Dubai Islamic Insurance & Reinsurance Company (AMAN) (P.J.S.C)

Condensed interim consolidated financial information (Unaudited)

For the three-month period ended 31 March 2023

Dubai Islamic Insurance & Reinsurance Company (AMAN) (P.J.S.C)

Condensed interim consolidated financial information (unaudited) for the three-month period ended 31 March 2023

Table of contents

Board of Directors' report

The Board of Directors have the pleasure in submitting their report and the audited consolidated financial statements for the period ended 31 March 2023.

Incorporation and registered offices

Dubai Islamic Insurance & Reinsurance Company (Aman) (P.J.S.C) (the "Company") is registered as a public shareholding company in Dubai, United Arab Emirates. The Company carries out general Takaful (insurance) business in accordance with the principles of Islamic Sharia'a as interpreted by its Fatwa and Sharia Board. The Company is also licensed to engage in Retakaful and life Takaful business. The registered address of the Company is P.O. Box 157, Dubai, United Arab Emirates. The Company and its subsidiaries are referred to as the "Group".

Principal activities

The Company mainly issues Takaful contracts in connection with motor, marine, fire and engineering, general accident risks, group life, credit life, individual life and medical risks. The Company also invests in investment securities and properties.

Financial position and results

The financial position and results of the Group for the period ended 31 March 2023 are set out in the accompanying consolidated financial statements.

Directors

The following were the Directors of the Group for the period ended 31 March 2023:

–	Dr. Saleh Hashem Sayed Al Hashimi	Chairman
–	Mr. Mohammed Ahmed Abdulla Mohammed Al Malik	Vice Chairman
–	Mr. Nasser Al-Falah Al Qahtani	Member
–	Ms. Maha Khadem Khalfan Khadem Al Mheiri	Member
–	Mr. Omran Mohammed Saleh Mahmood Husain Al Khoori	Member

Auditors

The consolidated financial statements for the period ended 31 March 2023 have been audited by Grant Thornton Audit and Accounting Limited – Abu Dhabi

By order of the Board of Directors

Dr. Saleh Hashem Sayed Al Hashimi
Chairman

Grant Thornton

Grant Thornton Audit and Accounting Limited – Abu Dhabi

Office 1101, 11th Floor
Al Kamala Tower
Zayed the 1st Street
Khalidiya
Abu Dhabi, UAE

T +971 2 666 9750
www.grantthornton.ae

REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION TO THE SHAREHOLDERS OF DUBAI ISLAMIC INSURANCE & REINSURANCE CO. (AMAN) (P.J.S.C)

Introduction

We have reviewed the accompanying condensed interim consolidated financial information of Dubai Islamic Insurance & Reinsurance Co. (AMAN) (P.J.S.C) (the "Company") and its subsidiaries (collectively referred to as "the Group"), which comprise the condensed interim consolidated statement of financial position as at 31 March 2023 and the related condensed interim consolidated statements of profit or loss, other comprehensive income, 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 this condensed interim consolidated financial information in accordance with International Accounting Standard 34 "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this unaudited condensed interim consolidated financial information based on our review.

Scope of Review

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

Other Matters

The condensed interim consolidated financial information as at and for the three-month period ended 31 March 2022 was reviewed by another auditor, who expressed an unmodified review conclusion on 18 May 2022. Further, the consolidated financial statements of the Group as at and for the year ended 31 December 2022 were audited by another auditor, who expressed an unmodified opinion on those financial statements on 31 March 2023.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial information is not prepared, in all material respects, in accordance with IAS 34 "*Interim Financial Reporting*".

Emphasis of Matters

Without qualifying our conclusion, we draw attention to Note 1.1 to the condensed interim consolidated financial information, which states that as of that date, the accumulated losses have reached to AED 153 million, which represents 68% of the share capital of the Company. Further, the Group did not meet the Minimum Capital Requirements as of 31 March 2023. The Group's ability to continue as going concern depends on the successful execution of the proposed business plan, which states that the Shareholders of the Group have approved changing the status of the Company form a takaful operator to an investment Company. As stated in note 1.1, these factors, along with other matters set forth in note 1.1, which indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern.

Further, we draw attention to Note 19.2 to the condensed interim consolidated financial information, which states that the entire takaful operation has been classified as held for sale according to the requirements of IFRS 5 "Discontinued Operations and Assets Held for Sale", based on the Shareholders' special resolution issued on 6 February 2023 to approve the board of directors' decision to exit and sell insurance portfolio, and authorizing the Company's Board of Directors to complete all procedures with authorities and Policyholders to exit the insurance business and transform the Company's activities into an investment Company, our conclusion is not qualified in this regards.

Grant Thornton

Farouk Mohamed
Grant Thornton
Registration No 86
Abu Dhabi, United Arab Emirates
15 June 2023

Condensed interim consolidated statement of financial position
As at 31 March 2023

	Notes	31 March 2023 AED (Unaudited)	(Restated) 31 December 2022 AED (Audited)
ASSETS			
Property and equipment	5	**127,830**	150,018
Financial assets carried at fair value through other comprehensive income (FVOCI)	6	**78,979,719**	31,384,607
Financial assets carried at fair value through profit or loss (FVTPL)	6	**82,679**	82,679
Investment property		**40,647,694**	40,647,694
Statutory deposit	7	**10,000,000**	10,000,000
Prepayments and other receivables	8	**41,705,165**	48,846,449
Deferred policy acquisition costs		**4,918,324**	8,698,704
Assets under discontinued operations - subsidiaries	19.1	**1,583,321**	1,583,321
Assets classified as held for sale - takaful operation	19.2	**1,077,437,408**	1,154,180,724
Cash and cash equivalents	9.1	**18,488,448**	76,163,974
TOTAL ASSETS		**1,273,970,588**	1,371,738,170
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Share capital	13	**225,750,000**	225,750,000
Legal reserve		**6,309,669**	6,309,669
General reserve		**6,309,669**	6,309,669
Accumulated losses		**(153,084,344)**	(146,704,914)
Investments revaluation reserve – FVOCI		**(24,960,181)**	(13,151,220)
Equity attributable to shareholders		**60,324,813**	78,513,204
Non-controlling interests		**(1,325,973)**	(1,325,973)
TOTAL EQUITY		**58,998,840**	77,187,231
LIABILITIES			
Provision for employees' end of service benefits	10	**3,037,938**	5,456,780
Trade and other payables	11	**13,635,868**	23,215,840
Due to policy holder		**107,913,178**	98,750,239
Liabilities directly associated with assets under discontinued operations	19.1	**12,947,356**	12,947,356
Liabilities directly associated with assets classified as held for sale - takaful operations	19.2	**1,077,437,408**	1,154,180,724
TOTAL LIABILITIES		**1,214,971,748**	1,294,550,939
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,273,970,588**	1,371,738,170

This condensed interim consolidated financial information was authorised for issue on 15 June 2023 by the Board of Directors and signed on its behalf by:

Rached Diab
Chief Executive Officer

Dr. Saleh Hashem Sayed Al Hashimi
Chairman of the Board of Directors

The accompanying notes from 1 to 25 form an integral part of this condensed interim consolidated financial information.

Condensed interim consolidated statement of profit or loss
For the three-month period ended 31 March 2023

	Notes	Three-month period ended 31 March 2023 AED (Unaudited)	(Restated) 31 March 2022 AED (Unaudited)
Continuing operations			
Income			
Investment income, net	15	**487,585**	1,297,068
Wakala fees from policyholders	14	**3,152,164**	16,619,768
Mudarib's share from policyholders	14	**5,495**	71,102
Other operating income		**3,884**	-
		3,649,128	17,987,938
Expenses			
Policy acquisition cost		**(5,620,407)**	(7,788,774)
General and administrative expenses		**(4,408,151)**	(7,112,904)
Contribution from Qard Hassan to policyholders' fund		**-**	(2,999,611)
		(10,028,558)	(17,901,289)
(Loss)/profit for the period from continuing operations		**(6,379,430)**	86,649
Discontinued operations			
Profit/(loss) from discontinued operations	19	**8,653,350**	(7,762,875)
Profit/(loss) for the period		**2,273,920**	(7,676,226)
Attributable to:			
Policyholders – discontinued operations		**8,653,350**	(7,762,875)
Shareholders of the Company		**(6,379,430)**	86,649
Non-controlling interests		**-**	-
		2,273,920	(7,676,226)
(Loss)/earnings per share – continuing operations	16	**(0.0283)**	0.0004
Earnings/(loss) per share – discontinued operations	16	**0.0383**	(0.0344)

The accompanying notes from 1 to 25 form an integral part of this condensed interim consolidated financial information.

Consolidated interim consolidated statement of other comprehensive income
For the three-month period ended 31 March 2023

	Three-month period ended 31 March	
		(Restated)
	2023	2022
	AED	AED
	(Unaudited)	(Unaudited)
Profit/(loss) for the period	**2,273,920**	(7,676,226)
Other comprehensive income / (loss)		
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of financial assets carried at fair value through other comprehensive income	**(11,808,961)**	5,431,929
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(9,535,041)**	(2,244,297)
Attributable to:		
Policyholders – discontinued operations	**8,653,350**	(7,762,875)
Shareholders of the Company	**(18,188,391)**	5,518,578
Non-controlling interests	**-**	-
	(9,535,041)	(2,244,297)

The accompanying notes from 1 to 25 form an integral part of this condensed interim consolidated financial information.

Condensed interim consolidated statement of changes in equity
For the three-month period ended 31 March 2023

	Share capital AED	Legal reserve AED	General reserve AED	Accumulated losses AED	Investments revaluation reserve – FVOCI AED	Equity attributable to shareholders of the Company AED	Non-controlling interests AED	Total AED
Balance at 1 January 2022	225,750,000	6,309,669	6,309,669	(78,961,422)	(74,975,644)	84,432,272	(1,327,090)	83,105,182
Net profit for the period attributable to the shareholders of the Company	-	-	-	86,649	-	86,649	-	86,649
Other comprehensive income for the period	-	-	-	-	5,431,929	5,431,929	-	5,431,929
Total comprehensive income for the period	-	-	-	86,649	5,431,929	5,518,578	-	5,518,578
Balance at 31 March 2022	225,750,000	6,309,669	6,309,669	(78,874,773)	(69,543,715)	89,950,850	(1,327,090)	88,623,760
Balance at 1 January 2023	225,750,000	6,309,669	6,309,669	(146,704,914)	(13,151,220)	78,513,204	(1,325,973)	77,187,231
Net loss for the period attributable to the shareholders of the Company	-	-	-	(6,379,430)	-	(6,379,430)	-	(6,379,430)
Other comprehensive loss for the period	-	-	-	-	(11,808,961)	(11,808,961)	-	(11,808,961)
Total comprehensive loss for the period	-	-	-	(6,379,430)	(11,808,961)	(18,188,391)	-	(18,188,391)
Balance at 31 March 2023	**225,750,000**	**6,309,669**	**6,309,669**	**(153,084,344)**	**(24,960,181)**	**60,324,813**	**(1,325,973)**	**58,998,840**

The accompanying notes from 1 to 25 form an integral part of this condensed interim consolidated financial information.

Condensed interim consolidated statement of cash flows
For the three-month period ended 31 March 2023

	Three-month period ended	
		(Restated)
	31 March 2023 AED	31 March 2022 AED
OPERATING ACTIVITIES		
Profit/(loss) for the period	**2,273,920**	(7,676,225)
Adjustments for:		
Depreciation of property and equipment	**133,557**	34,270
Unrealised gain on financial assets carried at fair value through profit or loss (FVTPL)	**(350,222)**	(400,834)
Provision for employees' end of service benefits	**300,637**	279,240
Profits on deposits	**(41,840)**	(14,219)
Rental income	**(117,500)**	(99,730)
Dividend income	**-**	(1,066,692)
Operating profit/(loss) before working capital changes:	**2,198,552**	(8,944,190)
Working capital changes:		
Change in prepayments and other receivables	**7,094,325**	2,238,162
Change in trade and other payables	**(54,876,537)**	(7,256,840)
Change in deferred policy acquisition costs	**3,780,380**	83,613
Change in due to policy holders	**9,162,939**	(4,931,802)
Cash used in operations	**(32,640,341)**	(18,811,057)
Employees' end of service benefits paid	**(2,719,479)**	(6,567)
Net cash used in operating activities	**(35,359,820)**	(18,817,624)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(155,745)**	(57,295)
Profit income received	**41,840**	14,219
Purchase of financial assets measured at FVOCI	**(59,404,073)**	-
Purchase of financial assets measured at FVTPL	**-**	(344,097)
Dividend income received	**-**	1,066,692
Net cash (used in)/generated from investing activities	**(59,517,978)**	679,519
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(94,877,798)**	(18,138,105)
Cash and cash equivalents at the beginning of the period	**132,844,060**	88,056,744
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (NOTE 5)	**37,966,262**	69,918,639

The accompanying notes from 1 to 25 form an integral part of this condensed interim consolidated financial information.

1 General information

Dubai Islamic Insurance & Reinsurance Company (Aman) (P.J.S.C.) (the "Company") is registered as a public shareholding company in Dubai, United Arab Emirates. The Company carries out general takaful, retakaful and life takaful business in accordance with the teachings of Islamic Sharia'a. The Company is also licensed to engage in retakaful and life Takaful business. The registered address of the Company is P.O. Box 157, Dubai, United Arab Emirates (UAE) and operates through its branches in Dubai, Abu Dhabi and Sharjah. The Company's ordinary shares are listed on the Dubai Financial Market, United Arab Emirates.

The Company obtained its commercial license on 12 March 2003 and commenced operations on 8 April 2003. The Company issues short term takaful contracts in connection with motor, marine, fire and engineering, general accident and medical risks and life takaful risks. The Company also invests in investment securities and properties.

The Company's business activities are subject to the supervision of its Fatwa and Sharia'a Board (the "Board") consisting of three members appointed by the shareholders. The Board performs a supervisory role in order to determine whether the operations of the Company are conducted in accordance with Sharia'a rules and principles.

The Company with its subsidiaries are together referred to as (the "Group") in this condensed interim consolidated financial information. At 31 March 2023 and 2022, the Company had the following subsidiaries:

Name of subsidiary	**Place of incorporation (or registration) and operation**	**Proportion of ownership profit** %	**Proportion of voting power held** %	**Principal activity**	**Status**
Nawat Investments L.L.C.	United Arab Emirates	100.00	100.00	Investment in commercial, industrial, and agricultural enterprises and management	Active
Technik Auto Service Centre Co. L.L.C	United Arab Emirates	100.00	100.00	Vehicles' repair services	Under liquidation
Amity Health L.L.C.	United Arab Emirates	90.00	90.00	Medical billing services	Under liquidation

The ex-Vice Chairman of the Group holds 1% of Nawat Investments L.L.C. and 1% of Technik Auto Service Centre Co. L.L.C on behalf and for the benefit of the Group.

The Group did not make social contributions during the year ended 31 December 2022.

As of the date of approval of this condensed interim financial information, the Group is not in compliance with the solvency requirements of the Financial Regulations respectively. However, the Group continues to prepare this condensed interim consolidated financial information on a going concern basis. Refer note 20 for details.

1 General information (continued)

1.1 Assessment of going concern assumption

As of that date, the Group's accumulated losses amounted to AED 153 million, which represent 68% of the share capital of the Group. As mentioned in the note 20 to this condensed interim consolidated financial information, the Group has a solvency deficit of AED 141 million. To address the solvency deficit the Group's management initially prepared a solvency recovery plan considering the potential capital injection from shareholders which could not be executed successfully.

In addition, subsequently, a new plan was initiated to transfer the portfolios and transform the firm into an investment company. The Group has initiated the signed portfolio transfer agreements (PTA) with two external parties and in the general assembly meeting held on 6 February 2023 the shareholders of the Group have approved to initiate the process of exiting from the insurance business and transforming the company from a takaful operator to an investment firm. Management expects the cash inflow of AED 50 million in case of successful execution of the portfolio transfer agreements, and the final approval from the Regulator. Accordingly, all Takaful operations have been classified as disposal group, refer to note 19.

Based on the Group's expectation related to the forecasts and business plan in place, management believe that the Group will be able to operate and comply with the solvency requirements and will be able to meet its obligations as they fall due, and accordingly have formed a judgement that it is appropriate to prepare the condensed interim consolidated financial information on a going concern basis.

2 Application of new and revised International Financial Reporting Standards (IFRS)

2.1 Standards, interpretations and amendments to existing standards that are effective in 2023

In the current period, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2023. The application of some of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Group's future transactions or arrangements.

- Deferred Tax related to Assets and Liabilities arising from a single transaction (Amendments to IAS 12)
- Definition of Accounting Estimates (Amendments to IAS 8)
- Disclosure of Accounting Policies (Amendments to IAS 1 and Practice Statement 2)
- IFRS 17 Insurance Contracts (please refer to note 19)

These amendments do not have a significant impact on the condensed interim consolidated financial information and therefore the disclosures have not been made for them.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 Standards, interpretations and amendments to existing standards that are effective in 2023 – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts

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

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

The Group applies the PAA to simplify the measurement of contracts in the non-life segment, except for groups of acquired contracts that do not qualify for the PAA. When measuring liabilities for remaining coverage, the PAA is similar to the Group's previous accounting treatment. However, when measuring liabilities for incurred claims, the Group now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

IFRS 17 replaces IFRS 4 "Insurance Contracts" and effective for annual periods starting on or after 1 January 2023. The Group has restated comparative information applying the transitional provisions to IFRS 17.

Recognition

Recognition requirements are slightly different for issued contracts and held contracts. For groups of issued contracts, a group should be recognised at the earliest of the following:

- Beginning of the coverage period;
- Date when the first payment from a policyholder becomes due; and
- For a group of onerous contracts, when the group becomes onerous.

Retakaful contracts held by an entity are recognised on the earlier of:

- Beginning of the coverage period of the group of retakaful contracts held; and
- Date the entity recognises an onerous group of underlying takaful contracts provided the retakaful contract was in force on or before that date.

Regardless of the first point above, the recognition of proportional retakaful contracts held shall be delayed until the recognition of the first underlying contract issued under that retakaful contract.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 Standards, interpretations and amendments to existing standards that are effective in 2023 – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Level of Aggregation

Level of aggregation relates to the unit of account under IFRS 17. The unit of account under IFRS 17 is referred to as a 'Group of Contracts' and requirements relating to level of aggregation define how groups of contracts have to be determined.

The standard has set out the following three requirements to determine a group of contracts:

- Portfolio – contracts that have similar risks and that are managed together can be grouped.
- Profitability – contracts with similar expected profitability (at inception or initial recognition) can be grouped.

For this purpose, the standard has mandated at least the following three classifications however it is permitted to use more granular classifications:

- Contracts that are onerous at inception;
- Contracts that are not onerous and have no significant possibility of becoming onerous; and
- All other contracts

Cohorts

Contracts issued more than 12 months apart cannot be grouped together. However, in certain circumstances a one-time simplification upon transition for contracts as at the transition is allowed.

A unique combination of the above three requirements forms a group of contracts i.e., contracts with same portfolio, same expected profitability and issued in the same year can be grouped together. This grouping is permanent and cannot be changed once assigned, regardless of how the actual experience emerges after initial recognition. For instance, as experience emerges an entity may realise that a contract which was thought to be onerous at initial recognition is not onerous, but the grouping will not be changed.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 Standards, interpretations and amendments to existing standards that are effective in 2023 – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Measurement Models

Measurement model, in rudimentary terms, refers to the basis or a set of methodologies for the computation of takaful contract assets and liabilities and associated revenues and expenses. IFRS 17 has provided the following three measurement models:

Premium Allocation Approach ("PAA")

PAA is an optional simplification that an entity can apply to contracts that have a coverage period of up to 12 months or to contracts for which it can demonstrate that the liability for remaining coverage will not be materially different under PAA and GMM. In terms of computations, the major simplification relates to LRC. Under PAA, it is not required to consider each component of the premium separately instead a single liability can be set up. The components of liability under PAA as at any valuation date can be summarised as follows:

Liability for Remaining Coverage ("LRC")

- Excluding Loss Component
- Loss Component, if any

Liability for Incurred Claims ("LIC")

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows

All of the Group's short-term business is eligible for this simplification and the Group has adopted this simplification for the eligible business. Under PAA, loss component and claim reserves requires an explicit provision of risk adjustment this would increase the liabilities whereas discounting will generally decrease the liabilities. The net effect of PAA depends on whether the impact of risk adjustment is greater than the impact of discounting or the impact deferring additional expenses that are currently not deferred.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 Standards, interpretations and amendments to existing standards that are effective in 2023 – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Measurement Models (continued)

General Measurement Model ("GMM")

GMM is the default measurement model and is applied to all contracts to which Premium Allocation Approach ("PAA") and Variable Fees Approach ("VFA") are not applied. GMM is based on the premise that premiums (or considerations) for takaful contracts comprises of certain components (such claims, expenses and profits) and that each component needs to be considered according to its nature. The liability under GMM as at any valuation date comprises of the following:

Liability for Remaining Coverage ("LRC")

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows
- Contractual Service Margin ("CSM")

Liability for Incurred Claims ("LIC")

- Estimates of future cashflows
- Risk adjustment
- Discounting of estimates of future cashflows

Variable Fees Approach ("VFA")

VFA is a mandatory modification to contracts with direct participation features. A contract is a contract with direct participation feature if it meets all three of the following requirements:

- Contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items.
- The entity expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items.
- The entity expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in the fair value of the underlying items.

The components of the liability under VFA are same as GMM and their calculations are quite similar too except for the computation of CSM. Under VFA, CSM calculations reflect the variability related to underlying items, but GMM does not reflect this variability. Similarly, there are some other aspects related to financial risk that impact the CSM under VFA but, not under GMM.

Above, the measurement models have been discussed in terms of takaful contract issued and associated liabilities, but same principles are applicable to retakaful contract held and associated assets (except for VFA). Similarly, both LRC and LIC components are mentioned however, at initial recognition only LRC will be applicable.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 Standards, interpretations and amendments to existing standards that are effective in 2023 – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Measurement Models (continued)

Variable Fees Approach ("VFA") (continued)

Estimates of future cashflows, risk adjustment and discounting are collectively referred to as the Fulfilment Cashflows ("FCF"). In terms of revenues and expense GMM and VFA are quite similar however, a significant difference exists between GMM/VFA and PAA. The revenues under GMM and VFA show each component of the premium separately (such as expected claims and expenses) whereas under PAA, the revenue shows just an aggregate amount.

Group's unit-linked business is measured using VFA, all other long-term business is measured using GMM. There are fundamental differences between GMM / VFA and the current methodologies for the long-term business. The key differences are discussed below:

- Under IFRS 17 assets or liabilities will be determined using gross premium calculations as opposed to risk premium calculations. This implies that under IFRS 17 all components of assets or liabilities such as expenses or profits will be computed explicitly. This also implies that expenses or costs that occur only at the start will be deferred implicitly. The impact of this difference cannot be generalised as it depends on whether the implicit margins within risk-premium based calculations are higher or lower than those required in gross-premium based calculations.
- Similar to PAA, GMM and VFA also require an explicit risk adjustment. Risk adjustment is a new requirement, and it does not exist under the current standard. Risk adjustment will increase the liabilities for takaful contracts issued and increases the asset for the retakaful contracts held.
- IFRS 17 also introduces substantial changes to the pattern in which profits are recognised for long-term contracts it requires that the profits to be recognised in relation to the service provided. The new standard introduces a new measure, 'coverage units', to quantify the services provided in any period. Given that single premium contracts recognise all expected profits at the start of the coverage whereas services are provided throughout that coverage period, it is expected that under IFRS 17 profit recognition for single premium contracts will be delayed and therefore the net liabilities will increase because of this requirement. Similarly, for limited-payment plans, all expected profits are recognised by the end of the payment term and therefore the profits for these will also be relatively delayed in IFRS 17. The impact for regular payment plans will depend on how close the service pattern is to the one currently implied under the plans.
- The definition of revenue under GMM and VFA is quite different for long-term contracts. Under IFRS 17 revenue (or consideration) is more direct and separately includes each component of the premium (i.e., expected claims and expenses and the portion of the profits relating to the period).

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 Standards, interpretations and amendments to existing standards that are effective in 2023 – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Estimates of Future Cashflows

The standard requires that future cashflows should be estimated till the end of the contract boundary. End of contract boundary is defined as the point at which an entity can either reassess the risk or consideration i.e., premium. The standard does not provide the methodology for the estimation of future cashflows however, it does provide detailed guidance on the cashflows that are within and beyond the contract boundary. It also provides certain principles in relation to the estimates of future cashflows.

Risk Adjustment

Risk adjustment reflects the compensation that an entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. Risk adjustment does not consider financial risk. The standard does not set out the methodology for the computation of risk adjustment, but it has provided certain principles.

Discounting

The standard requires the estimates of future cashflows should be discounted to reflect the effect of time value of money and financial risks. Similar to other provisions it does not specify a methodology for discounting or the derivation of discount rates however, it sets out certain principles. The standard does recognise the following two approaches for the derivation of the discount rates:

- Bottom-Up: An approach where a risk-free rate or yield curve is used, and an illiquidity premium is added to reflect the characteristics of the cashflows.
- Top-Down: An approach where the expected yield on a reference portfolio is used and adjustments are applied to reflect the differences between the liability cashflow characteristics and the characteristics of the reference portfolio.

For cashflows that are linked to the underlying items for contracts with direct participation features, the discount rates must be consistent with other estimates used to measure takaful contracts. The above two approaches may have to be adjusted to reflect the variability in the underlying items for such cashflows.

Contractual Service Margin ("CSM")

Contractual Service Margin (CSM) represents the unearned profit the entity will recognise as it provides takaful contract services in the future. At initial recognition CSM is computed using the FCF whereas at subsequent measurement CSM is computed using the opening CSM balance and various adjustments relating to the period. A portion of CSM is released to Profit & Loss as revenue in every period using coverage units.

Onerous Contracts and Loss Components

When a group of contracts, whether at initial recognition or subsequently, is or becomes onerous a loss component liability must be maintained. Under GMM and VFA this liability is implicitly included in the FCFs for LRC but for PAA an explicit loss component over the base LRC must be computed and set aside.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 Standards, interpretations and amendments to existing standards that are effective in 2023 – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Transition

The default transition approach under IFRS 17 is the Full Retrospective Approach ("FRA") which requires that upon transition IFRS 17 should be applied from inception of the groups of contracts as if IFRS 17 has always been applicable. However, if FRA is impracticable the following methods may be adopted:

-Modified Retrospective Approach ("MRA"): Under this approach the objective is to achieve the closest possible approximation to the FRA using the modifications allowed within the standard and without undue cost and effort.

-Fair Value Approach ("FVA"): Under this approach the fair value of the groups of contracts is computed and compared with the FCF. The CSM or loss component is the difference between the fair value and the FCF. Fair values for this purpose must be computed applying IFRS 13.

Key Accounting Policy Choices

IFRS 17 requires Group to make various accounting policy choices. The key accounting policy choices made by the Group are described below.

a-Level of Aggregation – Adopting more granular profitability

b-Level of Aggregation – Adopting more granular cohort

c-PAA – Deferring insurance acquisition cashflows

d-PAA – Discounting LIC

e-Interest Accretion – OCI Option

f-Interest Accretion – OCI Option

g-Transition Approach

Assumptions

While requirements relating to assumptions are within the requirements relating to measurement models, some aspects of the assumptions have been presented separately in this section due to their significance. IFRS 17, unlike IFRS 4, sets out detailed guidance on the basis to derive the assumptions (underlying the calculations of takaful and retakaful contract assets and liabilities and associated revenues and expenses). The key assumptions are provided below:

- IFRS 17 requires separate estimation of a best estimate liability and an explicit risk adjustment.
- Financial variables (such as discount rates) have to be market consistent.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.1 Standards, interpretations and amendments to existing standards that are effective in 2023 – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Presentation and Disclosures

IFRS 17 also contains comprehensive requirements related to presentation and disclosures. One of the key requirements is the presentation of revenue. For contracts under GMM and VFA, premiums will not be presented as revenues instead each component of the premium (such as expected claims and expenses) will be shown separately. Another key requirement relates to the presentation of retakaful contracts held. Under IFRS 17 amounts related to takaful contract issued will be reported and net effect of retakaful contracts held will be reported separately. In addition to the above requirements, the new standard also introduces various new disclosures related to the takaful and retakaful contract assets and liabilities and associated revenues and expenses.

For presentation in the condensed interim statement of financial position, the line items for takaful and retakaful contracts issued and retakaful contracts held have been changed significantly compared with last year. Previously balance sheet items related to takaful and retakaful contracts were split into the following line items:

- **Assets:**
-Takaful balances receivable;
-Reinsurers' share of unearned premiums reserve;
-Reinsurers' share of outstanding claims reserve; and
-Reinsurers' share of claims incurred but not reported reserve.

- **Liabilities:**
-Unearned premiums reserve;
-Outstanding claims reserve;
-Claims incurred but not reported reserve; and
-Allocated and unallocated loss adjustment expenses reserve.

Under IFRS 17, the Company aggregates takaful and retakaful contracts issued, and retakaful contracts held, respectively and presents separately on the balance sheet:

-Portfolios of takaful contracts issued that are assets;
-Portfolios of takaful contracts issued that are liabilities;
-Portfolios of retakaful contracts held that are assets; and
-Portfolios of retakaful contracts held that are liabilities.
The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

2 Application of new and revised International Financial Reporting Standards (IFRS) (continued)

2.2 Amendment to standards and interpretations issued but not yet effective

The new standards and revised IFRSs not yet effective and have not been adopted early by the Group include:

Standard number	Title	Effective date
IAS 1	-Non-current Liabilities with Covenants -Classification of Liabilities as Current or Non-current	1 January 2024
IFRS 16	Lease Liability in Sale and Leaseback	1 January 2024
IFRS 10 and IAS 28	Sale or Contribution of Assets between Investor and its Associate or Joint Venture	Available for optional adoption/effective date deferred indefinitely

Management anticipates that these amendments will be adopted in the financial information in the initial period when they become mandatorily effective. Management is currently assessing the impact of the above standards.

3 Summary of significant accounting policies

Basis of preparation

This condensed interim consolidated financial information of the Group is prepared on an accrual basis and under the historical cost basis except for financial assets carried at fair value through profit or loss, financial assets carried at fair value through other comprehensive income and investment property, which are carried at fair value.

This condensed interim consolidated financial information is prepared in accordance with International Accounting Standard 34: "*Interim Financial Reporting*" issued by the International Accounting Standard Board (IASB and comply with the applicable requirements of the UAE federal law No. (32) of 2021 and the UAE Federal Law no. 6 of 2007 (as amended) on Establishment of Insurance Authority and Organization of its Operations.

This interim condensed consolidated financial information does not include all the information and disclosures required in full consolidated financial statements and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2022. In addition, results for the period from 1 January 2023 to 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

4 Changes in judgements and estimation uncertainty

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2022.

5 Property and equipment

	Motor vehicles AED	Furniture and fixtures AED	Office equipment AED	Total AED
Cost				
At 1 January 2023	**227,290**	**5,405,566**	**5,909,248**	**11,542,104**
Disposals	**(650)**	**-**	**(155,095)**	**(155,745)**
At 31 March 2023	**226,640**	**5,405,566**	**5,754,153**	**11,386,359**
Accumulated depreciation				
At 1 January 2023	**227,290**	**5,399,639**	**5,765,157**	**11,392,086**
Charges for the period	**-**	**2,139**	**20,049**	**22,188**
Disposals	**(650)**	**-**	**(155,095)**	**(155,745)**
At 31 March 2023	**226,640**	**5,401,778**	**5,630,111**	**11,258,529**
Net carrying amount	**-**	**3,788**	**124,042**	**127,830**

	Motor vehicles AED	Furniture and fixtures AED	Office equipment AED	Total AED
Cost				
At 1 January 2022	227,290	5,404,991	5,877,134	11,509,415
Additions	-	575	32,114	32,689
At 31 December 2022	227,290	5,405,566	5,909,248	11,542,104
Accumulated depreciation				
At 1 January 2022	218,668	5,380,034	5,673,289	11,271,991
Charges for the year	8,622	19,605	91,868	120,095
At 31 December 2022	227,290	5,399,639	5,765,157	11,392,086
Net carrying amount	-	5,927	144,091	150,018

6 Investments in financial assets

	31 March 2023 AED (Unaudited)	31 December 2022 AED (Audited)
Financial assets carried at fair value through other comprehensive income (FVOCI) (A)		
- Listed	**75,422,719**	27,827,607
- Unlisted	**3,557,000**	3,557,000
	78,979,719	31,384,607
Financial assets measured at fair value through profit and loss (FVTPL) (B)		
- Listed	**82,679**	82,679
	82,679	82,679
Total investment in financial assets measured at fair value (A+B)	**79,062,398**	31,467,286

Investments by geographical concentration are as follows:

	31 March 2023 AED (Unaudited)	31 December 2022 AED (Audited)
- Within U.A.E.	**75,505,398**	27,910,286
- Outside U.A.E.	**3,557,000**	3,557,000
	79,062,398	31,467,286

7 Statutory deposit

A deposit of AED 10 million (2022: AED 10 million) has been placed with a bank, in accordance with Article (42) of the UAE Federal Law No. (6) of 2007. This deposit has been pledged to the bank as security against a guarantee issued by the bank in favour of the CBUAE for the same amount. This deposit cannot be withdrawn without prior approval of the CBUAE and bears a profit rate of 0.6% per annum (2022: 0.6% per annum).

8 Prepayments and other receivables

	31 March 2023 AED (Unaudited)	31 December 2022 AED (Audited)
Prepayments	**1,026,034**	2,011,839
Advance to suppliers	**1,115,000**	1,115,000
Refundable deposits	**87,483**	87,483
Other receivables	**39,476,648**	45,632,127
	41,705,165	48,846,449

Other receivables include post-dated checks of AED 36.5 million (31 December 2022: 41.1 million) against an investment receivable amount disposed of during 2022.

9 Cash and bank balances (excluding statutory deposit)

9.1 Cash and cash equivalents

	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED
Cash on hand	**414,749**	60,418
Bank balances in current accounts	**36,542,538**	132,783,643
	36,957,287	132,844,061
Less: allowances for expected credit losses	**(6,178)**	(20,483)
Total	**36,951,109**	132,823,578
Less: cash and bank balances related to discontinued operations – Policyholders – note 19	**(18,462,661)**	(56,659,604)
Total	**18,488,448**	76,163,974

Details of allowances for expected credit losses are as follows:

	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED
Balance as at 1 January	**20,483**	17,622
Charges for the period/year	**-**	2,861
Reversal for the period/year	**(14,305)**	-
Balance as at 31 December	**6,178**	20,483

For the purpose of the condensed interim consolidated statement of cash flows, the cash and cash equivalents are analysed as follows:

	31 March 2023 (Unaudited) AED	31 December 2022 (Audited) AED
Cash and cash equivalents – (note 9.1)	**18,494,625**	76,184,457
Cash and cash equivalents included in assets under discontinued operations - subsidiaries– (note 19.1)	**1,008,976**	1,008,976
Cash and cash equivalents included in assets under discontinued operations – Takaful operations – (note 19.2)	**18,462,661**	56,659,604
Total *	**37,966,262**	133,853,037

10 Provision for employees' end of service benefits

	31 March 2023 AED (Unaudited)	31 December 2022 AED (Audited)
Balance at beginning of the period/year	**5,456,780**	6,199,433
Charged during the period/year	**300,637**	1,177,256
Payments made during the period/year	**(2,719,479)**	(1,919,909)
Balance at end of the period	**3,037,938**	5,456,780

11 Trade and other payables

	31 March 2023 (Unaudited)	31 December 2022 (Audited)
Trade payables and accruals	**11,322,063**	20,855,075
Zakat payable	**813,805**	813,805
Other payables	**1,500,000**	1,546,960
	13,635,868	23,215,840

12 Contingencies

At the reporting date, the Group has contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business amounting to AED 0.4 million (2021: AED 0.4 million).

The Group is involved as a defendant in a number of legal cases with other insurance and reinsurance companies and customers. 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. The expected outcome of the cases is dependent on future legal proceedings.

13 Share capital

	31 March 2023 AED (Unaudited)	31 December 2022 AED (Audited)
Issued and fully paid:		
225,750,000 ordinary shares of AED 1 each (2022: 225,750,000 ordinary shares of AED 1 each)	**225,750,000**	225,750,000

14 Wakala fees and Mudarib's share

The Group manages the Takaful operations for the Policyholders and charges 33% (31 March 2022: 33%) of the gross takaful contributions net of fronting contribution as Wakala fees. In addition, the Group charges 2% (31 March 2022: 2%) on fronting contribution as Wakala fees. These Wakala fees rates were approved by the Group's Fatwa and Sharia'a Supervisory Board.

The Group also manages the policyholders' investment funds and is entitled to 25% (31 March 2022: 25%) of net investment income earned by the takaful operations' investment funds as the Mudarib's share.

15 Investment income, net

	Three-month period ended 31 March	
	2023	2022
	AED	AED
	(Unaudited)	(Unaudited)
	AED	AED
Income from sale of shares	**350,223**	-
Income on investment properties, net	**95,522**	125,000
Income from wakala deposits with banks	**41,840**	14,219
Unrealized gain on investments in financial assets carried at FVTPL	**-**	400,834
Dividend income	**-**	782,285
Investment expenses	**-**	(25,270)
	487,585	1,297,068

Investment income and losses are allocated amongst the shareholders and the policyholders on a pro rata basis. This allocation to policyholders is approved by the Group's Fatwa and Sharia'a Supervisory Board on an annual basis.

16 Basic and diluted (losses)/earnings per share

(Losses)/earnings per share are calculated by dividing (losses)/profits attributable to the shareholders for the period from continuing operations and discontinued operations, by the weighted average number of shares outstanding during the period.

	Three-month period ended 31 March					
	2023	2022	**2023**	2022	**2023**	2022
	AED	AED	**AED**	AED	**AED**	AED
	(Unaudited)	(Unaudited) (Restated)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited) (Restated)
	Profit / (loss) for the period		Weighted average number of shares outstanding during the period		(Losses)/earnings per share (AED per share)	
Continuing operations	**(6,379,430)**	86,649	**225,750,000**	225,750,000	**(0.0283)**	0.0004
Discontinuing operations	**8,653,350**	(7,762,875)	**225,750,000**	225,750,000	**0.0383**	(0.0344)

No figure for diluted (losses)/earnings per share has been presented since the Group has not issued any instruments which would have an impact on earnings per share when exercised. Accordingly, diluted (losses)/earnings per share is equivalent to basic (losses)/earnings per share. Earnings per share from discontinued operations has been presented separately – note 19.

17 Fatwa and sharia'a supervisory board

The Group's business activities are subject to the supervision of its Fatwa and Sharia'a Supervisory Board consisting of three members appointed by the shareholders. The Fatwa and Sharia'a Supervisory Board perform a supervisory role in order to determine whether the operations of the Group are conducted in accordance with Sharia'a rules and principles.

18 Segmental information

Operating segments are identified on the basis of internal reports about the components of the Group that are regularly reviewed by the Group's management in order to allocate resources to the segment and to assess its performance. Information reported to the Group's Board of Directors for the purpose of resource allocation and assessment of performance is based on following strategic business activities:

- **Investment activities** represent investment and cash management for the Group's own account.

- **Others** represent income and expense activities conducted by the subsidiaries and included in this condensed interim consolidated financial information.

18 Segmental information (continued)

The following table presents segment information for the three-month period ended 31 March 2023 and 2022.

	Three-month period ended 31 March 2023 (Unaudited)			Three-month period ended 31 March 2022 (Unaudited) (Restated)		
	Investments AED	**Other AED**	**Total AED**	Investments AED	Other AED	Total AED
Takaful - discontinued operations						
Takaful income	**-**	**31,763,382**	**31,763,382**	-	33,327,128	33,327,128
Takaful expenses	**-**	**(19,974,351)**	**(19,974,351)**	-	(24,683,540)	(24,683,540)
Net takaful income	**-**	**11,789,031**	**11,789,031**	-	8,643,588	8,643,588
Wakala fees	**3,152,164**	**(3,152,164)**	**-**	16,619,768	(16,619,768)	-
Mudarib fees	**5,495**	**(5,495)**	**-**	71,102	(71,102)	-
Policy acquisition cost	**(5,620,407)**	**-**	**(5,620,407)**	(7,788,774)	-	(7,788,774)
	(2,462,748)	**8,631,372**	**6,168,624**	8,902,096	(8,047,282)	854,814
Investment income	**487,585**	**21,978**	**509,563**	1,297,068	284,407	1,581,475
Other operating (expense) / income	**3,884**	**-**	**3,884**	-	-	-
General and administrative expenses	**(4,408,151)**	**-**	**(4,408,151)**	(7,112,904)	-	(7,112,904)
Contribution from Qard Hassan to policyholders' fund	**-**	**-**	**-**	(2,999,611)	-	(2,999,611)
Net profit / (loss) for the period	**(6,379,430)**	**8,653,350**	**2,273,920**	86,649	(7,762,875)	(7,676,226)

	Investment		**Others**		**Total**	
	31 March 2023 AED (Unaudited)	31 December 2022 (Restated) AED (Audited)	**31 March 2023 AED (Unaudited)**	31 December 2022 (Restated) AED (Audited) (Restated)	**31 March 2023 AED (Unaudited)**	31 December 2022 (Restated) AED (Audited) (Restated)
Segment assets	**196,533,180**	217,557,446	**1,077,437,408**	1,154,180,724	**1,273,970,588**	1,371,738,170
Segment liabilities	**137,534,340**	140,370,215	**1,077,437,408**	1,154,180,724	**1,214,971,748**	1,294,550,939

19 Disposal groups held for sale and discontinued operations

19.1 Assets under discontinued operations - subsidiaries

During 2018, the Board of Directors approved the liquidation and the disposal of Technik Auto Services Centre LLC and Amity Health L.L.C., subsidiaries of the Group.

	31 March 2023 AED (Unaudited)	31 December 2022 AED (Audited)
Assets under discontinued operations	**1,583,321**	1,583,321
Liabilities directly associated with assets under discontinued operations	**12,947,356**	12,947,356

Board of Directors approved the liquidation of two of the Group's subsidiaries. The Group is currently in the process of liquidation of these subsidiaries, the carrying amount of the assets and liabilities have been written down to the fair value less cost to sell. The major class of assets and liabilities of the subsidiaries at the end of the reporting period are as follows:

	31 March 2023 AED (Unaudited)	31 December 2022 AED (Audited)
Cash and cash equivalents - note 9	**1,008,976**	1,008,976
Other receivables	**574,345**	574,345
Assets under discontinued operations	**1,583,321**	1,583,321
Trade and other payable	**12,947,356**	12,947,356
Liabilities associated with assets under discontinued operations	**12,947,356**	12,947,356
Net liabilities associated with assets under discontinued operations	**(11,364,035)**	(11,364,035)

19 Disposal group held for sale (continued)

19.2 Discontinued operations - takaful operation

Sale of the general takaful portfolio

During 2022, the Group initiated the transfer of the general, medical, and family takaful portfolios to Islamic Arab Insurance Co. (SALAMA) PSC, an entity incorporated in the United Arabic Emirates, subject to the regulator's approval. The Group has submitted an application to CBUAE - Insurance Sector to approve the transaction, and will complete the necessary procedures to finalize the transaction between the two Companies.

Sale of the individual life portfolio

The Group has also signed an agreement to transfer the individual life insurance portfolio to Abu Dhabi National Takaful Company, and on 24 May 2023, the Group has received the preliminary approval from the CBUAE on the sale transaction. Currently, the Group is in the process of completing the legal formalities related to the portfolio transfer in order to obtain the final approval from the Regulator.

As per the AGM meeting held on 6/2/2023, the Shareholders issued a special resolution approving the board of directors' decision to exit and sell insurance portfolio to SALAMA and authorizing the Company's board of directors to complete all procedures with authorities and Policy holders to exit insurance business and transform the Group's activities into an investment Company.

Based on that, the takaful operations "disposable group" have been classified and accounted for as per the requirements of IFRS 5 *"Non-current Assets Held for Sale and Discontinued Operations"*, and accordingly, the entire takaful operation has been recorded at the lower of their carrying value or fair value less costs to sell, with reference to the sale price as per the signed agreements. The comparative interim condensed consolidated statement of profit or loss and other comprehensive income have been restated to show the discontinued operation separately from the continuing operations. Further, the comparative figures as presented in the consolidated financial position as at 31 December 2022 have been restated, refer to note 24 – correction of an error.

The carrying values of the disposal group are measured in accordance with IFRS 4 "Insurance contracts" due to the impracticability of applying IFRS 17 *"Insurance contracts"*, which is effective for annual periods starting on or after 1 January 2023 since the takaful operations are expected to be fully disposed of in a period of one to six months. It's very obvious that it would be impractical to apply the requirements of IFRS 17 due to the uncertainties related to the cash flow projection as well as the other assumptions, including the contract boundaries and risk adjustments, as required for IFRS 17 deployment.

Further, management concluded that compliance with the requirements of IFRS 17 requirements would be so misleading that it would conflict with the objective of the interim condensed consolidated financial information set out in the Conceptual Framework. Nevertheless, shall IFRS 17 has been applied, the Group was to be eligible to use the Premium Allocation Approach (PAA) as all Takaful policies are short term. The PAA is a simplified approach and broadly similar to the Group's accounting treatment under IFRS 4. Accordingly, management concluded that the impact of applying IFRS 17 will not result in a significant difference as the entire takaful operations will be transferred in the near term. Furthermore, the Group requested an exemption from IFRS 17 from the Regulator who requested a non-Objection letter from the buyer on the application of IFRS 17 on the transferred portfolio. The NOC has been provided to the Regulator on 28 April 2023.

19.2 Assets classified as held for sale - takaful operation (continued)

Condensed interim consolidated statement of financial position	31 March 2023 (Unaudited) Policyholder	31 December 2022 (Audited) Policyholder
ASSETS		
Cash and cash equivalents	**18,462,661**	56,659,604
Unearned contribution reserves	**22,186,909**	32,746,791
Claims reported unsettled	**76,978,176**	76,039,891
Mathematical reserve	**3,889,727**	3,914,042
Claims incurred but not reported	**26,940,112**	30,915,329
Takaful receivables	**51,960,127**	63,492,354
Financial assets carried at fair value through profit or loss (FVTPL)	**759,754,212**	782,310,168
Investment property	**9,352,306**	9,352,306
Due from shareholders'	**107,913,178**	98,750,239
TOTAL ASSETS	**1,077,437,408**	1,154,180,724
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Trade and other payables	**19,303,203**	22,945,613
Takaful payables	**70,435,848**	83,640,006
Takaful contract liabilities:		
Unearned contribution reserve	**58,606,562**	96,363,273
Claims reported unsettled	**93,929,093**	95,298,668
Mathematical reserve	**6,407,879**	5,220,233
Claims incurred but not reported	**46,961,875**	52,142,087
Unallocated loss adjustment expenses	**3,140,834**	3,521,639
Unit linked liabilities	**759,735,190**	782,291,146
Deferred discount	**3,551,967**	5,050,033
Surplus from takaful operations	**9,162,578**	509,228
Amounts held under retakaful treaties	**6,202,379**	7,198,798
TOTAL LIABILITIES	**1,077,437,408**	1,154,180,724

19 Disposal groups held for sale (continued)

Condensed interim consolidated statement of profit or loss	**Three-month period ended 31 March 2023 (Unaudited)**			Three-month period ended 31 March 2023 (Unaudited)		
Continuing operations	**TOTAL AED**	**NON-LIFE AED**	**LIFE AED**	TOTAL AED	NON-LIFE AED	LIFE AED
Attributable to policyholders						
Takaful income						
Gross takaful contributions	**17,984,884**	**15,434,911**	**2,549,973**	63,324,865	49,560,771	13,764,094
Retakaful share of gross takaful contributions	**(15,633,329)**	**(13,606,595)**	**(2,026,734)**	(33,707,589)	(22,330,147)	(11,377,442)
Net takaful contributions	**2,351,555**	**1,828,316**	**523,239**	29,617,276	27,230,624	2,386,652
Net transfer to unearned contributions reserve	**27,196,829**	**24,417,940**	**2,778,889**	(529,905)	(471,519)	(58,386)
Net change in mathematical reserve	**(1,165,002)**	**-**	**(1,165,001)**	-58,857	-	(58,857)
Net takaful contributions earned	**28,383,382**	**26,246,256**	**2,137,127**	29,028,514	26,759,105	2,269,409
Discount received on ceded retakaful	**3,284,477**	**2,279,863**	**1,004,614**	4,108,157	3,106,267	1,001,890
Policy fees	**95,523**	**95,523**	**-**	190,457	188,750	1,707
Net takaful income	**31,763,382**	**28,621,642**	**3,141,741**	33,327,128	30,054,122	3,273,006
Takaful expenses						
Gross claims settled	**(34,790,434)**	**(28,404,591)**	**(6,385,843)**	(33,340,051)	(31,527,707)	(1,812,344)
Retakaful share of gross claims settled	**10,922,424**	**5,549,906**	**5,372,518**	9,715,036	8,271,343	1,443,693
Net takaful claims	**(23,868,010)**	**(22,854,685)**	**(1,013,325)**	(23,625,015)	(23,256,364)	(368,651)
Change in provision for outstanding claims	**1,369,575**	**1,038,482**	**331,093**	(503,533)	796,772	(1,300,305)
Retakaful share of outstanding claims	**938,285**	**1,214,486**	**(276,201)**	1,800,791	742,627	1,058,164
Net change in incurred but not reported claims	**1,204,994**	**1,293,415**	**(88,420)**	(2,201,167)	(2,313,519)	112,352
Net change in unallocated loss adjustment expenses reserve	**380,805**	**382,406**	**(1,601)**	(154,616)	(148,230)	(6,386)
Net claims incurred	**(19,974,351)**	**(18,925,896)**	**(1,048,454)**	(24,683,540)	(24,178,714)	(504,826)
Net takaful income	**11,789,031**	**9,695,746**	**2,093,287**	8,643,588	5,875,408	2,768,180
Wakala fees	**(3,152,164)**	**(2,263,713)**	**(888,451)**	(16,619,768)	(12,085,699)	-4,534,069
Investment income	**21,978**	**21,978**	**-**	284,407	284,407	-
Mudarib's share	**(5,495)**	**(5,495)**	**-**	(71,102)	(71,102)	-
Net surplus/(deficit) from takaful operation for the period	**8,653,350**	**7,448,516**	**1,204,836**	(7,762,875)	(5,996,986)	(1,765,889)

20 Capital management

(i) Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Group's risk management function is carried out by the Board of Directors, with its associated committees. This is supplemented with a clear organisational structure with delegated authorities and responsibilities from the Board of Directors to the Chief Executive Officer and other senior managers. The Group is currently in the process of updating the risk management function to address the changes in the Group's operations with regards to the sale of the entire takaful portfolio.

The Board of Directors meets regularly to approve any commercial, regulatory and organisational decisions. The Board of Directors defines the Group's risk and its interpretation, limits structure to ensure the appropriate quality and diversification of assets, aligns underwriting and Retakaful strategy to the corporate goals, and specifies reporting requirements.

(ii) Capital management framework

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

(iii) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Group is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Group maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters. The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

As per Article (8) of Section 2 of the Financial Regulations, the Group is required, at all times, to comply with the requirements of Solvency Margin. The solvency position of the Group as of 31 December 2022 and 31 December 2021 is presented below. The Group has presented the solvency position as of 31 December 2022 which is the latest available solvency position as of the date of approval of this condensed interim consolidated financial information.

20 Capital management (continued)

(iii) Regulatory framework (continued)

	31 December 2022 AED'000	31 December 2021 AED'000
Minimum Capital Requirement (MCR)	**100,000**	100,000
Solvency Capital Requirement (SCR)	**47,563**	49,838
Minimum Guarantee Fund (MGF)	**53,855**	34,588
Basic Own Funds	**(40,552)**	(65,882)
MCR Solvency Deficit	**(140,552)**	(165,882)
SCR Solvency Deficit	**(88,115)**	(115,720)
MGF Solvency Deficit	**(94,408)**	(100,470)

To address the solvency deficit, the Group's management initially submitted a recovery plan to the Central Bank of United Arab Emirates ("CBUAE") which involved a substantial capital injection by means of a rights issue; however, the plan was subsequently changed, because it was envisaged that shareholders are unlikely to support a capital injection in the prevailing economic and financial circumstances. The new plan, which is subject to shareholders and regulatory approval, envisages selling the portfolios of Takaful insurance business to other takaful companies and, aided partly by the proceeds resulting the sale of the Takaful insurance portfolios and partly by other assets, generating enough capital to transform the company into a viable investment firm to safeguard and preserve shareholders' value. The Group has informed the CBUAE of its revised plans and received (in-principle/ no-objection letter) approval to proceed with the above sale negotiations.

Until binding terms for selling its insurance business are agreed and all regulatory and other approvals are received, the Group will continue to operate in one form or another for at least 12 months from the date of approval of this condensed interim consolidated financial information and accordingly this condensed interim consolidated financial information has been prepared on a going concern basis.

21 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

21 Fair value of financial instruments (continued)

Financial assets	Fair value as at 31 March 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Financial assets at FVOCI						
Quoted equity securities	**75,423**	27,828	Level 1	Quoted bid prices in an active market	None	Not applicable
Unquoted equity securities	**3,557**	3,557	Level 3	Net assets valuation method and comparable multiples approach	Net assets value	Higher the net assets value of the investees, higher the fair value
Financial assets at FVTPL						
Quoted equity securities	**82**	82	Level 1	Quoted bid prices in an active market	None	Not applicable

There were no transfers between each of the levels during the period/year ended 31 March 2023 and 31 December 2022.

There were no changes in the valuation techniques and key inputs during the period/year ended 31 March 2023 and 31 December 2022.

Reconciliation of level 3 fair value measurement of financial assets measured at FVOCI:

	31 March 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
At beginning of period/year	**3,557**	34,313
Selling	**-**	(30,756)
At end of period/year	**3,557**	3,557

21 Fair value of financial instruments (continued)

Reconciliation of Level 3 fair value measurement of financial assets measured at FVTPL:

	31 March 2023 AED'000 (Unaudited)	31 December 2022 AED'000 (Audited)
Unit linked investments		
At beginning of period/year	**782,291**	863,256
Net change during the year (change in fair value and net investment/withdrawal)	**(22,556)**	(80,965)
At end of period/year	**759,735**	782,291
Unquoted equity securities		
At beginning of period/year	**-**	41,230
Selling during the period/ year	**-**	(41,230)
At end of period/year	**-**	-

The investments classified under Level 3 category have been fair-valued based on information available for each investment. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

Although the Group believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3 (other than unit linked investments), changing one or more of the assumptions by 5% would have an impact of AED 3,777,150 (2022: AED 3,777,150).

22 Significant events

The Group also had other assets held by an entity controlled by the former CEO on behalf of the Group which have since been disposed of without the Group's approval. The total value of these assets on the date of purchase was approximately AED 11.3 million (2022: AED 11.3 million). The Group has initiated legal proceedings in regard to the recovery of the said amount. Moreover, the group has taken all the executive legal procedures concerning the recovery of the claim. These assets have been fully provided for in the condensed interim consolidated financial information as of 31 March 2023 and 31 December 2022 and recognition of the contingent asset will only be made once the success of the legal action is certain.

23 Subsequent events

On 24 May 2023, the Group has received the preliminary approval from the CBUAE with reference number "CBUAE/BIS-L/2023/ 2651" on the transfer of the general, medical, and a portion of family takaful portfolios to Islamic Arab Insurance Co. (SALAMA) PSC. The Group is in the process of transferring the portfolio upon completing the legal formalities.

24 Correction of an error

During the current period, Management has identified that assets and liabilities related to takaful operations as presented in the annual consolidated financial statements of the Group for the year ended 31 December 2022 should have been classified as discontinued operations within the requirements of IFRS 5 *"Non-current Assets Held for Sale and Discontinued Operations"*, since the sale agreements, as stated in note 19, were signed during 2022. Further, during the AGM meeting held on 6/2/2023, the Shareholders issued a special resolution approving the board of directors' decision to exit and sell the insurance portfolio to SALAMA, and authorizing the Group's board of directors to complete all procedures with authorities and policyholders to exit the insurance business and transform the Group's activities into an investment Company, the decision was approved before the issuance of the annual consolidated financial statements.

In accordance with the requirements of IAS 1 *"Presentation of Financial Statements"* and IAS 8 *"Accounting Policies, Changes in Accounting Estimates and Errors"*, the prior period error has been corrected retrospectively by restating the relevant comparative balances in the condensed interim consolidated financial information. The error doesn't have any effect on the total assets, revenues, or net profit of the Group for the year ended 31 December 2022. However, certain reserves related to the takaful operations amounting to AED 509,228 has been reclassified from Policyholder's fund to current liabilities, which are expected to be transferred with the entire takaful operations.

In accordance with the requirements of IFRS 5, the Group shall not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held for sale in the consolidated statements of financial position for prior periods to reflect the classification in the consolidated statement of financial position for the latest period presented. Accordingly, the Group didn't present the figures related to 1 January 2022. The below amounts as presented in the consolidated statements of financial position and profit or loss have been reclassified to discontinued operations.

24 Correction of an error (continued)

	As previously stated 31 December 2022 AED	Adjustments AED	Restated 31 December 2022 AED
TAKAFUL OPERATIONS' ASSETS			
Cash and cash equivalents	56,659,604	(56,659,604)	-
Retakaful contract assets:			
Unearned contribution and unexpired risk reserves	32,746,791	(32,746,791)	-
Claims reported unsettled	76,039,891	(76,039,891)	-
Mathematical reserve	3,914,042	(3,914,042)	-
Claims incurred but not reported	30,915,329	(30,915,329)	-
Takaful receivables	63,492,354	(63,492,354)	-
Financial assets measured at fair value through profit and loss	782,310,168	(782,310,168)	-
Investment property	9,352,306	(9,352,306)	-
Due from shareholders	98,750,239	(98,750,239)	-
Assets directly associated with assets classified as held for sale - takaful operations	-	1,154,180,724	1,154,180,724
Total takaful operations' assets	1,154,180,724	-	1,154,180,724
TAKAFUL OPERATIONS' LIABILITIES			
Trade and other payables & accruals	22,945,613	(22,945,613)	-
Takaful payables	83,640,006	(83,640,006)	-
Takaful contract liabilities:			
Unearned contribution and unexpired risk reserves	96,363,273	(96,363,273)	-
Claims reported unsettled	95,298,668	(95,298,668)	-
Mathematical reserve	5,220,233	(5,220,233)	-
Claims incurred but not reported	52,142,087	(52,142,087)	-
Unallocated loss adjustment expenses	3,521,639	(3,521,639)	-
Unit linked liabilities	782,291,146	(782,291,146)	-
Deferred discount	5,050,033	(5,050,033)	-
Amounts held under retakaful treaties	7,198,798	(7,198,798)	-
Liabilities directly associated with assets classified as held for sale - takaful operations	-	1,153,671,496	1,153,671,496
Total takaful operations' liabilities	1,153,671,496	509,228	1,153,671,496
TAKAFUL OPERATIONS' DEFICIT			
Deficit in takaful operations' fund	(45,681,014)	45,681,014	-
Qard Hassan from shareholders	45,681,014	(45,681,014)	-
Retakaful placement provision	2,789,593	(2,789,593)	-
Takaful operations' investments revaluation reserve	(2,280,365)	2,280,365	-
Total surplus from takaful operations	509,228	(509,228)	-
Total takaful operations liabilities and deficit	1,154,180,724	-	1,154,180,724

24 Correction of an error (continued)

The below amounts as presented in the interim condensed consolidated statement of profit or loss have been reclassified to discontinued operations:

Condensed interim consolidated statement of profit or loss	Three-month period ended 31 March 2023 (Unaudited) AED
Continuing operations	
Attributable to policyholders	
Takaful income	
Gross takaful contributions	17,984,884
Retakaful share of gross takaful contributions	(15,633,329)
Net takaful contributions	2,351,555
Net transfer to unearned contributions reserve	27,196,829
Net change in mathematical reserve	(1,165,002)
Net takaful contributions earned	28,383,382
Discount received on ceded retakaful	3,284,477
Policy fees	95,523
Net takaful income	31,763,382
Takaful expenses	
Gross claims settled	(34,790,434)
Retakaful share of gross claims settled	10,922,424
Net takaful claims	(23,868,010)
Change in provision for outstanding claims	1,369,575
Retakaful share of outstanding claims	938,285
Net change in incurred but not reported claims	1,204,994
Net change in unallocated loss adjustment expenses reserve	380,805
Net claims incurred	(19,974,351)
Net takaful income	11,789,031
Wakala fees	(3,152,164)
Investment income	21,978
Mudarib’s share	(5,495)
Net surplus from takaful operation for the period	8,653,350

25 Approval of condensed interim consolidated financial information

The condensed interim consolidated financial information was approved and authorised for issue by the Board of Directors on 15 June 2023.