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

REVIEW REPORT AND INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2023 (UNAUDITED)

Contents	**Pages**

Ernst & Young Middle East
(Dubai Branch)
P.O. Box 9267
ICD Brookfield Place, Ground Floor
Al-Mustaqbal Street
Dubai International Financial Centre
Emirate of Dubai
United Arab Emirates

Tel: +971 4 701 0100
+971 4 332 4000
Fax: +971 4 332 4004
dubai@ae.ey.com
ey.com

PL No. 108937

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Islamic Arab Insurance Co. (Salama) PSJC (the "Company") and its subsidiaries (the "Group"), which comprise the interim consolidated statement of financial position as at 31 March 2023 and the related interim consolidated statements of income and comprehensive income for the three-month period then ended, and the related interim statements of cash flows and changes in equity for the three month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

The Group's total assets include investment properties with a carrying amount of AED 141,316 thousand (2022: AED 143,776 thousand), investments which are carried at AED 477,180 thousand (2022: AED 492,961), and other assets and receivables which are carried at AED 111,030 thousand (2022: AED 106,343).

The aforementioned assets include:

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

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

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

Basis for Qualified Conclusion (continued)

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

For Ernst & Young

Signed by:
Walid Joseph Nakfour
Partner
Registration No.: 5479

14 June 2023

Dubai, United Arab Emirates

INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023 (unaudited)

	Notes	*31 March 2023 AED'000 (Unaudited)*	*31 December 2022 AED'000 (Restated*)*
ASSETS			
Property and equipment		**34,066**	34,467
Goodwill and intangibles		**117,397**	117,819
Investment properties	8	**141,316**	143,776
Right-of-use assets		**6,173**	8,734
Investments held at amortised cost	10	**368,833**	414,084
Investments carried at FVOCI	10	**95,287**	64,019
Investments carried at FVTPL	10	**13,060**	14,858
Investment in associate	9	**36,043**	35,188
Participants' investments in unit-linked contracts	10	**1,944,028**	1,948,146
Insurance contract assets	20	**38,543**	-
Reinsurance contract assets	20	**293,289**	281,846
Deposits with takaful and retakaful companies		**1,065**	1,347
Other receivables and prepayments	18	**111,030**	106,343
Statutory deposits		**246,451**	269,111
Cash and cash equivalents	17	**110,032**	133,445
TOTAL ASSETS		**3,556,613**	3,573,183
Share capital	12	**939,589**	1,210,000
Treasury shares	13	**(35,972)**	(35,972)
Statutory reserve	14	**2,815**	104,077
Retained Earnings/(accumulated losses)		**2,662**	(371,911)
Other reserves	15	**(171,092)**	(160,131)
Equity attributable to equity holders of the Company		**738,002**	746,063
Non Controlling interests		**64,594**	70,208
		802,596	816,271
LIABILITIES			
Lease liability		**6,265**	8,821
Other payables		**143,583**	141,760
Total other liabilities		**149,848**	150,581
Family takaful reserve		**57,897**	54,770
Insurance contract liabilities	20	**2,362,525**	2,366,360
Reinsurance contract liabilities	20	**183,747**	185,201
Total insurance contract liabilities		**2,604,169**	2,606,331
Total liabilities		**2,754,017**	2,756,912
TOTAL EQUITY AND LIABILITIES		**3,556,613**	3,573,183

Saeed Al Hajeri
Chairman of the Board

Walter Jopp
Chief Executive Officer

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

The attached notes 1 to 26 form part of these interim condensed consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF PROFIT AND LOSS
For the three month period ended 31 March 2023 (Unaudited)

		Three-month period ended	
	Notes	***31 March 2023 AED'000 (Unaudited)***	*31 March 2022 AED'000 (Unaudited) (Restated*)*
Insurance revenue	20	**265,238**	224,519
Insurance service expenses	20	**(225,274)**	(176,049)
Net expenses from reinsurance contracts held	20	**(18,098)**	(25,201)
INSURANCE SERVICE RESULT		**21,866**	23,269
Investment income/(loss) **-** net	10	**68,671**	(24,625)
INVESTMENT INCOME / (LOSS) - NET		**68,671**	(24,625)
Insurance finance expense for insurance contracts issued	20	**(65,330)**	22,943
Reinsurance finance income/(expense) for reinsurance contracts held	20	**2,299**	197
NET INSURANCE FINANCE (EXPENSE) / INCOME		**(63,031)**	23,140
NET INSURANCE AND INVESTMENT RESULT		**27,506**	21,784
Other operating income		**4,095**	3,175
Other operating expenses		**(19,742)**	(14,928)
NET PROFIT BEFORE TAX		**11,859**	10,031
Income tax for the period		**(3,822)**	(2,367)
NET PROFIT AFTER TAX		**8,037**	7,664
Attributable to:			
Shareholders		**4,140**	3,165
Non-controlling interests		**3,897**	4,499
		8,037	7,664
Basic and diluted earnings per share (AED)	16	**0.004**	0.003

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three month period ended 31 March 2023 (Unaudited)

	Three-month period ended	
	31 March 2023 AED'000 (Unaudited)	*31 March 2022 AED'000 (Unaudited) (Restated*)*
Net profit after tax	**8,037**	7,664
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be Reclassified to profit or loss in subsequent periods		
Net changes in fair value of investments at fair value through other comprehensive income (FVOCI)	**92**	-
Share of other comprehensive loss of associates	**(856)**	(43)
Foreign currency adjustments from translation of foreign operations	**(20,210)**	(23,174)
Total other comprehensive loss for the period	**(20,974)**	(23,217)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(12,937)**	(15,553)
Attributable to:		
Shareholders	**(7,323)**	(11,401)
Non-controlling interests	**(5,614)**	(4,152)
	(12,937)	(15,553)

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2023 (Unaudited)

	Share capital AED'000	*Statutory reserve AED'000*	*Revaluation reserve AED'000*	*Foreign currency translation reserve AED'000*	*Investment fair value reserve AED'000*	*Treasury shares AED'000*	*Regulatory reserve AED'000*	*Retained earnings / (accumulated losses) AED'000*	*Total AED'000*	*Non-controlling interests AED'000*	*Total AED'000*
At 31 December 2021 as previously reported	1,210,000	101,262	20,753	(130,718)	(27,920)	(35,972)	1,756	(371,673)	767,488	75,682	843,170
Impact of initial application of IFRS 17	-	-	-	-	-	-	-	13,789	13,789	1,369	15,159
Restated* balance as on 1 January 2022 (Unaudited)	1,210,000	101,262	20,753	(130,718)	(27,920)	(35,972)	1,756	(357,884)	781,277	77,052	858,329
Profit for the period (Restated)	-	-	-	-	-	-	-	3,165	3,165	4,499	7,664
Changes in Other Comprehensive income for the period (Restated)	-	-	-	(14,523)	-	-	-	-	(14,523)	(8,651)	(23,174)
OCI share of Associate	-	-	-	-	(43)	-	-	-	(43)	-	(43)
Capital increase	-	-	-	-	-	-	-	-	-	1,134	1,134
Transfer to regulatory reserve	-	-	-	-	-	-	103	(103)	-	-	-
Restated* balance at 31 March 2022 (Unaudited)	1,210,000	101,262	20,753	(145,241)	(27,963)	(35,972)	1,859	(354,822)	769,876	74,034	843,910
At 31 December 2022	**1,210,000**	**104,077**	**20,753**	**(156,724)**	**(27,154)**	**(35,972)**	**3,317**	**(376,447)**	**741,851**	**67,788**	**809,639**
as previously reported Impact of initial application of IFRS 17	**-**	**-**	**-**	**(323)**	**-**	**-**	**-**	**4,536**	**4,833**	**2,420**	**7,251**
Restated* balance at 31 December 2022 (Unaudited)	**1,210,000**	**104,077**	**20,752**	**(157,046)**	**(27,154)**	**(35,972)**	**3,317**	**(371,911)**	**746,063**	**70,208**	**816,271**
Transition impact of IFRS 9	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(738)**	**(738)**	**-**	**(738)**
Capital reduction (note 10,12)	**(270,411)**	**(101,262)**	**-**	**-**	**-**	**-**	**-**	**371,673**	**-**	**-**	**-**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,140**	**4,140**	**3,897**	**8,037**
Changes in Other comprehensive income for the period	**-**	**-**	**-**	**(10,699)**	**-**	**-**	**-**	**-**	**(10,699)**	**(9,511)**	**(20,210)**
Other changes in equity	**-**	**-**	**-**	**-**	**92**	**-**	**-**	**-**	**92**	**-**	**92**
Share of OCI of associates	**-**	**-**	**-**	**-**	**(856)**	**-**	**-**	**-**	**(856)**	**-**	**(856)**
Transfer to regulatory reserve	**-**	**-**	**-**	**-**	**-**	**-**	**502**	**(502)**	**-**	**-**	**-**
Balance as at 31 March 2023 (Unaudited)	**939,589**	**2,815**	**20,753**	**(167,746)**	**(27,918)**	**(35,972)**	**3,819**	**2,662**	**738,002**	**64,594**	**802,596**

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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2023 (Unaudited)

	Three-month period ended	
	31 March 2023 AED'000 (Unaudited)	*31 March 2022 AED'000 (Unaudited) (Restated*)*
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**8,037**	7,664
Adjustments for:		
Depreciation of property and equipment	**658**	961
Depreciation on right to use assets	**526**	525
Unrealized (gain)/loss on investment	**(3,409)**	5,573
Unrealised gain on investment properties	**-**	(4,572)
Amortisation of intangible assets	**424**	267
Share of profit from associates	**(1,712)**	(1,499)
Dividend income	**-**	(827)
Operating cash flows before changes in operating assets and liabilities	**4,524**	8,092
Changes in insurance contract assets	**(37,863)**	6,805
Changes in reinsurance contract assets	**(11,443)**	(10,961)
Change in other assets and receivables	**(4,687)**	(1,277)
Change in other payables	**464**	(4,259)
Changes in insurance contract liabilities	**(3,835)**	(70,248)
Changes in reinsurance contract liabilities	**(1,454)**	6,121
Release of restricted bank balances	**-**	258,469
Net cash (used in)/generated from operating activities	**(49,090)**	192,742
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase)/ disposal of property and equipment	**(658)**	820
Purchase of intangible assets	**(424)**	(552)
Investments properties-net	**(1)**	-
Repayment of principal and interest on lease liability	**(2,556)**	(1,059)
Decrease in term deposits under lien or with maturity after three months	**3,800**	854
Net movement in deposits	**22,651**	21,490
Dividend received	**-**	827
Decrease/(increase) in investments – net	**2,547**	(89,937)
Net movement in participants' investments in unit-linked contracts	**4,118**	70,248
Net cash generated from investing activities	**29,477**	2,691
CASH FLOWS FROM FINANCING ACTIVITIES		
Funds received from short term borrowings	**-**	6,250
Net movement in non-controlling interest	**-**	(3,017)
Net cash from financing activities	**-**	3,233
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	**(19,613)**	198,666
Cash and cash equivalents at the beginning of the period (note 17)	**124,457**	104,440
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (NOTE 19)	**104,844**	303,106

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

The attached notes 1 to 26 form part of these interim condensed consolidated financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

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

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

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

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

IFRS 17 – Insurance Contracts
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current
Amendments to IAS 1 – Presentation of Financial Statements
Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates
Amendments to IAS 12 – Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

3 BASIS OF PREPARATION

a) Statement of compliance

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

b) Basis of measurement

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

i) Financial assets at fair value through other comprehensive income ("FVOCI"); and
ii) financial assets at fair value through profit or loss ("FVTPL").

3 BASIS OF PREPARATION (continued)

c) Functional and presentation currency

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

d) Use of estimates and judgments

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

e) Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the Group's consolidated financial statements from the date that control commences until the date that control ceases. The Group maintains control over the subsidiaries as it has power over the investee, exposure or rights to its variable returns and the power to affect the investor's returns.

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

4 SIGNIFICANT ACCOUNTING POLICIES

The Group has adopted IFRS 17 Insurance Contracts ("IFRS 17"), which replaces IFRS 4 Insurance Contracts ("IFRS4"), 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 – Short Term	*Insurance contracts*	*Premium Allocation Approach*
Group Life – Long Term	*Insurance contracts*	*General Measurement Model*
Engineering	*Insurance contracts*	*Premium Allocation Approach*
Fire	*Insurance contracts*	*Premium Allocation Approach*
General Accident	*Insurance contracts*	*Premium Allocation Approach*
Liabilities	*Insurance contracts*	*Premium Allocation Approach*
Marine	*Insurance contracts*	*Premium Allocation Approach*
Motor	*Insurance contracts*	*Premium Allocation Approach*
Health	*Insurance contracts*	*Premium Allocation Approach*
All reinsurance contracts held other than long term individual and Group life	*Reinsurance contracts held*	*Premium Allocation Approach*
Long term individual and Group life reinsurance contracts held	*Reinsurance contracts held*	*General Measurement Model*

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Changes to classification and measurement (continued)

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

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

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

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

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

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

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

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

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

Changes to presentation and disclosure

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Instead, IFRS 17 requires separate presentation of:

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

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The line item descriptions in the interim consolidated statement of profit or loss and other comprehensive income have changed significantly compared with prior period. The adoption of IFRS 17 has led to the restatement of the profit for the three month period ended 31 March 2022 from AED 15,069 thousand to AED 7,664 thousand and the other comprehensive loss from AED 22,971 thousand to AED 23,217 thousand.

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition
Groups of insurance contracts issued are initially recognised from the earliest of the following:
- the beginning of the coverage period.
- the date when the first payment from the policyholder is due or actually received, if there is no due date; or
- when the Group determines that a group of contracts becomes onerous.

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

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

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

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

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

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

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

	Applicable Measurement Model	**IFRS 17 options**	**Adopted approach**
Insurance acquisition cash flows	PAA	In applying the premium allocation approach, an entity may choose to recognize any insurance acquisition cash flows as expenses when it incurs those costs, provided that the coverage period of each contract in the group at initial recognition is no more than one year.	Group currently amortizes acquisition cash flows for all lines expected to be measured using the PAA. The company will use the same approach under IFRS 17 as this would not only ensure consistency with current practice but would also be consistent with the treatment under GMM.
LRC adjusted for financial risk and time value of money	PAA	The entity is not required to adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk if, at initial recognition, the entity expects that the time between providing each part of the services and the related premium due date is no more than a year.	The expected delay between provision of services and receipt of payment is small for contracts eligible to be run under the PAA. Hence, the Company does not expect significant financing component for LRC for these contracts.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement (continued)
The following table sets out the accounting policy choices adopted by the Group:

	Applicable Measurement Model	IFRS 17 options	Adopted approach
LIC adjusted for time value of money	PAA	In applying PAA, an entity may choose to not adjust future cash flows for Liability of Incurred Claims (LIC) for the time value of money and the effect of financial risk if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred.	For the majority of insurance contracts (except for medical and short-term Group Life) written by the Group, a significant portion of the claims is settled beyond 12 months from the date of loss. Accordingly, the Group has decided to discount the LIC computed under the PAA approach.
Insurance finance income and expense	All	IFRS 17 provides an accounting policy choice to an entity may decide to include insurance finance income/expense either in the P&L or systematically allocate it between P&L and OCI.	The Group has made an accounting policy choice to account for the insurance finance income or expenses in P&L instead of disaggregating it between P&L and OCI.
Disaggregation of risk adjustment	All	The Company can choose the option not to disaggregate the entire change in the risk adjustment for non-financial risk in the insurance service result. Or it can choose to split the amount between the insurance service result and insurance finance income or expenses.	For short term contracts, the Company has decided not to disaggregate the changes in the risk adjustment between the changes due to financial risks and non-financial risks, since, material impact of discounting on risk adjustment is not expected since most of the business is short tailed. For longer term, the company has decided to disaggregate the changes in the risk adjustment between the changes due to financial risks and non-financial risks.
Presentation of income / (expense) from reinsurance contracts held	All	IFRS 17 allows options in presenting income or expenses from reinsurance contracts held, other than insurance finance income or expenses. An alternative would be to gross up this single amount and present separately the amounts recovered from the reinsurer (as income) and an allocation of the premiums paid (as reinsurance expenses) in line items separate from insurance revenue and insurance service expenses.	The Group elected to present the Net expenses from reinsurance contracts held as one line-item.

Insurance contracts measured under the premium allocation approach - Initial and Subsequent Measurement
The Group applies the premium allocation approach to all the insurance contracts (other than long term Individual and Group life insurance contracts) that it issues and reinsurance contracts that it holds as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary; or
- For all the portfolios having contracts longer than one year, the Group expects the measurement of the liability for remaining coverage for the group does not differ materially from the measurement that would be produced applying the general measurement model. In assessing materiality, The group has decided to set the acceptable threshold for the comparison of LRC between PAA and GMM using a combination of relative and absolute materiality criteria.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contracts measured under the premium allocation approach - Initial and Subsequent Measurement (continued)
For a group of contracts that is not onerous at initial recognition, the Group measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date,
- Plus, or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Group pays or receives before the group of insurance contracts is recognised.

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

- Plus, premiums received in the period.
- Minus insurance acquisition cash flows
- Plus, any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group.
- Plus, any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims

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

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

Insurance contracts measured other than PAA - Initial and Subsequent Measurement
The Group measures a group of contracts on initial recognition as the sum of the expected fulfilment cash flows within the contract boundary and the contractual service margin representing the unearned profit in the contracts relating to services that will be provided under the contracts.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Group's objective in estimating future cash flows is to determine the expected value, or the probability weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort.

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- **Fully attributable expenses**

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

- **Partially attributable expenses**

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

- **Non attributable expenses**

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

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

- Acquisition cost
- Claims related expenses
- Maintenance expenses

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

Considering the investment portfolio and the insurance contracts written by the Group, the entity has decided to proceed with the bottom-up approach to compute the discount rates. Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The Group has determined illiquidity premium using Replicating Portfolio technique.

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

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

The Group reviewed a range of possible methodologies to estimate the RA for LRC and LIC. For RA LIC, under non-life and group life lines of business, the Group has decided to use the Mack approach. For long term life contracts, the company will use the Provision for Adverse Deviation approach or the e-forms approach for LRC RA. For LIC RA, the Group will use the same risk adjustment % as calculated for LRC. The Group has decided to use a 65th percentile for all lines of business.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

Contractual service margin (CSM)
The CSM is a component of the asset or liability for the group of insurance contracts that represents the unearned profit the Group will recognise as it provides services in the future. An amount of the CSM for a group of insurance contracts is recognised in profit or loss as insurance revenue in each period to reflect the insurance contract services provided under the group of insurance contracts in that period. The amount is determined by:

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

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

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

For reinsurance contracts issued, the number of coverage units in a group reflects the expected pattern of underwriting of the underlying contracts because the level of service provided depends on the number of underlying contracts in force. The coverage unit is net amount of risk ceded. The remaining coverage units are reassessed at the end of each reporting period to reflect the expected pattern of service and the expectations of lapses and cancellations of contracts. The remaining coverage is allocated based on probability weighted average duration of each coverage unit provided in the current period and expected to be provided in the future.

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.

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

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

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

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

Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free curve itself will either be derived by the Group from risk free assets in the market, or the Group may choose to apply a published risk-free yield curve. The top-down approach starts with the determination of a reference portfolio. The reference portfolio yield will be taken as the yield on the underlying items to which the liability cashflows are linked.

4 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

5. TAKAFUL AND FINANCIAL RISK MANAGEMENT

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

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

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

6 INTERIM MEASUREMENT

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

7 CORPORATE TAXATION

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

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

As certain other cabinet decisions are pending as on the date of these interim condensed consolidated financial statements, the Group continues to assess the impact of these pending cabinet decisions on the deferred taxes as and when finalized and published.

8 INVESTMENT PROPERTIES

The geographic dispersion of investment properties is as follows.

	31 March 2023 AED'000 (unaudited)	*31 December 2022 AED'000 (audited)*
Within UAE	**10,500**	10,500
Outside UAE	**130,816**	133,276
	141,316	143,776

The variations in the value of investment properties are due to change in foreign exchange translation of investment properties held in foreign locations. The Group has an investment in Kingdom of Saudi Arabia amounting to AED 85 million (2022: AED 85 million) which is subject to an ongoing legal case as described in note 19.

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

Movements during the period/year is as follows;

	31 March 2023 AED'000 (unaudited)	*31 December 2022 AED'000 (audited)*
Balance at 1 January	**143,776**	142,055
Addition	**-**	233
Unrealized gain on investment properties	**-**	9,171
Currency translation impact	**(2,460)**	(7,683)
	141,316	143,776

9 INVESTMENT IN ASSOCIATE

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

Associates	***Ownership*** ***2023***	*2022*	***Country of incorporation***	***31 March 2023 AED'000 (unaudited)***	*31 December 2022 AED'000 (audited)*
Islamic Insurance Jordan	**20%**	20%	Jordan	**36,043**	35,188
				36,043	35,188

	2023 AED'000	*2022 AED'000*
Movement during the period / year		
Balance at 1 January	**35,188**	34,447
Share of profit from associates	**1,711**	1,720
Dividend received	**-**	(1,231)
Share of other comprehensive (loss)/income	**(856)**	252
	36,043	35,188

10 INVESTMENTS

	31 March 2023 (unaudited)			31 December 2022 (audited)		
	Domestic investment AED'000	*International investment AED'000*	*Total AED'000*	*Domestic investment AED'000*	*International investment AED'000*	*Total AED'000*
Fair Value Through Profit or Loss						
Shares and securities	**11,814**	**1,246**	**13,060**	7,063	7,795	14,858
Fair Value through Other Comprehensive Income						
Mutual fund and externally managed portfolios	**9,700**	**84,642**	**94,342**	-	63,077	63,077
Shares and securities	**-**	**945**	**945**	-	942	942
	9,700	**85,587**	**95,287**	-	64,019	64,019
Investments held at amortised cost						
Sukuk and Government bonds	**4,381**	**90,433**	**94,814**	4,404	103,560	107,964
Wakalah certificates	**54,064**	**-**	**54,064**	54,094	-	54,094
Other Mudariba Investments	**-**	**65,738**	**65,738**	-	87,267	87,267
Islamic placements	**-**	**154,217**	**154,217**	-	164,759	164,759
	58,445	**310,388**	**368,833**	58,498	355,586	414,084
	79,959	**397,221**	**477,180**	65,561	427,400	492,961

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

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

- Islamic placement investments held on amortised cost of AED 45.89 million (2022: AED 45.89 million);
- Investment held on Fair value through other comprehensive income FVTOCI of AED 58.24 million (2022: AED 58.24 million);
- Investments at amortised cost of AED 65.74 million (2022: AED 65.74 million).

10.1 Participants' investments in unit-linked contracts

	31 March 2023 AED'000 (unaudited)	*31 December 2022 AED'000 (audited)*
Financial asset at fair value through P&L	**1,944,028**	1,948,146

10 INVESTMENTS (continued)

10.1 Participants' investments in unit-linked contracts (continued)

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

31 March 2023 (Unaudited)

	Level 1 AED'000	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Financial assets				
Fair Value Through Profit or Loss				
Shares and securities	**13,060**	**-**	**-**	**13,060**
	13,060	**-**	**-**	**13,060**
Available for sale				
Mutual fund	**-**	**94,342**	**-**	**94,342**
Shares and securities	**397**	**548**	**-**	**945**
	397	**94,890**	**-**	**95,287**
Non-financial assets				
Investment properties (note 8)	**-**	**-**	**141,316**	**141,316**

31 December 2022 (audited)

	Level 1 AED'000	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Financial assets				
Shares and securities	14,858	-	-	14,858
	14,858	-	-	14,858
Available-for-sale				
Mutual fund	-	63,077	-	63,077
Shares and securities	396	546		942
	396	63,623	-	64,019
Non-financial assets				
Investment properties	-	-	143,776	143,776

10 INVESTMENTS (continued)

10.2 Investment income

	31 March 2023 AED'000 (unaudited)	*31 December 2022 AED'000 (audited)*
Unrealised gain/(loss) on unit-linked portfolio	**50,519**	(35,921)
Unrealised gain/(loss) on investment at FVTPL	**4,807**	(3,723)
Realised gain on investment at FVTPL	**3,055**	1,104
Fair value gain on investment properties	**-**	4,572
Income on deposits and wakala certificates	**8,332**	7,634
Share of profit from associates	**1,711**	1,499
Others	**247**	210
	68,671	(24,625)

11 RELATED PARTY TRANSACTIONS

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

	31 March 2023 AED'000 (unaudited)	***31** March 2022 AED'000 (unaudited)*
Contribution	**-**	65
Compensation of key management personnel		
Short term benefits	**1,331**	1,441
Employees end of service benefits	**17**	12
	1,348	1,453

Balances with related parties

	31 March 2023 AED'000 (unaudited)	*31 December 2022 AED'000 (audited)*
Investments held-to-maturity Wakalah certificates	**54,094**	54,094
Participants' investments in unit-linked contracts	**995,014**	766,393
Intangible assets	**-**	801
Other assets and receivables*	**47,868**	43,282

*This includes the accrued interest of AED 14,950 thousand (2022: 13,126) and AED 32,918 thousand (2022: AED 30,156 thousand) receivable against sale of investment.

12 SHARE CAPITAL

	31 March 2023 AED'000 (unaudited)	*31 December 2022 AED'000 (audited)*
Issued and fully paid		
(939.589 million (2022: 1,210 million) ordinary shares of AED 1 each)	**939,589**	1,210,000

Pursuant to the decision of the General Assembly Meeting held on 16 January 2023 which included shareholders' approval on reduction of the company's capital for the purpose of writing off the accumulated losses amounting to AED 270,411 thousand after utilization of statutory reserves of AED 101,262 thousand. Accordingly, on 24th March 2023 the Group has cancelled its 270.4 million AED 1 ordinary shares and the accumulated losses were adjusted against this cancellation. Below is the movement in quantity and value of share capital.

	Number of Shares	***Value AED'000***
Share capital as of 1 January 2023	1,210,000,000	1,210,000
Cancellation of shares	(270,411,002)	(270,411)
Balance as of 31 March 2023	**939,588,998**	**939,589**

13 TREASURY SHARES

In 2008, the Company bought back 21,669,790 shares amounting to AED 35.97 million. The treasury shares are debited as a separate category of shareholders' equity at cost. During the period ended 31 March 2023 due to the cancellation of share capital the treasury shares were reduced to 16,830,489 ordinary shares AED 1 each.

14 STATUTORY RESERVE

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

During the period ended 31 March 2023, the Group has utilised the AED 101,262 thousand to adjust against the accumulated losses of the Group. This adjustment was approved by the general assembly and the regulators.

15 OTHER RESERVES

Other reserves includes following:

	31 March 2023 AED'000 (unaudited)	*31 December 2022 AED'000 (audited)*
Revaluation reserve	**20,753**	20,752
Foreign exchange translation reserve	**(167,746)**	(157,046)
Investment fair value reserve	**(27,918)**	(27,154)
Regulatory reserve – UAE operations	**3,819**	3,317
	(171,092)	(160,131)

16 BASIC AND DILUTED EARNINGS PER SHARE

	Three-month period ended	
	31 March 2023 AED'000 (Unaudited)	*31 March 2022 AED'000 (Unaudited) (Restated)*
Profit for the period attributable to shareholders (AED'000)	**4,140**	3,165
Weight Average Number of shares (in thousands)	**1,164,724**	1,188,330
Basic and diluted earnings per share (AED)	**0.004**	0.003

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

17 CASH AND CASH EQUIVALENTS

	31 March 2023 AED'000 (unaudited)	*31 December 2022 AED'000 (Audited)*	*31 March 2022 AED'000 (unaudited)*
Cash in hand	**28**	25	40
Cash at bank	**83,347**	84,665	290,704
Term deposits	**26,657**	48,755	16,389
	110,032	133,445	307,133
Less: term deposits under lien	**(5,188)**	(8,988)	(4,027)
Cash and cash equivalents	**104,844**	124,457	303,106

18 OTHER ASSETS AND RECEIVABLES

	31 March 2023 AED'000 (unaudited)	*31 December 2022 AED'000 (audited)*
Profit receivable (note 11)	**14,950**	13,126
Receivable against sales of investments (note 11)	**32,918**	30,523
Other receivables*	**63,162**	62,694
	111,030	106,343

*The other assets and receivables include other receivables amounting to AED 13.8 million which was previously subjected to a legal case, and on which the Group has won, and the court has issued performance order and is now under execution against the relevant counter parties. The other assets and receivables also include other receivables amounting to AED 19.85 million receivable against sale of investment in Best Re Holding Ltd. The management believes at this stage that these receivables are recoverable and thus, no provision has been made.

19 COMMITMENTS AND CONTINGENCIES

	31 March 2023 AED'000 (unaudited)	*31 December 2022 AED'000 (audited)*
Letter of Guarantees in favor of CBUAE	**160,000**	160,000
Other letter of guarantees	**5,102**	8,798
	165,102	168,798

Statutory Deposits of AED 246,451 thousand (31 Dec 2022: AED 287,284 thousand) includes deposits amounting to AED 70,000 thousand (31 Dec 2022: AED 70,000 thousand) which are held as lien by the bank against the abovementioned letter of guarantee issued by bank in favor of the Central Bank of United Arab Emirates ("CBUAE").

Other letter of guarantee was issued during normal course of business against which term deposit of AED 5,188 thousand (note 17) which is held as lien by the bank.

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

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

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

There are no significant capital commitments at 31 March 2023 (2022: nil).

20 INSURANCE CONTRACT ASSETS AND LIABILITIES

Reconciliation of the Insurance liability of remaining coverage (LRC) & liability for incurred claims for insurance contracts (LIC) as on 31 March 2023

	Liability for remaining coverage			*Liability for incurred claims (PAA)*		
	Excluding loss component	*Loss component*	*LIC for contracts not under under PAA*	*Present value of future cash flows*	*Risk adjustment for non-financial risk*	*Total*
Insurance contracts that are liabilities at beginning of period	(1,873,636)	(3,298)	(119,778)	(356,322)	(13,325)	**(2,366,360)**
Insurance contracts that are assets at beginning of period	-	-	-	-	-	-
Insurance contracts liabilities at beginning of period	**(1,873,636)**	**(3,298)**	**(119,778)**	**(356,322)**	**(13,325)**	**(2,366,360)**
Insurance revenue	**265,238**	**-**	**-**	**-**	**-**	**265,238**
Incurred claims and other directly attributable expenses	-	-	(14,497)	(188,248)	(2,446)	**(205,191)**
Changes that relate to past service - changes in the FCF relating to LIC	-	-	-	17,334	527	**17,861**
Losses on onerous contracts and reversals of those losses	-	(574)	-	-	-	**(574)**
Insurance acquisition cash flows amortisations	(37,369)	-	-	-	-	**(37,369)**
Insurance service expenses	**(37,369)**	**(574)**	**(14,497)**	**(170,914)**	**(1,919)**	**(225,273)**
Insurance service result	**227,869**	**(574)**	**(14,497)**	**(170,914)**	**(1,919)**	**39,965**
Finance expense from insurance contracts issued recognised	(50,972)	-	(717)	(13,641)	-	**(65,330)**
Forex adjustment to comprehensive income	(1,698)	62	-	16,231	442	**15,037**
Total amounts recognised in profit & loss and Other comprehensive income	**175,199**	**(512)**	**(15,214)**	**(168,324)**	**(1,477)**	**(10,328)**
Investment component	137,721	-	(137,721)	-	-	-
Premium received	(298,521)	-	-	-	-	**(298,521)**
Claims and other directly attributable expenses paid	-	-	156,843	153,864	-	**310,708**
Insurance acquisition cash flows	40,520	-	-	-	-	**40,520**
Total cash flows	**(258,001)**	**-**	**156,843**	**153,864**	**-**	**52,707**
Insurance contracts liabilities at end of period	**(1,818,716)**	**(3,810)**	**(115,870)**	**(370,781)**	**(14,802)**	**2,323,981**
Insurance contracts that are liabilities at end of period	(1,857,260)	(3,810)	(115,870)	(370,781)	(14,802)	**(2,362,525)**
Insurance contracts that are assets at end of period	38,543	-	-	-	-	**38,543**
Insurance contract net position at end of period	**(1,818,716)**	**(3,810)**	**(115,870)**	**(370,781)**	**(14,802)**	**(2,323,982)**

20 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

Reconciliation of the Reinsurance asset for remaining coverage (ARC) & asset for incurred claims for insurance contracts (AIC) as on 31 March 2023

	Remaining Coverage			*Incurred claims*		
	Excluding loss component	*Loss recovery component*	*LIC for contracts not under under PAA*	*Present value of future cash flows*	*Risk adjustment for non-financial risk*	*Total*
Reinsurance contracts held that are liabilities at beginning of period	(185,201)	-	-	-	-	**(185,201)**
Reinsurance contracts held that are assets at beginning of period	25,510	1,466	59,072	188,276	7,522	**281,846**
Reinsurance contract net position at beginning of period	**(159,691)**	**1,466**	**59,072**	**188,276**	**7,522**	**96,645**
Reinsurance expenses	(86,059)	-	-	-	-	**(86,059)**
Amortisation of Insurance acquisition cash flows	5,136	-	-	-	-	**5,136**
Incurred claims recovery	-	-	939	65,367	1,193	**67,499**
Changes that relate to past service-changes in the FCF relating to incurred claims recovery	-	-	-	(4,957)	(32)	**(4,990)**
Income on initial recognition of onerous underlying contracts	-	312	-	-	-	**312**
Effect of changes in risk of reinsurers' non-performance	-	-	-	3	-	**3**
Net income/(expenses) from reinsurance contracts held	**(80,923)**	**312**	**939**	**60,413**	**1,161**	**(18,098)**
Finance income from reinsurance contracts held	(1,526)	-	189	3,636	-	**2,299**
Forex adjustment to comprehensive income	(1,650)	(21)	-	(5,512)	(276)	**(7,459)**
Total amounts recognised in profit & loss and Other comprehensive income	**(84,099)**	**291**	**1,127**	**58,537**	**885**	**(23,258)**
Cash flows						
Premiums paid net of ceding commissions and other directly attributable expenses	82,387	-	-	-	-	**82,387**
Recoveries from reinsurance	-	-	(4,618)	(41,614)	-	**(46,232)**
Total cash flows	**82,387**	**-**	**(4,618)**	**(41,614)**	**-**	**36,155**
Reinsurance contracts held assets/ (liabilities) at end of period	**(161,403)**	**1,757**	**55,582**	**205,199**	**8,407**	**109,542**
Reinsurance contracts held that are liabilities at end of period	(183,747)	-	-	-	-	**(183,747)**
Reinsurance contracts held that are assets at end of period	22,344	1,757	55,582	205,199	8,407	**293,289**
Reinsurance contract net position at end of period	**(161,403)**	**1,757**	**55,582**	**205,199**	**8,407**	**109,542**

20 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

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

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

20 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

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

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

20 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

Insurance Contract Liabilities reconciliation of the best estimate liability, risk adjustment and contractual service margin as at 31 March 2023

	Best estimate liability	*Risk adjustment*	*Contractual service margin*	*Total*
Opening insurance contract assets	-	-	-	-
Opening insurance contract liabilities	(1,391,937)	(50,274)	(527,689)	(1,969,899)
Insurance contracts liabilities at beginning of period	**(1,391,937)**	**(50,274)**	**(527,689)**	**(1,969,899)**
Changes related to current services				
CSM recognized in profit and loss	-	-	21,557	21,557
Risk Adjustment recognized in profit and loss	-	1,698	-	1,698
Experience adjustments	4,135	-	-	4,135
Changes related to future services				
Contracts initially recognized in the period	5,191	(183)	(5,008)	-
Changes in estimates that adjust CSM	(36,749)	(462)	37,211	-
Insurance finance expenses through profit and loss	(12,870)	(384)	(38,435)	(51,689)
Insurance finance expenses through OCI	-	328	-	328
Total changes in statement of profit and loss and OCI	**(40,293)**	**996**	**15,325**	**(23,972)**
Premiums received	(129,496)	-	-	(129,496)
Claims paid	155,790	-	-	155,790
Directly attributable expenses paid	1,054	-	-	1,054
Acquisition cost paid	7,169	-	-	7,169
Total cash flows	**34,517**	-	-	**34,517**
Closing insurance contract assets	-	-	-	-
Closing insurance contract liabilities	(1,397,713)	(49,277)	(512,364)	(1,959,353)
Insurance contract net position at end of period	**(1,397,713)**	**(49,277)**	**(512,364)**	**(1,959,353)**

20 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

Reinsurance Contract Assets reconciliation of the best estimate liability, risk adjustment and contractual service margin (non PAA) as at 31 March 2023

	Best estimate liability	***Risk adjustment***	***Contractual service margin***	***Total***
Opening reinsurance contract assets	56,817	2,256	-	59,072
Opening reinsurance contract liabilities	(236,045)	29,628	43,056	(163,360)
Reinsurance contracts held assets/(liabilities) at beginning of period	**(179,228)**	**31,884**	**43,056**	**(104,288)**
Changes related to current services				
CSM recognized in profit and loss	-	-	(1,072)	(1,072)
Risk Adjustment recognized in profit and loss	-	(899)	-	(899)
Experience adjustments	(7,444)	(56)	-	(7,501)
Changes in estimates that adjust CSM	(5,147)	(159)	5,306	-
Insurance finance expenses through profit and loss	(2,453)	411	706	(1,337)
Total changes in statement of profit and loss and OCI	**(15,044)**	**(704)**	**4,939**	**(10,809)**
Premiums paid to reinsurer net of commission	18,656	-	-	18,656
Recoveries from reinsurance	(4,618)	-	-	(4,618)
Total cash flows	14,038	-	-	14,038
Closing reinsurance contract assets	53,383	2,199	-	55,582
Closing reinsurance contract liabilities	(233,617)	28,981	47,995	(156,641)
Reinsurance contract net position at end of period	**(180,234)**	**31,180**	**47,995**	**(101,059)**

20 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

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

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

20 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

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

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

21 OPERATING SEGMENT

By geography

	Three month period ended 31 March 2023			*Three month period ended 31 March 2022*		
	Africa AED'000	***Asia AED'000***	***Total AED'000***	*Africa AED'000*	*Asia AED'000*	*Total AED'000*
Insurance revenue	**48,354**	**216,884**	**265,238**	64,690	159,829	224,519
Insurance service expenses	**(55,463)**	**(169,811)**	**(225,274)**	(52,950)	(123,099)	(176,049)
Net expenses from reinsurance contracts held	**4,801**	**(22,899)**	**(18,098)**	(10,174)	(15,027)	(25,201)
INSURANCE SERVICE RESULT	**(2,308)**	**24,174**	**21,866**	1,566	21,703	23,269
Investment and other income			**72,766**			(21,450)
Net Insurance finance expenses			**(63,031)**			23,140
Other operational expenses and tax			**(23,564)**			(17,295)
Net profit after tax			**8,037**			7,664

22 CLASSES AND CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

31 March 2023 (unaudited)

	FVTPL AED'000	***Available for sale investments AED'000***	***Amortised cost AED'000***	***Total AED'000***
Financial assets				
Investments	13,060	95,287	368,833	477,180
Deposits	-	-	246,451	246,451
Deposits with takaful and retakaful companies	-	-	1,065	1,065
Other assets and receivables	-	-	63,744	63,744
Bank balances and cash	-	-	110,032	110,032
	13,060	95,287	790,125	898,472
Financial liabilities				
Other payables and accruals	-	-	108,788	108,788
Lease liabilities	-	-	6,265	6,265
	-	-	115,053	115,053

31 December 2022 (audited)

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

23 SUBSEQUENT EVENTS

Subsequent to the period ended 31 March 2023, the Shareholders at the Annual General Meeting held on April 24, 2023, have resolved not to distribute any dividends to shareholders, and have approved the Board of Directors' remuneration of AED 2,377 thousand for the financial year ended 31 December 2022.

24 CAPITAL RISK MANAGEMENT

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

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

The table below summarises the consolidated Minimum Capital Requirement ("MCR"), Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held at the Company level to meet the required Solvency Margins in line with the requirements of the Central Bank of UAE. The Group has disclosed the preliminary solvency position as of 31 March 2023 as following:

	31 March 2023 AED'000 (unaudited)	*31 December 2022 AED'000 (audited)*
Minimum Capital Requirement (MCR)	**100,000**	100,000
Solvency Capital Requirement (SCR)	**251,034**	238,159
Minimum Guarantee Fund (MGF)	**157,835**	148,427
Basic Own Funds	**180,779**	198,261
MCR Solvency Margin (Surplus/deficit)	**80,779**	98,261
SCR Solvency Margin (Surplus/deficit)	**(25,255)**	5,102
MGF Solvency Margin (Surplus/deficit)	**67,944**	94,834

We are diligently focused on crafting a comprehensive recovery plan that aims to restore the Own Funds to meet the necessary level of Solvency Capital Requirement (SCR), as outlined in the aforementioned article. Our team is committed to delivering this plan, ensuring a swift and robust re-establishment of financial stability.

25 ACQUISITION OF TAKAFUL PORTFOLIO

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

26 APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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