TAKAFUL EMARAT - INSURANCE (PSC) AND ITS SUBSIDIARY

Interim condensed consolidated financial information
(Unaudited)
For the six-month period ended 30 June 2023

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Review Report of the Independent Auditor

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial information of Takaful Emarat - Insurance (PSC) (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as at 30 June 2023, and the related interim condensed consolidated income statement, interim condensed consolidated statements of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Financial Reporting Standard IAS 34 "*Interim Financial Reporting*" ("IAS 34"). Our responsibility is to express a conclusion on the interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim condensed consolidated 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 financial instruments disclosed in Notes 8 and 9, which are carried at AED 377.6 million and AED 57.6 million respectively (31 December 2022: AED 351.9 million and AED 57.6 million), include unquoted equity instruments carried at fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI) of AED 93.3 million and AED 57.6 million, respectively (31 December 2022: AED 93.3 million and AED 57.6 million, respectively). We were not provided with sufficient and appropriate evidence supporting the fair values of these investments as at 30 June 2023, and consequently, we were unable to determine if any adjustments to the interim condensed consolidated financial information were necessary as a result of any potential adjustments to such assets.

The Group's other receivables disclosed in Note 11, which are carried in the interim condensed consolidated statement of financial position at AED 15.6 million (31 December 2022: AED 25.2 million), include profit and dividend receivables and other receivables of AED 6.1 million (31 December 2022: AED 6.1 million) for which we were not provided with expected credit loss assessment as per the requirement of IFRS 9, consequently, we were unable to determine whether any adjustments to the attached interim condensed consolidated financial information were necessary to the carrying value of these assets.

Grant Thornton

Review Report of the Independent Auditor

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

Basis for Qualified Conclusion (continued)

The Group's investment properties disclosed in Note 7, which are carried in the interim condensed consolidated statement of financial position at AED 65.6 million (31 December 2022: AED 61.7 million), include investment properties in residential apartments with a carrying value of AED 9.8 million (31 December 2022: AED 9.8 million) that were still under construction as at 30 June 2023. An independent valuation provided by the Group indicated that the fair values of such properties are based on comparable for completed properties. However, such properties' fair values should be discounted as the properties were still under construction, consequently, we were unable to determine whether any adjustments to the interim condensed consolidated financial information were necessary.

Emphasis of Matters

Without qualifying our conclusion, we draw attention to the following:

- Note 26 to the interim condensed consolidated financial information which states that the Group did not meet the Minimum Capital Requirements of AED 100 million as at 30 June 2023 and that the Group's ability to comply with the solvency requirements depends on the effective implementation of the business plan submitted to the Central Bank of UAE. This indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.
- Note 3 to the interim condensed consolidated financial information which states that the Group did not comply with the Board of Directors' Decision Number (26) of 2014 Pertinent to Financial Regulations for Takaful Insurance Companies, which requires Companies to present separate statements for Policyholders' and Shareholders' results.

Other Matter

The financial statements for the year ended 31 December 2022 and the interim condensed consolidated financial information for the six-month period ended 30 June 2022 were audited and reviewed by another auditor who expressed a qualified opinion and a qualified conclusion on those statements on 7 April 2023 and 12 August 2022 respectively.

Qualified Conclusion

Except for the possible effects of the matters described in basis for qualified conclusion section, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Grant Thornton

Grant Thornton P.O. Box: 1620 DUBAI-U.A.E. Public Accountants

GRANT THORNTON
Farouk Mohamed
Registration No: 86
Dubai, 14 August 2023

Takaful Emarat - Insurance (PSC) and its subsidiary
Interim condensed consolidated financial information (Unaudited)

Interim condensed consolidated statement of financial position
As at 30 June 2023

	Notes	(Unaudited) 30 June 2023 AED'000	*(Restated)* (Unaudited) 31 December 2022 AED'000
ASSETS			
Property and equipment	5	665	796
Intangible assets	6	769	1,094
Investment properties	7	65,610	61,709
Investments carried at FVTPL	8	377,623	351,916
Investments carried at FVTOCI	9	57,620	57,620
Insurance contract assets	10	-	131
Reinsurance contract assets	10	22,596	11,575
Other receivables	11	15,618	25,189
Statutory deposit	12	4,000	4,000
Cash and bank balances	13	99,052	103,918
TOTAL ASSETS		643,553	617,948
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	150,000	150,000
Statutory reserve	15	6,813	6,813
Regulatory reserve	15	1,268	1,268
Accumulated losses		(72,236)	(71,442)
Cumulative changes in fair value of investments		40,698	40,698
TOTAL EQUITY		126,543	127,337
LIABILITIES			
Provision for employees' end of service indemnity		863	345
Insurance contract liability	10	454,497	406,215
Reinsurance contract liability	10	14,878	13,895
Borrowings		-	17,500
Other payables	16	46,772	52,656
TOTAL LIABILITIES		517,010	490,611
TOTAL EQUITY AND LIABILITIES		643,553	617,948

This interim condensed consolidated financial information was authorised for issue on 14 August 2023 by the Board of Directors and signed on their behalf by:

Ms. Fatima Hussain Ali Ahmed
Chairman

Wael Al Sharif
Chief executive officer

The notes from 1 to 28 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated income statement
For the period ended 30 June 2023

	Notes	(Unaudited) Three-months period ended 30 June 2023 AED'000	*(Restated)* (Unaudited) Three-months period ended 30 June 2022 AED'000	(Unaudited) Six-months period ended 30 June 2023 AED'000	*(Restated)* (Unaudited) Six-months period ended 30 June 2022 AED'000
Insurance revenue	18	**55,230**	95,454	**102,631**	201,471
Insurance service expense	19	**(53,931)**	(100,381)	**(103,885)**	(196,416)
Income/(expenses) from reinsurance contracts held		**708**	1,556	**3,561**	(6,236)
Insurance service result		**2,007**	(3,371)	**2,307**	(1,181)
Investment income/ (expenses) – net		**288**	(192)	**990**	(65)
Insurance finance income/(expenses)	20	**21,781**	991	**(7,226)**	2,231
Reinsurance finance (expense)/income	20	**(44)**	(139)	**115**	(284)
Net change in fair value of policyholder's investment		**(21,740)**	(986)	**7,132**	(2,227)
Net insurance financial result		**2,292**	(3,697)	**3,318**	(1,526)
Other income	21	**144**	53	**268**	224
General and administrative expenses		**(2,152)**	(3,130)	**(4,355)**	(6,444)
Expected credit losses		**(23)**	3	**(25)**	8
Net income/(loss) for the period		**261**	(6,771)	**(794)**	(7,738)
Basic and diluted earnings/(loss) per share	25	**0.002**	(0.045)	**(0.005)**	(0.052)

The notes from 1 to 28 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of comprehensive income
For the period ended 30 June 2023

	(Unaudited) Three-months period ended 30 June 2023 AED'000	*(Restated)* (Unaudited) Three-months period ended 30 June 2022 AED'000	**(Unaudited) Six-months period ended 30 June 2023 AED'000**	*(Restated)* (Unaudited) Six-months period ended 30 June 2022 AED'000
Net profit/(loss) for the period	**261**	(6,771)	**(794)**	(7,738)
Other comprehensive income	**-**	-	**-**	-
Total other comprehensive income/(loss) for the period	**261**	(6,771)	**(794)**	(7,738)

The notes from 1 to 28 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of changes in equity
For the period ended 30 June 2023

	Share capital AED'000	Statutory reserve AED'000	Regulatory reserve AED'000	Cumulative change in fair value of investments AED'000	Accumulated losses AED'000	Total equity AED'000
Balance at 1 January 2022, as previously reported	150,000	6,568	830	40,698	(74,987)	123,109
Impact of IFRS 17 adoption	-	-	-	-	1,820	1,820
Impact of IFRS 9 implication	-	-	-	-	(21)	(21)
Restated balance at 1 January 2022	150,000	6,568	830	40,698	(73,188)	124,908
Loss for the period (restated)	-	-	-	-	(7,738)	(7,738)
Total comprehensive loss for the period	-	-	-	-	(7,738)	(7,738)
Balance at 30 June 2022 (unaudited)	150,000	6,568	830	40,698	(80,926)	117,170
Balance at 1 January 2023, as previously reported	150,000	6,813	1,268	40,698	(73,273)	125,506
Impact of IFRS 17 adoption	-	-	-	-	1,883	1,883
Impact of IFRS 9 implication	-	-	-	-	(52)	(52)
Restated balance at 1 January 2023	150,000	6,813	1,268	40,698	(71,442)	127,337
Loss for the period	-	-	-	-	**(794)**	**(794)**
Total comprehensive loss for the period	-	-	-	-	**(794)**	**(794)**
Balance at 30 June 2023 (Unaudited)	**150,000**	**6,813**	**1,268**	**40,698**	**(72,236)**	**126,543**

The notes from 1 to 28 form an integral part of this interim condensed consolidated financial information.

Interim condensed consolidated statement of cash flows
For the period ended 30 June 2023

	Notes	(Unaudited) Six-months period ended 30 June 2023 AED'000	*(Restated)* (Unaudited) Six-months period ended 30 June 2022 AED'000
Cash flows from operating activities			
Loss for the period		**(794)**	(7,738)
Adjustments for:			
Depreciation and amortisation		**456**	2,285
(Gain)/loss on revaluation of investments carried at fair value through profit or loss		**(7,132)**	2,227
Realised (gain)/loss on sale of investments at fair value through profit or loss		**(7,778)**	431
Provision/ (reversal) for expected credit loss		**25**	(8)
Provision/(reversal) for employees' end of service benefits		**544**	(251)
Operating cash flows before changes in working capital		**(14,679)**	(3,054)
Changes in working capital:			
Changes in insurance contract assets		**131**	998
Changes in reinsurance contract assets		**(11,021)**	9,916
Change in other receivables		**9,571**	(2,748)
Changes in insurance contract liability		**48,282**	(50,181)
Changes in reinsurance contract liability		**983**	(3,712)
Change in other payables		**(5,884)**	12,231
Cash generated from/(used in) operations		**27,383**	(36,550)
Employees end of service indemnity paid		**(26)**	(18)
Net cash generated from/(used in) operating activities		**27,357**	(36,568)
Cash flows from investing activities			
Change in deposits with maturity of more than three months		**30,832**	-
Purchase of investments at fair value through profit or loss		**(124,423)**	(127,751)
Proceeds from sale of investments at fair value through profit or loss		**113,625**	147,916
Purchase of property and equipment		**-**	(44)
Purchase of intangible assets		**-**	(55)
Addition to investments properties		**(3,901)**	(2,541)
Net cash generated from investing activities		**16,133**	17,525
Cash flows from financing activity			
Repayment of borrowings		**(17,500)**	(2,100)
Net cash used in financing activity		**(17,500)**	(2,100)
Net increase/(decrease) in cash and cash equivalents		**25,990**	(21,143)
Cash and cash equivalents at beginning of the period		**62,828**	49,628
Cash and cash equivalents at end of the period	13	**88,818**	28,485

The notes from 1 to 28 form an integral part of this interim condensed consolidated financial information.

1 Legal status and activities

Takaful Emarat - Insurance (PSC), Dubai, United Arab Emirates (the "Group") is a public stock company incorporated in the Emirate of Dubai – United Arab Emirates, pursuant to decree No. 62 for the year 2007 issued by the Ministry of Economy on 6 February 2007 and is subject to the regulations of the UAE Federal Law No. 32 of 2021 and the UAE Federal Law No. (6) of 2007 relating to commercial companies in the UAE and is registered in the Insurance Companies Register of Central Bank of the United Arab Emirates.

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

The registered address of the Group is P.O. Box 64341, Dubai, United Arab Emirates.

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 regime in the UAE. The Law was published in the official gazette on 10 October 2022 and became effective on 25 October 2022. The Corporate Tax law will apply to taxable persons for financial years beginning on or after 1 June 2023. The corporate income tax will apply on the adjusted accounting net profits of a business. The Group is currently in the process of assessing the possible impact on its 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.

This interim condensed consolidated financial information incorporates the financial statements of the Company and its subsidiary (collectively referred to as the "Group").

Subsidiary	Principal activity	Country of incorporation	Ownership	
Directly owned			**2023**	2022
Modern Tech Investment	Investment	United Arab Emirates	**100%**	100%

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 and IFRS practice statement 2 – Disclosure of accounting policies
- 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

Statement of compliance

The interim condensed consolidated financial information has been prepared in accordance with IAS 34 "Interim Financial Reporting". They do not include all 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.

3 Basis of preparation (continued)

Statement of compliance (continued)

The Board of Directors' Decision Number (26) of 2014 pertinent to Financial Regulations for Takaful Insurance Companies, requires the Group to present separate statements for Policyholders' and Shareholders' results, however due to first time adoption of IFRS 17 and in the absence of any regulations pertaining to Takaful implications from the Central Bank of UAE, the Group has prepared this interim condensed consolidated financial information as per the requirements of IFRS 17 (conventional basis).

The Group did not meet the Minimum Capital Requirements of AED 100 million as at 30 June 2023. The Group has made a business plan to meet the solvency requirements which is submitted to the Central Bank of the UAE. However, as certain actions included in the business plan are not wholly within management's control, a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

Basis of measurement

The 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 ("FVTOCI");
ii. Financial assets at fair value through profit or loss ("FVTPL"); and
iii. Investment properties.

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

Further, results for interim periods are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

Functional and presentation currency

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

Use of estimates and judgments

The preparation of interim condensed consolidated financial information is in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

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

Basis of consolidation

The interim condensed consolidated financial information comprises the financial information of the Group and its investees that are considered subsidiary as at 30 June 2023. Subsidiary is investees that the Group has control over. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

3 Basis of preparation (continued)

Basis of consolidation (continued)

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

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

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

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

4 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:

Nature of Contracts	Product classification	Measurement model
Unit Linked	*Insurance contracts*	*Variable Fee Approach*
Term Life	*Insurance contracts*	*General Measurement Model*
Group Life	*Insurance contracts*	*Premium Allocation Approach*
Group Medical	*Insurance contracts*	*Premium Allocation Approach*
Individual Medical	*Insurance contracts*	*Premium Allocation Approach*
All reinsurance contracts held other than those held corresponding to term life and Unit linked contracts	*Reinsurance contracts held*	*Premium Allocation Approach*
Reinsurance contracts held corresponding to term life and unit linked contracts	*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, when the risk is released. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Group recognises the loss immediately.

4 Significant accounting policies (continued)

Changes to classification and measurement (continued)

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

- The liability for remaining coverage reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for 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 or premium deficiency reserves).
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR) 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.

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

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 recognised in the financial statements that arise from insurance contracts in the form of roll forward and reconciliation tables.

4 Significant accounting policies (continued)

Changes to presentation and disclosure (continued)

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

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expense
- Income or expenses from reinsurance contracts held.
- Insurance service results
- 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, recognising any resulting net difference in equity.

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

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

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

Fair Value Approach is one of the two alternatives provided by IFRS 17 for determining the various accounts, but more specifically the Contractual Service Margin (CSM), at the transition date for groups of 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 "IFRS 13 - 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 fair value at transition is applied for the liability at transition. Where two different insurance contract liabilities are calculated one being the market participant based Fair Value of Liability and the other being the fulfillment cashflow under IFRS-17 (BEL+RA) and difference between the two is recognised as initial CSM. The Group has aggregated contracts issued more than one year apart for groups of contracts applying the Fair Value approach at transition, as it did not have supportable information to aggregate contracts into groups including only contracts issued within one year.

The transition to IFRS 17 resulted in a positive equity impact of AED 1.8 million. The table on the next page provides the extract of insurance contracts assets and liabilities under IFRS 17 and portrays the transition impact on the retained earnings, due to initial application of IFRS 17 as at 1 January 2022.

4 Significant accounting policies (continued)

Transition impact (continued)

Description	IFRS 4 as at 1 January 2022 *As previously reported*	Effect of IFRS 17 application	IFRS 17 as at 1 January 2022 *Restated*
	AED'000	AED'000	AED'000
Assets			
Deferred policy acquisition cost	51,246	(51,246)	-
Takaful and other receivables	183,313	(173,642)	9,671
Insurance contract assets	-	1,152	1,152
Reinsurance contract assets	113,871	(80,733)	33,138
Liabilities			
Provision for employees' end of service indemnity	(3,133)	2,550	(583)
Takaful and other payables	(192,483)	142,315	(50,168)
Reinsurance contract liability	-	(460,490)	(460,490)
Insurance contract liabilities	(633,162)	621,914	(11,248)
Equity			
Accumulated losses	(74,987)	1,820	(73,167)

The line-item descriptions in the interim condensed consolidated income statement and other comprehensive income have changed significantly compared with prior period. The adoption of IFRS 17 has led to the restatement of the loss for the six-month period ended 30 June 2022 from AED 5.37 million to AED 7.73 million.

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.
There are no contracts that meet the definition of an insurance contract but have as their primary purpose the provision of services for a fixed fee.

Level of aggregation

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

Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts.

Recognition

Groups of 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.

4 Significant accounting policies (continued)

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.

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.

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 recognise 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 amortises acquisition cash flows for all lines. Group will use the same approach under IFRS 17 as this would not only ensure consistency with current practice but would also be consistent with the treatment under GMM and VFA.
LRC adjusted for financial risk and time value of money	PAA	The entity is not required to adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk if, at initial recognition, the entity expects that the time between providing each part of the services and the related premium due date is no more than a year.	The expected delay between provision of services and receipt of payment is small for contracts eligible to be run under the PAA. Hence, the Group does not expect significant financing component for LRC for these contracts.

4 Significant accounting policies (continued)

Measurement (continued)

	Applicable Measurement Model	IFRS 17 options	Adopted approach
LIC adjusted for time value of money	PAA	In applying PAA, an entity may choose to not adjust future cash flows for Liability of Incurred Claims (LIC) for the time value of money and the effect of financial risk if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred.	Most of the claims are settled within 12 months from the date of incurrence. Accordingly, the Group has decided not to discount the LIC computed under the PAA approach.
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 Group 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.	Group has decided not to disaggregate the changes in the risk adjustment for non - financial risk in the Insurance service result and Insurance finance income or expenses.
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.

4 Significant accounting policies (continued)

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;
- 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.

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.

4 Significant accounting policies (continued)

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

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 income statement, 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).

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 income statement and other comprehensive income rather than adjusting the CSM).

4 Significant accounting policies (continued)

Subsequent measurement (continued)

- 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 recognises 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.

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.

4 Significant accounting policies (continued)

Reinsurance contracts held (continued)

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 to 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 organisation, regardless of whether these expenses are utilised 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
- Maintenance expenses

4 Significant accounting policies (continued)

Discount rates

The bottom-up approach is used to derive the discount rate for all contracts within the scope of IFRS 17, where applicable. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium').

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

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

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

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

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

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

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

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of 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 Group has adopted PAA simplification for the calculation of liability for remaining coverage, risk adjustment for LRC would only be estimated in case group of contracts recognised as onerous. For portfolios measured under general measurement model or the variable fee approach, risk adjustment would be required for the calculation of both LRC and LIC.

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

Contractual service margin (CSM) – GMM and VFA

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

4 Significant accounting policies (continued)

Contractual service margin (CSM) – GMM and VFA (continued)

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 the amount of benefit payable in case of death claim. 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 sum at risk of contracts because the level of service provided depends on the amount of sum at risk in force. The remaining coverage is allocated based on probability weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

Onerosity determination

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

a) the expected ratio of claims to premiums (or any other measurement of expected profitability) compared with the actual ratio over the coverage period.
b) economic or regulatory changes that can cause significant revisions in the expected cash flows; or
c) significant changes to the costs involved in fulfilling contracts: e.g., as a result of internal reorganisations or changes to the prices of services or products used to fulfil its insurance obligations.

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

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

Time value of money

The Group adjusts the carrying amount of the 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 for the insurance contracts recognised under GMM and VFA.

Discounting

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

4 Significant accounting policies (continued)

Liability for incurred claims

The Group will calculate the LFIC as follows:

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

IFRS 9 Financial instruments

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

Changes to classification and measurements

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

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

- Financial assets at fair value through profit or loss, including equity instruments and derivatives;
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition (not used by the Group);
- Debt instruments at amortised cost;

Changes to impairment calculation

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for debt instruments held at FVTOCI or amortised cost by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at FVTPL.

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

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

The Group considers an instrument to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider an instrument to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

4 Significant accounting policies (continued)

Changes to impairment calculation (continued)

The adoption of the ECL requirements of IFRS 9 has resulted in increases in impairment allowances in respect of the Group's debt instruments. The increase in allowance was adjusted to retained earnings.

As it was possible to do so without the use of hindsight, the Group restated the statement of financial position as at 1 January 2022, resulting in decreases in financial assets and retained earnings amounting by AED 21 thousand respectively. The statement of financial position for the period ended 30 June 2022 was also restated, resulting in decreases in impairment loss on financial assets amounting to AED 16 thousand.

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

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

5 Property and equipment

	Building AED'000	Office equipment AED'000	Fixture and fittings AED'000	Motor vehicles AED'000	Total AED'000
Balance at 1 January 2022	48,628	3,375	11,170	172	63,345
Additions during the year	-	289	-	-	289
Disposals during the year	(48,628)	(796)	(7,266)	-	(56,690)
Balance at 31 December 2022 (Audited)	-	2,868	3,904	172	6,944
Balance at 30 June 2023 (Unaudited)	**-**	**2,868**	**3,904**	**172**	**6,944**
Accumulated depreciation:					
Balance at 1 January 2022	7,671	2,459	7,676	169	17,975
Depreciation for the year	2,038	361	901	2	3,302
Disposals during the year	(9,709)	(716)	(4,704)	-	(15,129)
Balance at 31 December 2022 (Audited)	-	2,104	3,873	171	6,148
Depreciation for the period	-	**124**	**6**	**1**	**131**
Balance at 30 June 2023 (Unaudited)	**-**	**2,228**	**3,879**	**172**	**6,279**
Carrying amount:					
Balance at 31 December 2022 (Unaudited)	-	764	31	1	796
Balance at 30 June 2023 (Unaudited)	**-**	**640**	**25**	**-**	**665**

6 Intangible assets

	Software AED'000	Work in progress AED'000	Total AED'000
Cost:			
Balance at 1 January 2022	13,854	-	13,854
Additions during the year	-	101	101
Balance at 31 December 2022 (Audited)	13,854	101	13,955
Balance at 30 June 2023 (Unaudited)	**13,854**	**101**	**13,955**
Accumulated amortisation:			
Balance at 1 January 2022	11,989	-	11,989
Amortisation for the year	872	-	872
Balance at 31 December 2022	12,861	-	12,861
Amortisation for the period	**325**	**-**	**325**
Balance at 30 June 2023	**13,186**	**-**	**13,186**
Carrying amount:			
Balance at 31 December 2022	993	101	1,094
Balance at 30 June 2023	**668**	**101**	**769**

7 Investment properties

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
Residential apartments*	**17,270**	17,270
Land**	**15,402**	15,402
Work in progress**	**32,938**	29,037
	65,610	61,709

* Residential apartments are classified as Level 3 in the fair value hierarchy as at 30 June 2023 (31 December 2022: Level 3). This includes an apartment with a fair value of AED 9.8 million (31 December 2022: AED 9.8 million) which is still under construction.

** Land, on which construction is under progress, and the work in progress as at 30 June 2023 amounting to AED 48.4 million (31 December 2022: AED 44.4 million) are not stated at its fair value, and this investment properties under construction will be fair valued when its fair value becomes reliably measurable or construction is completed (whichever is earlier).

8 Investments carried at FVTPL

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
Mutual funds	**277,575**	192,343
Sukuk investments	**6,709**	66,234
Equity investments – Unquoted	**93,339**	93,339
	377,623	351,916

9 Investments carried at FVTOCI

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
Equity investments – unquoted	**57,620**	57,620

10 Insurance contract liability and assets

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

	2023 (unaudited)			2022 (restated)		
	Assets AED'000	**Liabilities AED'000**	**Net AED'000**	Assets AED'000	Liabilities AED'000	Net AED'000
Insurance contracts issued						
Group life and medical	**-**	**(164,670)**	**(164,670)**	-	(166,072)	(166,072)
Individual life	**-**	**(289,827)**	**(289,827)**	131	(240,143)	(240,012)
Total insurance contracts issued	**-**	**(454,497)**	**(454,497)**	131	(406,215)	(406,084)
Reinsurance contracts held						
Group life and medical	**22,596**	**-**	**22,596**	11,575	-	11,575
Individual life	**-**	**(14,878)**	**(14,878)**	-	(13,895)	(13,895)
Total reinsurance contracts held	**22,596**	**(14,878)**	**7,718**	11,575	(13,895)	(2,320)

10 Insurance contract liability and assets (continued)

Reconciliation of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC) for insurance contracts as at 30 June 2023

30 June 2023 (Unaudited)	Liability for remaining coverage		LIC for contracts not measured under the PAA	LIC for contracts measured under the PAA		
Insurance contracts issued	Excluding loss component (Unaudited) AED'000	Loss component (Unaudited) AED'000	(Unaudited) AED'000	Present value of future cash flows (Unaudited) AED'000	Risk adjustment (Unaudited) AED'000	Total (Unaudited) AED'000
Opening insurance contract assets	765	(634)	-	-	-	131
Opening insurance contract liabilities	(294,914)	-	(6,553)	(101,976)	(2,772)	(406,215)
Net balance as at 1 January 2023	(294,149)	(634)	(6,553)	(101,976)	(2,772)	(406,084)
Insurance revenue	102,631	-	-	-	-	102,631
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	-	(2,333)	(78,288)	(2,324)	(82,945)
Changes that relate to past service - adjustments to the LIC	-	-	82	(9,664)	3,000	(6,582)
Losses on onerous contracts and reversal of those losses	-	38	-	-	-	38
Insurance acquisition cash flows amortisation	(14,396)	-	-	-	-	(14,396)
Total insurance service expenses	(14,396)	38	(2,251)	(87,952)	676	(103,885)
Insurance service result	88,235	38	(2,251)	(87,952)	676	(1,254)
Finance expenses from insurance contracts issued	(7,193)	(14)	(19)	-	-	(7,226)
Investment components	3,890	-	(3,890)	-	-	-
Total amounts recognised in comprehensive income	84,932	24	(6,160)	(87,952)	676	(8,480)
Cash flows						
Premiums received	(186,072)	-	-	-	-	(186,072)
Claims and other directly attributable expenses paid	-	-	5,418	115,613	-	121,031
Insurance acquisition cash flows paid	25,108	-	-	-	-	25,108
Total cash flows	(160,964)	-	5,418	115,613	-	(39,933)
Net balance as at 30 June 2023	(370,181)	(610)	(7,295)	(74,315)	(2,096)	(454,497)
Closing insurance contract assets	-	-	-	-	-	-
Closing insurance contract liabilities	(370,181)	(610)	(7,295)	(74,315)	(2,096)	(454,497)
Insurance contract net position at end of period	(370,181)	(610)	(7,295)	(74,315)	(2,096)	(454,497)

10 Insurance contract liability and assets (continued)

Reconciliation of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC) for insurance contracts as at 31st December 2022

31 December 2022 (*restated*)	Liability for remaining coverage		LIC for contracts not measured under the PAA	LIC for contracts measured under the PAA		
Insurance contracts issued	Excluding loss component (Unaudited) AED'000	Loss component (Unaudited) AED'000	(Unaudited) AED'000	Present value of future cash flows (Unaudited) AED'000	Risk adjustment (Unaudited) AED'000	Total (Unaudited) AED'000
Opening insurance contract assets	1,152	-	-	-	-	1,152
Opening insurance contract liabilities	(302,754)	-	(4,404)	(147,887)	(5,445)	(460,490)
Net balance as at 1 January 2022	(301,602)	-	(4,404)	(147,887)	(5,445)	(459,338)
Insurance revenue	342,752	-	-	-	-	342,752
Insurance service expenses						
Incurred claims and other directly attributable expenses	-	-	(6,208)	(294,288)	(8,124)	(308,620)
Changes that relate to past service - adjustments to the LIC	-	-	1,321	5,457	10,797	17,575
Losses on onerous contracts and reversal of those losses	-	(588)	-	-	-	(588)
Insurance acquisition cash flows amortisation	(25,782)	-	-	-	-	(25,782)
Total insurance service expenses	(25,782)	(588)	(4,887)	(288,831)	2,673	(317,415)
Insurance service result	316,970	(588)	(4,887)	(288,831)	2,673	25,337
Finance income expenses from insurance contracts issued	(15,094)	(46)	(5)	-	-	(15,145)
Investment components	90,369	-	(90,369)	-	-	-
Total amounts recognised in comprehensive income	392,245	(634)	(95,261)	(288,831)	2,673	10,192
Cash flows						
Premiums received	(426,919)	-	-	-	-	(426,919)
Claims and other directly attributable expenses paid	-	-	93,112	334,742	-	427,854
Insurance acquisition cash flows paid	42,127	-	-	-	-	42,127
Total cash flows	(384,792)	-	93,112	334,742	-	43,062
Net balance as at 31 December 2022	(294,149)	(634)	(6,553)	(101,976)	(2,772)	(406,084)
Closing insurance contract assets	765	(634)	-	-	-	131
Closing insurance contract liabilities	(294,914)	-	(6,553)	(101,976)	(2,772)	(406,215)
Insurance contract net position at end of year	(294,149)	(634)	(6,553)	(101,976)	(2,772)	(406,084)

10 Insurance contract liability and assets (continued)

Reconciliation of the components of insurance contract liabilities as at 30 June 2023 - Contracts not measured under the PAA

30 June 2023 (unaudited)	Best estimate liability (Unaudited) AED'000	Risk adjustment (Unaudited) AED'000	Contractual service margin (Unaudited) AED'000	Total (Unaudited) AED'000
Opening insurance contract assets	759	(71)	(557)	131
Opening insurance contract liabilities	(217,226)	(7,737)	(15,180)	(240,143)
Net balance as at 1 January 2023	(216,467)	(7,808)	(15,737)	(240,012)
Changes related to current services				
- CSM recognised in profit and loss	-	-	3,652	3,652
- Risk Adjustment recognised in profit and loss	-	404	-	404
- Experience adjustments	3,193	(87)	-	3,106
Changes related to future services				
- Contracts initially recognised in the period	5,299	(879)	(4,420)	-
- Changes in estimates that adjust CSM	48,374	800	(49,173)	1
- Changes in estimates that result in onerous contracts or reversal of losses	12	(5)	-	7
Changes that relate to past service - adjustments to LIC	5	77	-	82
Insurance finance expenses through profit and loss	(7,203)	-	(23)	(7,226)
Total changes in statement of comprehensive income	49,680	310	(49,964)	26
Premiums received	(62,358)	-	-	(62,358)
Claims and other directly attributable expenses paid	5,418	-	-	5,418
Insurance acquisition cash flows paid	7,099	-	-	7,099
Total cash flows	(49,841)	-	-	(49,841)
Net balance as at 30 June 2023	(216,628)	(7,498)	(65,701)	(289,827)
Closing insurance contract assets	-	-	-	-
Closing insurance contract liabilities	(216,628)	(7,498)	(65,701)	(289,827)
Net position at end of period	(216,628)	(7,498)	(65,701)	(289,827)

10 Insurance contract liability and assets (continued)

Reconciliation of the components of insurance contract liabilities as at 31 December 2022 - Contracts not measured under the PAA

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

10 Insurance contract liability and assets (continued)

Reconciliation of the assets for remaining coverage (ARC) and the assets for incurred claims (LIC) for reinsurance contracts as at 30 June 2023

30 June 2023 (Unaudited)	Asset for remaining coverage		AIC for contracts not measured under the PAA	AIC for contracts measured under the PAA		
Reinsurance contracts issued	Excluding loss component (Unaudited) AED'000	Loss component (Unaudited) AED'000	(Unaudited) AED'000	Present value of future cash flows (Unaudited) AED'000	Risk adjustment (Unaudited) AED'000	Total (Unaudited) AED'000
Opening reinsurance contract assets	(11,919)	-	-	22,818	676	11,575
Opening reinsurance contract liabilities	(14,725)	-	830	-	-	(13,895)
Net balance as at 1 January 2023	(26,644)	-	830	22,818	676	(2,320)
Allocation of reinsurer premium	(45,526)	-	-	-	-	(45,526)
Amounts recoverable for claims and other expenses	-	-	(127)	38,520	1,199	39,592
Changes that relate to past service - adjustments to LIC	-	-	37	10,292	(828)	9,501
Changes in fulfilment cash flows that do not adjust underlying CSM	-	(6)	-	-	-	(6)
Net (expenses)/income from reinsurance contracts held	(45,526)	(6)	(90)	48,812	371	3,561
Finance income from reinsurance contracts issued	111	-	4	-	-	115
Total amounts recognised in comprehensive income	(45,415)	(6)	(86)	48,812	371	3,676
Cash flows						
Premiums paid to reinsurer net of commission	42,899	-	-	-	-	42,899
Recoveries from reinsurance	-	-	187	(37,510)	-	(37,323)
Directly attributable expenses paid	-	-	237	549	-	786
Total cash flows	42,899	-	424	(36,961)	-	6,362
Net balance as at 30 June 2023	(29,160)	(6)	1,168	34,669	1,047	7,718
Closing reinsurance contract assets	(13,120)	-	-	34,669	1,047	22,596
Closing reinsurance contract liabilities	(16,040)	(6)	1,168	-	-	(14,878)
Net position at end of period	(29,160)	(6)	1,168	34,669	1,047	7,718

10 Insurance contract liability and assets (continued)

Reconciliation of the assets for remaining coverage (ARC) and the assets for incurred claims (LIC) for reinsurance contracts as at 31 December 2022

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

10 Insurance contract liability and assets (continued)

Reconciliation of the components of reinsurance contract liabilities as at 30 June 2023 - Contracts not measured under the PAA

30 June 2023 (unaudited)	Best estimate liability (Unaudited) AED'000	Risk adjustment (Unaudited) AED'000	Contractual service margin (Unaudited) AED'000	Total (Unaudited) AED'000
Opening insurance contract liabilities as at 1 January 2023	(16,823)	1,173	1,755	(13,895)
Changes related to current services				
- CSM recognised in profit and loss	-	-	(91)	(91)
- Risk adjustment recognised in profit and loss	-	(21)	-	(21)
- Experience adjustments	(972)	12	-	(960)
Changes related to future services				
- Changes in estimates that adjust CSM	576	(39)	(536)	1
- Changes in the FCF that do not adjust the CSM for the group of underlying insurance contracts	-	-	(6)	(6)
Changes that relate to past service - adjustments to LFIC	37	-	-	37
Insurance finance expenses through profit and loss	80	-	35	115
Total changes in statement of comprehensive income	(279)	(48)	(598)	(925)
Premiums paid to reinsurer net of commission	(481)	-	-	(481)
Recoveries from reinsurance	186	-	-	186
Directly attributable expenses paid	237	-	-	237
Total cash flows	(58)	-	-	(58)
Closing reinsurance contract liabilities as at 30 June 2023	(17,160)	1,125	1,157	(14,878)

10 Insurance contract liability and assets (continued)

Reconciliation of the components of reinsurance contract liabilities as at 31 December 2022 - Contracts not measured under the PAA

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

11 Other receivables

	(Unaudited) 30 June 2023 AED'000	*(Restated)* (Unaudited) 31 December 2022 AED'000
Dividend receivables	**6,099**	6,099
Advances	**4,121**	700
Other receivables	**3,723**	16,038
Prepayments	**865**	1,512
Deposits and guarantees	**810**	840
	15,618	25,189

12 Statutory deposit

Statutory deposit of amounting AED 4 million is maintained in accordance with the requirements of UAE Federal Law No. 6 of 2007 for the purpose of carrying on takaful operations in the United Arab Emirates and is not available to finance the day-to-day operations of the Group. This deposit carries a profit rate of 1% (2022: 1%) per annum.

13 Cash and bank balances

	(Unaudited) 30 June 2023 AED'000	*(Restated)* (Unaudited) 31 December 2022 AED'000
Cash on hand	**185**	452
Cash at banks	**88,633**	62,376
Term deposit having maturity more than 3 months	**10,310**	41,142
Less: ECL impairment	**(76)**	(52)
Cash and bank balances	**99,052**	103,918

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

	(Unaudited) 30 June 2023 AED'000	*(Restated)* (Unaudited) 30 June 2022 AED'000
Cash and bank balances	**99,052**	45,735
Add: ECL impairment	**76**	-
Less: Term deposit having maturity more than 3 months	**(10,310)**	(17,250)
Cash and cash equivalents	**88,818**	28,485

14 Share capital

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
Authorised issued and fully paid		
150,000,000 ordinary shares of AED 1 each	**150,000**	150,000

15 Statutory reserves

Statutory reserve

In accordance with the UAE Federal Law No. 32 of 2021, 5% of the net profit of the Group has to be transferred to a non-distributable legal reserve until such reserve equals 50% of the paid-up share capital of the Group.

Regulatory reserve

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

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

16 Other payables

	(Unaudited) 30 June 2023 AED'000	*(Restated)* (Unaudited) 31 December 2022 AED'000
Basmah payable	**17,645**	17,569
Other payables	**16,048**	17,651
Account payables	**11,555**	9,498
Employee benefits provision	**753**	725
Accrued expenses	**535**	456
Due to fund manager	**236**	6,757
	46,772	52,656

17 Related party transactions

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

17 Related party transactions (continued)

Compensation of the key management personnel is as follows:

	(Unaudited) 30 June 2023 AED'000	*(Restated)* (Unaudited) 30 Jun 2022 AED'000
Short/long term employee benefits	**1,977**	1,748

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

18 Insurance revenue

For the six-months period ended 30 June 2023	**(Unaudited) Group life and medical AED'000**	**(Unaudited) Individual life AED'000**	**(Unaudited) Total AED'000**
CSM recognised for services provided	**-**	**3,652**	**3,652**
Change in risk adjustment for non-financial risk for risk expired	**-**	**404**	**404**
Expected incurred claims and other insurance service expenses	**-**	**4,081**	**4,081**
Experience adjustments	**-**	**1,328**	**1,328**
Recovery of insurance acquisition cash flows	**-**	**1,459**	**1,459**
Contracts not measured under the PAA	**-**	**10,924**	**10,924**
Contracts measured under the PAA	**91,707**	**-**	**91,707**
Total insurance revenue	**91,707**	**10,924**	**102,631**

For the six-months period ended 30 June 2022 *(Restated)*	(Unaudited) Group life and medical AED'000	(Unaudited) Individual life AED'000	(Unaudited) Total AED'000
CSM recognised for services provided	-	74	74
Change in risk adjustment for non-financial risk for risk expired	-	256	256
Expected incurred claims and other insurance service expenses	-	2,102	2,102
Experience adjustments	-	(1,040)	(1,040)
Recovery of insurance acquisition cash flows	-	710	710
Contracts not measured under the PAA	-	2,102	2,102
Contracts measured under the PAA	199,369	-	199,369
Total insurance revenue	199,369	2,102	201,471

18 Insurance revenue (continued)

For the three-months period ended 30 June 2023	(Unaudited) Group life and medical AED'000	(Unaudited) Individual life AED'000	(Unaudited) Total AED'000
CSM recognised for services provided	-	2,593	2,593
Change in risk adjustment for non-financial risk for risk expired	-	211	211
Expected incurred claims and other insurance service expenses	-	2,130	2,130
Experience adjustments	-	1,609	1,609
Recovery of insurance acquisition cash flows	-	801	801
Contracts not measured under the PAA	-	7,344	7,344
Contracts measured under the PAA	47,886	-	47,886
Total insurance revenue	47,886	7,344	55,230

For the three-months period ended 30 June 2022 *(Restated)*	(Unaudited) Group life and medical AED'000	(Unaudited) Individual life AED'000	(Unaudited) Total AED'000
CSM recognised for services provided	-	(138)	(138)
Change in risk adjustment for non-financial risk for risk expired	-	60	60
Expected incurred claims and other insurance service expenses	-	751	751
Experience adjustments	-	(1,132)	(1,132)
Recovery of insurance acquisition cash flows	-	481	481
Contracts not measured under the PAA	-	22	22
Contracts measured under the PAA	95,432	-	95,432
Total insurance revenue	95,432	22	95,454

19 Insurance service expense

For the six-months period ended 30 June 2023	(Unaudited) Group life and medical AED'000	(Unaudited) Individual life AED'000	(Unaudited) Total AED'000
Incurred claims and other expenses	87,952	2,333	90,285
Amortisation of insurance acquisition cash flows	12,936	1,460	14,396
Losses on onerous contracts and reversals of those losses	-	(38)	(38)
Changes to liabilities for incurred claims	(676)	(82)	(758)
	100,212	3,673	103,885

19 Insurance service expense (continued)

For the six-months period ended 30 June 2022 *(Restated)*	(Unaudited) Group life and medical AED'000	(Unaudited) Individual life AED'000	(Unaudited) Total AED'000
Incurred claims and other expenses	180,521	2,956	183,477
Amortisation of insurance acquisition cash flows	12,911	711	13,622
Losses on onerous contracts and reversals of those losses	-	5,732	5,732
Changes to liabilities for incurred claims	(5,748)	(667)	(6,415)
	187,684	8,732	196,416

For the three-months period ended 30 June 2023	**(Unaudited) Group life and medical AED'000**	**(Unaudited) Individual life AED'000**	**(Unaudited) Total AED'000**
Incurred claims and other expenses	**44,405**	**1,161**	**45,566**
Amortisation of insurance acquisition cash flows	**7,129**	**800**	**7,929**
Losses on onerous contracts and reversals of those losses	**-**	**150**	**150**
Changes to liabilities for incurred claims	**(5)**	**291**	**286**
	51,529	**2,402**	**53,931**

(Restated) For the three-months period ended 30 June 2022	(Unaudited) Group life and medical AED'000	(Unaudited) Individual life AED'000	(Unaudited) Total AED'000
Incurred claims and other expenses	70,045	1,835	71,880
Amortisation of insurance acquisition cash flows	6,264	481	6,745
Losses on onerous contracts and reversals of those losses	-	5,361	5,361
Changes to liabilities for incurred claims	16,906	(511)	16,395
	93,215	7,166	100,381

20 Insurance and reinsurance finance income and expense

For the six-months period ended 30 June	**(Unaudited) 30 June 2023 AED'000**	*(Restated)* (Unaudited) 30 June 2022 AED'000
Insurance finance (expenses)/income	**(7,226)**	2,231
Reinsurance finance income/(expense)	**115**	(284)
	(7,111)	1,947

20 Insurance and reinsurance finance income and expense (continued)

For the three-months period ended 30 June	**(Unaudited) 30 June 2023 AED'000**	*(Restated)* (Unaudited) 30 June 2022 AED'000
Insurance finance (expenses)/income	**21,781**	991
Reinsurance finance income/(expense)	**(44)**	(139)
	21,737	852

21 Other income

	(Unaudited) Three-months period ended 30 June 2023 AED'000	*(Restated)* (Unaudited) Three-months period ended 30 June 2022 AED'000	**(Unaudited) Six-months period ended 30 June 2023 AED'000**	*(Restated)* (Unaudited) Six-months period ended 30 June 2022 AED'000
Rental income - Topaz apartments	**131**	119	**256**	238
Foreign exchange gain/(loss)	**-**	(38)	**23**	(29)
Cancellation fee income	**51**	5	**62**	81
Service charges- Topaz apartments	**(38)**	(33)	**(73)**	(66)
	144	53	**268**	224

22 Contingent liabilities

On 30 June 2023, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 757,309 (2022: AED 757,309).

Legal claims

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

Capital commitments

Capital commitments as at 30 June 2023 amounted to AED 7.7 million (31 December 2022: AED 6.5 million).

Other commitments

The Group has lease agreements which are payable as follows:

	(Unaudited) 30 June 2023 AED'000	(Audited) 31 December 2022 AED'000
Less than one year	**188**	369

23 Financial instruments

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

23 Financial instruments (continued)

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

Fair value of financial instruments carried at amortised cost.

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

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

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

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

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

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

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

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

30 June 2023 (Unaudited)	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
Investments at fair value through profit or loss				
Mutual funds	-	277,575	-	277,575
Sukuk investments	6,709	-	-	6,709
Equity investments – Unquoted	-	-	93,339	93,339
Investments at fair value through OCI				
Equity investments – Unquoted	-	-	57,620	57,620
	6,709	277,575	150,959	435,243

31 December 2022 (Audited)	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
Investments at fair value through profit or loss				
Mutual funds	-	192,343	-	192,343
Sukuk investments	66,234	-	-	66,234
Equity investments – Unquoted	-	-	93,339	93,339
Investments at fair value through OCI				
Equity investments – Unquoted	-	-	57,620	57,620
	66,234	192,343	150,959	409,536

24 Segment information

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

30 June 2023 (unaudited)	**Underwriting**				
	Group life and medical AED'000	**Individual life AED'000**	**Subtotal AED'000**	**Investments & others AED'000**	**Total AED'000**
Segment revenue	**91,707**	**10,924**	**102,631**	**8,390**	**111,021**
Segment profit/(loss)	**(3,904)**	**(901)**	**(4,804)**	**4,010**	**(794)**
Segment assets	**22,596**	**-**	**22,596**	**620,957**	**643,553**
Segment liability	**(164,670)**	**(304,705)**	**(469,375)**	**(47,635)**	**(517,010)**

(Restated) 30 June 2022 (unaudited)	Underwriting				
	Group life and medical AED'000	Individual life AED'000	Subtotal AED'000	Investments & others AED'000	Total AED'000
Segment revenue	199,369	2,102	201,471	(2,068)	199,403
Segment profit/(loss)	2,871	(2,105)	766	(8,504)	(7,738)
Segment assets	23,222	155	23,377	575,081	598,458
Segment liability	(186,702)	(231,144)	(417,846)	(63,443)	(481,289)

25 Basic and diluted loss per share

For the six-months period ended 30 June	(Unaudited) 30 June 2023 AED'000	*(Restated)* (Unaudited) 30 June 2022 AED'000
Loss for the period attributable to shareholders	(794)	(7,738)
Weighted average number of shares outstanding during the year '000	150,000	150,000
Basic and diluted loss per share	**(0.005)**	(0.052)

For the three-months period ended 30 June	(Unaudited) 30 June 2023 AED'000	*(Restated)* (Unaudited) 30 June 2022 AED'000
Profit/(loss) for the period attributable to shareholders	261	(6,771)
Weighted average number of shares outstanding during the year '000	150,000	150,000
Basic and diluted loss per share	**0.002**	(0.045)

26 Regulatory framework and going concern

As per Article (8) of Section 2 of the financial regulations issued for insurance companies in the UAE, the Group shall always comply with the requirements of Solvency Margin. As at 30 June 2023, the Group had a solvency deficit as compared to the Minimum Capital Requirements of AED 100 million.

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

The solvency position of the Group as at 30 June 2023 and 31 December 2022 is presented below. The Group has presented the solvency position as at 30 June 2023 which is the latest available solvency position as at the date of approval of these consolidated financial statements.

	(Unaudited) 30 June 2023 AED'000	(Unaudited) 31 December 2022 AED'000
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	74,179	67,634
Minimum Guarantee Fund (MGF)	41,320	64,033
Basic Own Funds	(79,689)	(28,141)
MCR Solvency Margin - Minimum Capital Requirement (deficit)	(179,689)	(128,141)
SCR Solvency Margin - Solvency Capital Requirement (deficit)	(153,868)	(95,775)
MGF Solvency Margin – Minimum Guarantee Fund (deficit)	(121,009)	(92,174)

27 Subsequent events

There have been no events subsequent to the interim condensed consolidated statement of financial position date that would significantly affect the amounts reported in the interim condensed consolidated financial information as at and for the six-months period ended 30 June 2023.

28 Approval of the interim condensed consolidated financial information

The interim condensed consolidated financial information was approved by the Board of Directors and authorised for issue on 14 August 2023.