurance contract net position at beginning of period	(159,691)	1,466	59,072	188,276	7,522	96,645
Reinsurance expenses	(174,841)	-	-	-	-	(174,841)
Amortisation of Insurance acquisition cash flows-	-	-	-	-	-	-
Incurred claims recovery	-	-	5,633	54,816	759	61,208
Changes that relate to past service-changes in the FCF relating to incurred claims recovery	-	-	-	68,743	(539)	68,204
Income on initial recognition of onerous underlying contracts	-	(254)	-	-	-	(254)
Effect of changes in risk of reinsurers' non-performance	-	-	(340)	-	-	(340)
Net income/(expenses) from reinsurance contracts held	(174,841)	(254)	5,293	123,559	220	(46,023)
Finance income from reinsurance contracts held	(2,906)	-	230	5,487	235	3,046
Forex adjustment to comprehensive income	(1,716)	3	-	(6,016)	(301)	(8,030)
Total amounts recognised in profit & loss and Other comprehensive income	(179,463)	(251)	5,523	123,030	154	(51,007)
Cash flows						
Premiums paid net of ceding commissions and other directly attributable expenses	154,410	-	-	-	-	154,410
Recoveries from reinsurance	-	-	(6,150)	(103,055)	-	(109,205)
Total cash flows	154,410	-	(6,150)	(103,054)	-	45,205
Reinsurance contracts held assets/ (liabilities) at end of period	(184,744)	1,215	58,445	208,252	7,676	90,843
Reinsurance contracts held that are liabilities at end of period	(191,892)	-	-	-	-	(191,892)
Reinsurance contracts held that are assets at end of period	7,147	1,215	58,445	208,252	7,676	282,735
Reinsurance contract net position at end of period	(184,744)	1,215	58,445	208,252	7,676	90,843

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

20 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

Reconciliation of the liability of remaining coverage & liability for incurred claims for insurance contracts as at 31 December 2022

	<i>Liability for remaining coverage</i>			<i>Liability for incurred claims - PAA</i>		
	<i>Excluding loss component</i>	<i>Loss component</i>	<i>LIC for contracts not under under PAA</i>	<i>Present value of future cash flows</i>	<i>Risk adjustment for non-financial risk</i>	<i>Total</i>
Insurance contracts that are liabilities at beginning of period	(2,288,935)	(9,300)	(216,636)	(454,805)	(16,513)	(2,986,189)
Insurance contracts that are assets at beginning of period	6,812	-	-	-	-	6,812
Insurance contracts (liabilities)/assets at beginning of period	(2,282,123)	(9,300)	(216,636)	(454,805)	(16,513)	(2,979,377)
Insurance revenue	924,136	-	-	-	-	924,136
Incurred claims and other directly attributable expenses	-	-	(80,973)	(507,449)	(1,381)	(589,802)
Changes that relate to past service-changes in the FCF relating to LIC	-	-	-	17,673	3,229	20,903
Losses on onerous contracts and reversals of those losses	-	4,347	-	-	-	4,347
Insurance acquisition cash flows amortisations	(169,419)	-	-	-	-	(169,419)
Insurance service expenses	(169,419)	4,347	(80,973)	(489,776)	1,848	(733,971)
Insurance service result	754,717	4,347	(80,973)	(489,776)	1,848	190,164
Finance income/(expense) from insurance contracts issued recognised	227,796	-	(1,610)	(17,470)	-	208,716
Forex adjustment to comprehensive income	(3,745)	1,655	-	46,382	1,339	45,631
Total amounts recognised in profit & loss and Other comprehensive income	978,768	6,002	(82,583)	(460,864)	3,188	444,510
Investment component	575,719	-	(575,719)	-	-	-
Premium received	(1,354,965)	-	-	-	-	(1,354,965)
Claims and other directly attributable expenses paid	-	-	755,160	559,347	-	1,314,507
Insurance acquisition cash flows	208,965	-	-	-	-	208,965
Total cash flows	(1,146,000)	-	755,160	559,347	-	168,507
Insurance contracts liabilities at end of period	(1,873,636)	(3,298)	(119,778)	(356,322)	(13,325)	(2,366,360)
Insurance contracts that are liabilities at end of period	(1,873,636)	(3,298)	(119,778)	(356,322)	(13,325)	(2,366,360)
Insurance contracts that are assets at end of period	-	-	-	-	-	-
Insurance contract net position at end of period	1,873,636	3,298	119,778	356,322	13,325	2,366,360

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

20 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

Reconciliation of the Asset for remaining coverage & asset for incurred claims for reinsurance contracts as at 31 December 2022

	<i>Remaining coverage</i>		<i>LIC for contracts not under under PAA</i>	<i>Incurred claims</i>		<i>Total</i>
	<i>Excluding loss component</i>	<i>Loss recovery component</i>		<i>Present value of future cash flows</i>	<i>Risk adjustment for non- financial risk</i>	
Reinsurance contracts held that are liabilities at beginning of period	(198,195)	-	-	-	-	(198,195)
Reinsurance contracts held that are assets at beginning of period	23,169	4,122	75,846	227,191	9,349	339,678
Reinsurance contracts held assets (liabilities) at beginning of period	(175,026)	4,122	75,846	227,191	9,349	141,483
Reinsurance expenses	(288,407)	-	-	-	-	(288,407)
Amortisation of Insurance acquisition cash flows	23,785	-	-	-	-	23,785
Incurred claims recovery	-	-	9,206	188,858	565	198,629
Changes that relate to past service-changes in the FCF relating to incurred claims recovery	-	-	-	(18,661)	(1,580)	(20,241)
Income on initial recognition of onerous underlying contracts	-	(1,933)	-	-	-	(1,933)
Effect of changes in risk of reinsurers' non-performance	-	-	-	20	-	20
Net income (expenses) from reinsurance contracts held	(264,622)	(1,933)	9,206	170,217	(1,015)	(88,147)
Finance income from reinsurance contracts held	(6,898)	-	(802)	4,082	-	(3,619)
Forex adjustment to comprehensive income	(4,828)	(724)	7,121	(16,245)	(812)	(15,488)
Total amounts recognised in comprehensive income	(276,349)	(2,657)	15,526	158,054	(1,828)	(107,254)
Other pre-recognition cash flows derecognised and other changes	-	-	-	-	-	-
Cash flows						
Premiums paid net of ceding commissions and other directly attributable expenses	291,683	-	-	-	-	291,683
Recoveries from reinsurance	-	-	(32,299)	(196,968)	-	(229,267)
Total cash flows	291,683	-	(32,299)	(196,968)	-	62,416
Presentational currency fx adjustment	-	-	-	-	-	-
Reinsurance contracts held assets (liabilities) at end of period	(159,691)	1,466	59,072	188,276	7,522	96,645
Reinsurance contracts held that are liabilities at end of period	(185,201)	-	-	-	-	(185,201)
Reinsurance contracts held that are assets at end of period	25,510	1,466	59,072	188,276	7,522	281,846
Reinsurance contract net position at end of period	(159,691)	1,466	59,072	188,276	7,522	96,645

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

20 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

Insurance Contract Liabilities reconciliation of the best estimate liability, risk adjustment and contractual service margin as at 30 June 2023

	<i>Best estimate liability</i>	<i>Risk adjustment</i>	<i>Contractual service margin</i>	<i>Total</i>
Opening insurance contract assets	337,544	(25,714)	(320,779)	(8,948)
Opening insurance contract liabilities	(1,729,481)	(24,560)	(206,910)	(1,960,951)
Insurance contracts liabilities at beginning of period	(1,391,937)	(50,274)	(527,689)	(1,969,899)
Changes related to current services				
CSM recognized in profit and loss	-	-	44,218	44,218
Risk Adjustment recognized in profit and loss	-	3,258	-	3,258
Experience adjustments	6,307	(70)	-	6,237
Changes related to future services				
Contracts initially recognized in the period	997	(430)	(566)	-
Changes in estimates that adjust CSM	(70,604)	(1,025)	71,629	-
Insurance finance expenses through profit and loss	(27,095)	(443)	(103,940)	(131,478)
Insurance finance expenses through OCI	-	328	-	328
Total changes in statement of profit and loss and OCI	(90,396)	1,290	11,340	(77,766)
Premiums received	(245,243)	-	-	(245,243)
Claims paid	289,363	-	-	289,363
Directly attributable expenses paid	2,195	-	-	2,195
Acquisition cost paid	14,337	-	-	14,337
Total cash flows	60,652	-	-	60,652
Closing insurance contract assets	-	-	-	-
Closing insurance contract liabilities	(1,421,682)	(48,983)	(516,349)	(1,987,014)
Insurance contract net position at end of period	(1,421,682)	(48,983)	(516,349)	(1,987,014)

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

20 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

Reinsurance Contract Assets reconciliation of the best estimate liability, risk adjustment and contractual service margin (non PAA) as at 30 June 2023

	<i>Best estimate liability</i>	<i>Risk adjustment</i>	<i>Contractual service margin</i>	<i>Total</i>
Opening reinsurance contract assets	56,817	2,256	-	59,072
Opening reinsurance contract liabilities	(236,045)	29,628	43,056	(163,360)
Reinsurance contracts held assets/(liabilities) at beginning of period	(179,228)	31,884	43,056	(104,288)
Changes related to current services				
CSM recognized in profit and loss	-	-	(2,870)	(2,870)
Risk Adjustment recognized in profit and loss	-	(1,788)	-	(1,788)
Experience adjustments	(8,764)	26	-	(8,738)
Changes in estimates that adjust CSM	(16,760)	464	16,296	-
Effect of changes in the risk of reinsurers non-performance	(340)	-	-	(340)
Insurance finance expenses through profit and loss	(4,926)	827	1,422	(2,677)
Total changes in statement of profit and loss and OCI	(30,790)	(470)	14,848	(16,412)
Premiums paid to reinsurer net of commission	20,493	-	-	20,493
Recoveries from reinsurance	(5,628)	-	-	(5,628)
Total cash flows	14,865	-	-	14,865
Closing reinsurance contract assets	56,163	2,282	-	58,445
Closing reinsurance contract liabilities	(251,316)	29,132	57,905	(164,280)
Reinsurance contract net position at end of period	(195,153)	31,413	57,905	(105,835)

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

20 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

Insurance Contract Liabilities - Reconciliation of the best estimate liability, risk adjustment and contractual service margin (non PAA) as at 31 December 2022

	<i>Best estimate liability</i>	<i>Risk adjustment</i>	<i>Contractual service margin</i>	<i>Total</i>
Opening insurance contract assets	306,729	(23,461)	(276,456)	6,812
Opening insurance contract liabilities	(2,143,254)	(29,344)	(282,296)	(2,454,894)
Insurance contracts liabilities at beginning of period	(1,836,525)	(52,805)	(558,752)	(2,448,082)
Changes related to current services				
CSM recognized in profit and loss	-	-	84,898	84,898
Risk Adjustment recognized in profit and loss	-	5,432	-	5,432
Experience adjustments	(7,452)	1,033	-	(6,419)
Changes related to future services				
Contracts initially recognized in the period	15,483	(560)	(14,923)	-
Changes in estimates that adjust CSM	337,138	(2,945)	(334,193)	-
Insurance finance expenses through profit and loss	(67,766)	(1,330)	295,281	226,186
Insurance finance expenses through OCI	-	900	-	900
Total changes in statement of profit & loss and OCI	277,403	2,530	31,063	310,997
Premiums received	(612,868)	-	-	(612,868)
Claims paid	748,150	-	-	748,150
Directly attributable expenses paid	7,009	-	-	7,009
Acquisition cost paid	24,893	-	-	24,893
Total cash flows	167,185	-	-	167,185
Opening insurance contract assets	337,544	(25,714)	(320,779)	(8,948)
Opening insurance contract liabilities	(1,729,481)	(24,560)	(206,910)	(1,960,951)
Insurance contract net position at end of period	(1,391,937)	(50,274)	(527,689)	(1,969,899)

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

20 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

Reinsurance Contract Assets reconciliation of the best estimate liability, risk adjustment and contractual service margin (non PAA) as at 31 December 2022

	<i>Best estimate liability</i>	<i>Risk adjustment</i>	<i>Contractual service margin</i>	<i>Total</i>
Opening reinsurance contract assets	72,597	16,938	(13,689)	75,846
Opening reinsurance contract liabilities	(211,939)	17,260	13,776	(180,904)
Reinsurance contracts assets/(liabilities) at beginning of period	(139,342)	34,198	87	(105,058)
CSM recognized in profit and loss	-	-	(7,263)	(7,263)
Risk Adjustment recognized in profit and loss	-	(3,433)	-	(3,433)
Experience adjustments	(16,758)	(994)	-	(17,752)
Changes in estimates that adjust CSM	(50,554)	511	50,043	-
Insurance finance expenses through profit and loss	(9,491)	1,601	189	(7,700)
Total changes in statement of profit and loss and OCI	(76,802)	(2,314)	42,969	(36,147)
Premiums paid to reinsurer net of commission	69,216	-	-	69,216
Recoveries from reinsurance	(32,299)	-	-	(32,299)
Total cash flows	36,917	-	-	36,917
Closing reinsurance contract assets	56,817	2,256	-	59,072
Closing reinsurance contract liabilities	(236,045)	29,628	43,056	(163,360)
Reinsurance contract net position at end of period	(179,228)	31,884	43,056	(104,288)

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

21 OPERATING SEGMENT

By geography

	<i>Six-month period ended 30 June 2023</i>			<i>Three-month period ended 30 June 2023</i>		
	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>
Insurance revenue	96,522	447,655	544,177	48,168	230,771	278,939
Insurance service expenses	(97,777)	(367,510)	(465,287)	(42,314)	(197,699)	(240,013)
Net expenses from reinsurance contracts held	(1,404)	(44,619)	(46,023)	(6,205)	(21,720)	(27,925)
INSURANCE SERVICE RESULT	(2,659)	35,526	32,867	(351)	11,352	11,001
Investment and other income			181,070			108,304
Net Insurance finance expenses			(139,075)			(76,044)
Other operational expenses and tax			(62,602)			(39,038)
Net profit after tax			12,260			4,223
	<i>Six-month period ended 30 June 2022</i>			<i>Three-month period ended 30 June 2022</i>		
	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>
Insurance revenue	126,975	298,171	425,146	62,285	138,342	200,627
Insurance service expenses	(97,893)	(208,051)	(305,944)	(44,943)	(84,952)	(129,895)
Net expenses from reinsurance contracts held	(17,789)	(48,746)	(66,535)	(7,615)	(33,719)	(41,334)
INSURANCE SERVICE RESULT	11,293	41,374	52,667	9,727	19,671	29,398
Investment and other income			(208,609)			(187,159)
Net Insurance finance expenses			214,936			191,796
Other operational expenses and tax			(42,335)			(25,040)
Net profit after tax			16,659			8,995

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

22 CLASSES AND CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below sets out the classification of each class of financial assets and liabilities and their fair values. For instruments carried at amortised cost, management believes that their carrying values approximates to their fair values.

30 June 2023 (unaudited)

	<i>FVTPL AED'000</i>	<i>FVOCI AED'000</i>	<i>Amortised cost AED'000</i>	<i>Total AED'000</i>
Financial assets				
Investments	29,255	87,488	392,322	509,065
Statutory deposits	-	-	262,202	262,202
Deposits with takaful and retakaful companies	-	-	1,052	1,052
Other assets and receivables	-	-	63,123	63,123
Bank balances and cash	-	-	84,566	84,566
	29,255	87,488	803,265	920,008
Financial liabilities				
Other payables and accruals	-	-	109,922	109,922
Lease liabilities	-	-	3,888	3,888
	-	-	113,810	113,810

31 December 2022 (audited)

	<i>FVTPL AED'000</i>	<i>FVOCI AED'000</i>	<i>Amortised cost AED'000</i>	<i>Total AED'000</i>
Financial assets				
Investments	14,858	64,019	414,084	492,961
Deposits	-	-	269,111	269,111
Deposits with takaful and retakaful companies	-	-	1,347	1,347
Other assets and receivables	-	-	62,966	62,966
Bank balances and cash	-	-	133,445	133,445
	14,858	64,019	880,953	959,830
Financial liabilities				
Other payables and accruals	-	-	104,701	104,701
Lease liabilities	-	-	8,821	8,821
	-	-	113,522	113,522

Islamic Arab Insurance Co. (Salama) PJSC and its subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2023 (unaudited)

23 CAPITAL RISK MANAGEMENT

The solvency regulations identify the required Solvency Margin to be held on consolidated basis in addition to insurance liabilities.

The Solvency Margin (presented in the table below on consolidated basis) must be maintained at all times throughout the year/period. The Group is subject to solvency regulations which it has complied with during the period. The Company has incorporated in its policies and procedures the necessary procedures to ensure continuous and full compliance with such regulations.

The table below summarises the consolidated Minimum Capital Requirement ("MCR"), Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held at the Company level to meet the required Solvency Margins in line with the requirements of the Central Bank of UAE. The Group has disclosed the preliminary solvency position as of 30 June 2023 as following:

	30 June 2023 AED'000 (unaudited)	31 December 2022 AED'000 (audited)
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	266,438	238,159
Minimum Guarantee Fund (MGF)	171,338	148,427
Basic Own Funds	191,977	198,261
MCR Solvency Margin - Surplus	91,977	98,261
SCR Solvency Margin (Deficit) /Surplus	(29,461)	5,102
MGF Solvency Margin - Surplus	65,639	94,834

The solvency position as of 30 June 2023 has been calculated based on IFRS 4 results.

24 ACQUISITION OF TAKAFUL PORTFOLIO

On 28th December 2022, The Board approved the endorsement made by the Investment committee regarding the acquisition of the non-life portfolio from Dubai Islamic Insurance and Reinsurance Company – AMAN PJSC (Aman) of a portion of Aman's general, motor, medical, and group family Takaful (the takaful alternative to group life insurance) portfolios. Purchase consideration will be AED 15 million subject to customary adjustments and regulatory approvals. The portfolio will add synergies to Salama's existing offering and create value for the shareholders, by expanding its market leading position. The transaction is not expected to have any impact on the rights of Salama's shareholders. The discussions between the parties are at the final stage, subject to signing of binding agreements and obtaining necessary approvals (including Sharia approvals and regulatory approvals). The targeted execution date of the transaction is during the year ending 31 December 2023, subject to obtaining all approvals (including Sharia approvals and regulatory approvals) and completion of all necessary transfer of the portfolio as planned and agreed between the two companies.

25 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 14 August 2023.