

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

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

**FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2022
(UNAUDITED)**

ISLAMIC ARAB INSURANCE CO. (SALAMA) PJSC AND ITS SUBSIDIARIES

Contents	Pages
Independent auditor's review report	1 - 2
Interim condensed consolidated statement of financial position	3
Interim condensed consolidated statement of profit or loss	4
Interim condensed consolidated statement of comprehensive income	5
Interim condensed consolidated statement of changes in equity	6 - 7
Interim condensed consolidated statement of cash flows	8
Notes to the interim condensed consolidated financial statements	9 – 29



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

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

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Islamic Arab Insurance Co. (Salama) PSJC (the “Company”) and its subsidiaries (the “Group”), which comprise the interim consolidated statement of financial position as at 30 June 2022 and the related interim consolidated statements of income and comprehensive income for the three-month and six-month periods then ended, and the related interim statements of cash flows and changes in equity for the six-month period then ended and explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Basis for Qualified Conclusion

The Group’s total assets include investment properties with a carrying amount of AED 141,437 thousand, investments which are carried at AED 534,420 thousand, and other assets and receivables which are carried at AED 235,462 thousand. The aforementioned assets include:

- Investment property with a carrying amount of AED 84,957 thousand (note 6);
- Islamic placement investments of AED 45,889 thousand, available-for-sale investments of AED 62,561 thousand and held to maturity investments of AED 65,738 thousand (note 8); and
- Other receivables with a carrying amount of 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.

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.

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

Qualified Conclusion

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

For Ernst & Young



Signed by:
Ashraf Abu-Sharkh
Partner
Registration No.: 690

12 August 2022

Dubai, United Arab Emirates

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022 (unaudited)

	<i>Notes</i>	<i>30 June 2022 (unaudited) AED'000</i>	<i>31 December 2021 (audited) AED'000</i>
ASSETS			
Property and equipment		33,167	36,480
Goodwill and intangibles		117,930	117,772
Investment properties	6	141,437	142,055
Right of use assets		9,516	4,426
Investment in associates	7	35,121	34,447
Deposits		214,791	239,649
Investments	8	534,420	559,066
Participants' investments in unit-linked contracts	8	2,066,383	2,396,075
Deposits with takaful and retakaful companies		1,840	2,387
Contributions and takaful balance receivables		312,091	213,404
Retakafuls' share of outstanding claims		211,259	262,350
Retakafuls' share of unearned contribution		125,482	135,789
Other assets and receivables	18	235,462	256,354
Restricted bank balances	17	-	258,469
Bank balances and cash	17	185,348	109,321
TOTAL ASSETS		4,224,247	4,768,044
Liabilities and policyholders' fund			
Outstanding claims and family takaful reserve		498,348	574,950
Payable to participants for unit-linked contracts		2,065,747	2,394,963
Unearned contribution reserve		397,897	327,756
Short term borrowings		-	25,000
Takaful balances payable		180,818	205,662
Other payables and accruals		263,251	391,906
Lease liabilities		9,626	4,639
Total liabilities		3,415,687	3,924,876
Policyholders' fund		-	-
Total liabilities and policyholders' fund		3,415,687	3,924,876
Equity			
Share capital	10	1,210,000	1,210,000
Treasury shares	11	(35,972)	(35,972)
Statutory reserve	12	101,262	101,262
Accumulated losses		(383,864)	(371,672)
Other reserves	13	(156,687)	(136,131)
Equity attributable to Owners of the Company		734,739	767,487
Non-controlling interest		73,821	75,681
Total equity		808,560	843,168
TOTAL LIABILITIES, POLICYHOLDERS' FUND AND EQUITY		4,224,247	4,768,044



Jassim Al Seddiqi
Chairman of the Board



Fahim AlShehhi
Chief Executive Office

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six month period ended 30 June 2022 (unaudited)

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Underwriting income				
Gross written contributions	574,172	655,513	269,214	227,955
Less: reinsurance and retakaful contributions Ceded	(155,424)	(258,455)	(74,981)	(72,474)
Net contributions	418,748	397,058	194,233	155,481
Net movement in unearned contributions	(96,718)	(74,257)	(34,463)	(6,042)
Contributions earned	322,030	322,801	159,770	149,439
Commission income on ceded reinsurance and Retakaful	18,864	21,485	7,956	9,857
	340,894	344,286	167,726	159,296
Underwriting expenses				
Gross claims paid	272,576	262,536	151,012	127,698
Less: reinsurance and retakaful share of claims Paid	(130,579)	(141,595)	(77,776)	(69,055)
Net claims paid	141,997	120,941	73,236	58,643
Net movement in outstanding claims and family takaful reserve	(16,813)	(19,413)	(20,686)	(20,895)
Claims incurred	125,184	101,528	52,550	37,748
Commission expense and other costs	142,101	157,789	73,578	77,651
	267,285	259,317	126,128	115,399
Net underwriting income	73,609	84,969	41,598	43,897
Income from investments	13,006	31,905	1,711	19,648
Other income	4,186	8,626	1,010	4,718
Total income	90,801	125,500	44,319	68,263
Expenses				
General, administrative and other expenses	(66,238)	(78,745)	(37,802)	(47,452)
Financial expenses	(1,093)	(2,175)	(483)	(1,635)
Net surplus before tax for the period	23,470	44,580	6,034	19,176
Taxation – current	(4,268)	(4,293)	(1,901)	(3,114)
Net surplus after tax for the period before distribution to policyholders	19,202	40,287	4,133	16,062
Distribution to policyholders of Company	-	-	-	-
Net surplus after tax and distribution to policyholders for the period	19,202	40,287	4,133	16,062
Attributable to:				
Shareholders	12,181	34,586	2,256	12,366
Non-controlling interest	7,021	5,701	1,877	3,696
	19,202	40,287	4,133	16,062
Basic and diluted earnings per share (AED) (Note 16)	0.010	0.029	0.002	0.010

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2022 (unaudited)

	<i>Six-month period ended 30 June</i>		<i>Three-month period ended 30 June</i>	
	<i>2022 AED'000</i>	<i>2021 AED'000</i>	<i>2022 AED'000</i>	<i>2021 AED'000</i>
Profit after tax and distribution to policyholders for the period	19,202	40,287	4,133	16,062
Other comprehensive (loss)/income net of income tax				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Net movement or change in foreign exchange translation reserve	(31,033)	(2,384)	(8,105)	(95)
Net changes in fair value of available for sale investments	-	135	-	-
Share of other comprehensive (loss)/income of associates	(131)	1,051	(88)	796
Total other comprehensive (loss)/income for the period	(31,164)	(1,198)	(8,193)	701
Total comprehensive (loss)/income for the period	(11,962)	39,089	(4,060)	16,763
Attributable to:				
Shareholders	(9,001)	33,309	(4,382)	12,934
Non-controlling interest	(2,961)	5,780	322	3,829
	(11,962)	39,089	(4,060)	16,763

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2022 (unaudited)

	<i>Share capital AED'000</i>	<i>Statutory reserve AED'000</i>	<i>Revaluation reserve AED'000</i>	<i>Foreign exchange translation reserve AED'000</i>	<i>Investment fair value reserve AED'000</i>	<i>Treasury shares AED'000</i>	<i>Accumulated losses AED'000</i>	<i>Regulatory reserve AED '000</i>	<i>Total AED'000</i>	<i>Non-controlling interest AED'000</i>	<i>Total equity AED'000</i>
Balance at 1 January 2022	1,210,000	101,262	20,753	(130,718)	(27,922)	(35,972)	(371,672)	1,756	767,487	75,681	843,168
Profit for the period	-	-	-	-	-	-	12,181	-	12,181	7,021	19,202
Other comprehensive income											
Net movement in foreign exchange translation reserve	-	-	-	(21,051)	-	-	-	-	(21,051)	(9,982)	(31,033)
Share of other comprehensive income of associates	-	-	-	-	(131)	-	-	-	(131)	-	(131)
Total other comprehensive loss	-	-	-	(21,051)	(131)	-	-	-	(21,182)	(9,982)	(31,164)
Total comprehensive (loss)/income for the period	-	-	-	(21,051)	(131)	-	12,181	-	(9,001)	(2,961)	(11,962)
Increase in Capital	-	-	-	-	-	-	-	-	-	1,101	1,101
Dividend Paid (note 23)	-	-	-	-	-	-	(23,747)	-	(23,747)	-	(23,747)
Transfer to regulatory reserve	-	-	-	-	-	-	(626)	626	-	-	-
Balance at 30 June 2022	1,210,000	101,262	20,753	(151,769)	(28,053)	(35,972)	(383,864)	2,382	734,739	73,821	808,560

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six month period ended 30 June 2022 (unaudited)

	<i>Share capital</i> <i>AED'000</i>	<i>Statutory reserve</i> <i>AED'000</i>	<i>Revaluation reserve</i> <i>AED'000</i>	<i>Foreign exchange translation reserve</i> <i>AED'000</i>	<i>Investment fair value reserve</i> <i>AED'000</i>	<i>Treasury shares</i> <i>AED'000</i>	<i>Accumulated losses</i> <i>AED'000</i>	<i>Regulatory reserve</i> <i>AED '000</i>	<i>Total</i> <i>AED'000</i>	<i>Non-controlling interest</i> <i>AED'000</i>	<i>Total equity</i> <i>AED'000</i>
Balance at 1 January 2021	1,210,000	97,257	20,753	(122,196)	(26,581)	(35,972)	(308,059)	132	835,334	74,332	909,666
Profit for the period	-	-	-	-	-	-	34,586	-	34,586	5,701	40,287
Other comprehensive income											
Net movement in foreign exchange translation reserve	-	-	-	(2,463)	-	-	-	-	(2,463)	79	(2,384)
Net changes in fair value of available-for-sale investments	-	-	-	-	135	-	-	-	135	-	135
Share of other comprehensive income of associates	-	-	-	-	1,051	-	-	-	1,051	-	1,051
Total other comprehensive (loss)/income	-	-	-	(2,463)	1,186	-	-	-	(1,277)	79	(1,198)
Total comprehensive income for the period	-	-	-	(2,463)	1,186	-	34,586	-	33,309	5,780	39,089
Dividend Paid (note 23)	-	-	-	-	-	-	(98,037)	-	(98,037)	-	(98,037)
Transfer to regulatory reserve	-	-	-	-	-	-	(1,126)	1,126	-	-	-
Balance at 30 June 2021	1,210,000	97,257	20,753	(124,659)	(25,395)	(35,972)	(372,636)	1,258	770,606	80,112	850,718

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the six month period ended 30 June 2022 (unaudited)

	<i>Notes</i>	<i>Six month period ended 30 June</i>	
		<i>2022 AED'000</i>	<i>2021 AED'000</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		19,202	40,287
Adjustments for:			
Depreciation of property and equipment		1,411	1,496
Depreciation on right to use assets		1,524	1,838
Net movement in unearned contributions reserve		80,448	74,275
Unrealized loss/(gain) on investment		14,621	(3,957)
Unrealized gain on investment property		(4,236)	-
Amortisation of intangible assets		702	289
Share of profit from associates		(2,036)	(1,834)
Reversal bonus provision		-	(7,500)
Dividend income		(55)	(839)
Operating cash flows before changes in operating assets and liabilities		111,581	104,055
Decrease in deposits with takaful and retakaful companies		547	14
Increase in contributions and takaful balance receivable		(98,687)	(64,621)
Decrease in other assets and receivables		20,892	66,531
Decrease in outstanding claims (net of retakaful)		(25,511)	(20,161)
(Decrease)/Increase in takaful payables and other payables		(153,499)	78,728
Net cash (used in)/generated from operating activities		(144,677)	164,546
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(1,002)	(275)
Purchase of intangible assets		(860)	(189)
Investments properties-net		-	538
Repayment of principal and interest on lease liability		4,987	(1,848)
Dividend income from an associate		1,230	1,237
Decrease in term deposits under lien or with maturity after three months		1,298	4,762
Net movement in deposits		24,858	(19,592)
Dividend received		55	839
Net movement in investments		(19,863)	(9,282)
Net movement in participants' investments in unit-linked contracts		476	1,718
Net cash generated from/(used in) investing activities		11,179	(22,092)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(23,747)	(98,037)
Net movement in short term borrowings		(25,000)	62,500
Capital increase by NCI		1,101	-
Net cash used in financing activities		(47,646)	(35,537)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(181,144)	106,917
Cash and cash equivalents at the beginning of the period		104,440	83,821
Less: Release/(Restricted) bank balances		258,469	(140,045)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		181,765	50,693

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

1. GENERAL INFORMATION

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. (2) of 2015 for commercial companies and U.A.E. Federal Law No. (6) of 2007, concerning regulations of insurance operations.

Federal Decree Law No. (24) of 2020 which amends certain provisions of the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector including third party administrators became under the supervision and authority of the UAE Central Bank.

Federal Decree Law No. 32 of 2021 which repeals and replaces Federal Law No. 2 of 2015 (as amended) on Commercial Companies was issued on 20 September 2021 and is effective from 2 January 2022. The Group is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

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	Group’s Ownership		Country of incorporation	Activity
	30 June 2022	31 December 2021		
<i>Directly owned</i>				
Tariic Holding Company B.S.C	99.40%	99.40%	Kingdom of Bahrain	Holding Entity only
Misr Emirates Life Takaful – (Salama) S.A.E	85%	85%	Egypt	Family takaful
Salama Immobilier	84.25%	84.25%	Senegal	Real estate
Egyptian Saudi Insurance Home	51.15%	51.15%	Egypt	General takaful
<i>Through Tariic</i>				
Salama Assurances Algeria	96.98%	96.98%	Algeria	General takaful

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and revised IFRSs applied with no material effect on the interim condensed consolidated financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2022, have been adopted in this interim condensed consolidated financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2: The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (continued)

2.2 New and revised IFRS standards and interpretations but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 17 *Insurance Contracts*: Effective for annual periods beginning on or after 1 January 2023;
- Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*: Effective for annual periods beginning on or after 1 January 2022. In May 2021, the IASB has issued an exposure draft deferring the effective date of the standard to 1 January 2023;
- Amendments to IFRS 3: *Reference to the Conceptual Framework*: Effective for annual periods beginning on or after 1 January 2022;
- Amendment to IAS 16 *Property, Plant and Equipment: Proceeds before Intended Use*: Effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 37 *Onerous Contracts – Costs of Fulfilling a Contract*: Effective for annual periods beginning on or after 1 January 2022; and
- Annual Improvements 2018-2021 cycle:
 - IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (effective for annual periods beginning on or after 1 January 2022);
 - IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities - The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability (effective for annual periods beginning on or after 1 January 2022); and
 - IAS 41 Agriculture – Taxation in fair value measurements - The amendment removes the requirement that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41 (effective for annual periods beginning on or after 1 January 2022);

2.3 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB published an amendment to IFRS 4 which addresses the concerns of insurance companies about the different effective dates of IFRS 9 Financial instruments and the forthcoming new insurance contracts standard. The amendment provides two different solutions for insurance companies: a temporary exemption from IFRS 9 for entities that meet specific requirements (applied at the reporting entity level), and the 'overlay approach'. Both approaches are optional.

IFRS 4 (including the amendments) will be superseded by the forthcoming new insurance contracts standard. Accordingly, both the temporary exemption and the 'overlay approach' are expected to cease to be applicable when the new insurance standards becomes effective.

The Group has performed an assessment of the amendment and concluded that its activities are predominantly connected with insurance. Management has applied the temporary exemption in its reporting period starting on 1 January 2018. The Group has decided to opt for the options to defer application of IFRS 9 given in said amendments to IFRS 4 "Insurance contracts" and concluded to apply IFRS 9 with effect from 1 January 2023.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

This interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (IAS) No. 34, “*Interim Financial Reporting*” and also comply with the applicable requirements of the laws in the U.A.E.

The interim condensed consolidated financial statements are presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group’s transactions are denominated and all value are rounded to the nearest thousand (AED 1000) except when otherwise indicated.

This interim condensed consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

The accounting policies, presentation and methods in this interim condensed consolidated financial statements are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2021.

This interim condensed consolidated financial statements does not include all the information required for full audited annual consolidated financial statements and should be read in conjunction with the Group’s audited annual consolidated financial statements as at and for the year ended 31 December 2021. In addition, results for the six month period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

4. CHANGES IN JUDGEMENTS AND ESTIMATION UNCERTAINTY

The preparation of these interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim condensed consolidated financial statements, 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 for the year ended 31 December 2021.

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 2021.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

6. INVESTMENT PROPERTIES

The geographic dispersion of investment properties is as follows.

	<i>30 June 2022 (unaudited) AED'000</i>	<i>31 December 2021 (audited) AED'000</i>
Within UAE	9,000	9,000
Outside UAE	132,437	133,055
	<u>141,437</u>	<u>142,055</u>

The variations in the value of investment properties are due to revaluation of a property in Egypt and change in foreign exchange translation of investment properties held in foreign operations. The Group has an investment property in Kingdom of Saudi Arabia amounting to 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.

7. INVESTMENT IN ASSOCIATES

The principal significant associate of the Group which has 31 December as its year-end is as follows:

	<i>Ownership</i>	<i>Country of incorporation</i>	<i>30 June 2022 (unaudited) AED'000</i>	<i>31 December 2021 (audited) AED'000</i>
	<i>2022</i>	<i>2021</i>		
Associates				
Islamic Insurance Jordan	20%	20%	35,121	34,447
			<u>35,121</u>	<u>34,447</u>

Movements during the period/year:

	<i>30 June 2022 (unaudited) AED'000</i>	<i>31 December 2021 (audited) AED'000</i>
Balance at 1 January	34,447	32,932
Share of profit from associates	2,036	1,960
Dividend received	(1,231)	(1,236)
Share of other comprehensive income	(131)	791
	<u>35,121</u>	<u>34,447</u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

8. INVESTMENTS

	30 June 2022 (unaudited)			31 December 2021 (audited)		
	Domestic investment AED'000	Inter-national investment AED'000	Total AED'000	Domestic investment AED'000	Inter-national investment AED'000	Total AED'000
Financial assets at fair value through profit or loss						
Shares and securities	-	41,432	41,432	-	59,534	59,534
Available-for-sale investments						
Mutual fund and externally managed portfolios	-	62,561	62,561	-	62,561	62,561
Shares and securities	-	883	883	-	934	934
	-	63,444	63,444	-	63,495	63,495
Islamic placements*	-	172,318	172,318	-	172,762	172,762
Held to maturity						
Sukuk and Government bonds	-	113,783	113,783	-	118,890	118,890
Wakalah certificates	54,094	-	54,094	54,094	-	54,094
Other Mudariba investments	-	89,349	89,349	-	90,291	90,291
	54,094	203,132	257,226	54,094	209,181	263,275
	54,094	480,326	534,420	54,094	504,972	559,066

*Represent Shari'ah compliant placements with different financial institutions having profit rates of 0.22% to 5% (2021: 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 of AED 45.88 million (2021: AED 47.14 million);
- Available-for-sale investments of AED 62.56 million (2021: AED 62.56 million); and
- Held to maturity investments of AED 65.74 million (2021: AED 65.74 million).

During the period ended 30 June 2022, Group has recovered Islamic Placement of AED 1.26 million which was subject to qualification as of 31 March 2022 and 31 Dec 2021.

8.1 Participants' investments in unit-linked contracts

	30 June 2022 (unaudited) AED'000	31 December 2021 (audited) AED'000
Financial asset at fair value through profit or loss	2,066,383	2,396,075

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

8. INVESTMENTS (continued)

8.2 Determining fair values of the investments

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

30 June 2022 (Unaudited)

	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Financial assets				
Fair value through profit or loss				
Participants' investments in unit-linked contracts	-	2,066,383	-	2,066,383
Shares and securities	41,432	-	-	41,432
	<u>41,432</u>	<u>2,066,383</u>	<u>-</u>	<u>2,107,815</u>
Available-for-sale				
Mutual fund	-	62,561	-	62,561
Shares and securities	371	512	-	883
	<u>371</u>	<u>63,073</u>	<u>-</u>	<u>63,444</u>
Non-financial assets				
Investment properties	-	-	141,437	141,437
Financial liabilities				
Payable to participants for unit-linked contracts	-	2,065,747	-	2,065,747
31 December 2021 (audited)				
	<i>Level 1</i> <i>AED'000</i>	<i>Level 2</i> <i>AED'000</i>	<i>Level 3</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Financial assets				
Fair value through profit or loss				
Participants' investments in unit-linked contracts	-	2,396,075	-	2,396,075
Shares and securities	59,534	-	-	59,534
	<u>59,534</u>	<u>2,396,075</u>	<u>-</u>	<u>2,455,609</u>
Available-for-sale				
Mutual fund	-	62,561	-	62,561
Shares and securities	392	542	-	934
	<u>392</u>	<u>63,103</u>	<u>-</u>	<u>63,495</u>
Non-financial assets				
Investment properties	-	-	142,055	142,055
Financial liabilities				
Payable to participants for unit-linked contracts	-	2,394,963	-	2,394,963

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

9. RELATED PARTY TRANSACTIONS

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

	<i>Six-month period ended</i>		<i>Three-month period ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>	<i>AED'000</i>
Contribution	65	1,879	-	-
Claims paid	47	8,194	47	10
Compensation of key management personnel				
Short term benefits	2,618	2,885	1,177	1,336
Employees end of service benefits	94	280	82	63
	2,712	3,165	1,259	1,399
Directors' remuneration				
Directors' remuneration	-	14,200	-	14,200

The Directors' remuneration pertain to the year 2021 has not yet been finalised because this is subject to fulfilment of CBUAE requirements.

Balances with related parties

	<i>30 June</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	<i>(audited)</i>
	<i>AED'000</i>	<i>AED'000</i>
Cash and bank balances	301	301
Investments held-to-maturity Wakalah certificates	54,094	54,094
Participants' investments in unit-linked contracts	322,433	369,494
Fixed Assets	-	262
Intangible Assets	-	500
Amount due to related party	-	405

10. SHARE CAPITAL

	<i>30 June</i>	<i>31 December</i>
	<i>2022</i>	<i>2021</i>
	<i>(unaudited)</i>	<i>(audited)</i>
	<i>AED'000</i>	<i>AED'000</i>
Issued and fully paid (1,210 million ordinary shares of AED 1 each)	1,210,000	1,210,000

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

11. 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. The buyback of shares was duly approved by the Board of Directors. The Board of Directors on 27 March 2021 approved a capital reduction of the Group by utilising the treasury shares which were bought back in 2008 amounting to AED 35.97 million.

12. STATUTORY RESERVE

In accordance with U.A.E. Federal Decree 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.

13. OTHER RESERVES

Other reserves include following:

	30 June 2022 (unaudited) AED'000	31 December 2021 (audited) AED'000
Revaluation reserve	20,753	20,753
Foreign exchange translation reserve	(151,769)	(130,718)
Investment fair value reserve	(28,053)	(27,922)
Regulatory reserve – UAE operations	2,382	1,756
	<u>(156,687)</u>	<u>(136,131)</u>

14. WAKALAH SHARE

The shareholders manage the takaful operations of the Group for the policyholders and charge 14.44% (2021: 9.36%) of gross written contributions and participant investment revenues of non family takaful business (excluding subsidiaries) as wakalah share. For family takaful business, sharing ratio is 15% (2021: 15%) of mortality costs.

15. QARD HASAN

	30 June 2022 (unaudited) AED'000	31 December 2021 (audited) AED'000	30 June 2021 (unaudited) AED'000
Balance at 1 January	-	(688,010)	(688,010)
Net surplus attributable to policyholders for the period/year	-	5,994	7,296
Surplus distribution to policyholders of family takaful	-	-	-
Write-off of Qard Hassan	-	682,016	517,848
	<u>-</u>	<u>-</u>	<u>(162,866)</u>
Financed by shareholders	<u>-</u>	<u>-</u>	<u>(162,866)</u>

The shareholders of the Group financed the policyholders' deficit in accordance with the takaful contracts between the Group and its Policyholders.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

16. BASIC AND DILUTED EARNINGS PER SHARE

	<i>Six-month period ended 30 June</i>		<i>Three-month period ended 30 June</i>	
	<i>2022 AED'000</i>	<i>2021 AED'000</i>	<i>2022 AED'000</i>	<i>2021 AED'000</i>
Profit for the period attributable to shareholders (AED'000)	12,181	34,586	2,256	12,366
Number of shares (in thousands)	1,188,330	1,188,330	1,188,330	1,188,330
Basic and diluted earnings per share (AED)	0.010	0.029	0.002	0.010

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

	<i>30 June 2022 (unaudited) AED'000</i>	<i>31 December 2021 (audited) AED'000</i>	<i>30 June 2021 (unaudited) AED'000</i>
Cash in hand	17	69	29
Cash at bank	167,930	346,886	179,067
Term deposits	17,401	20,835	15,009
	185,348	367,790	194,105
Less: term deposits under lien (note 19)	(3,583)	(4,881)	(3,367)
Less: Restricted bank balances (note 19)	-	(258,469)	(140,045)
	181,765	104,440	50,693

18. OTHER ASSETS AND RECEIVABLES

	<i>30 June 2022 (unaudited) AED'000</i>	<i>31 December 2021 (audited) AED'000</i>
Deferred commission	153,659	178,156
Prepaid commission	2,454	6,024
Others	79,349	72,174
	235,462	256,354

The other assets and receivables include other receivables amounting to AED 13.8 million (2021: 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 receivable also include other receivable amounting to AED 19.85 million (2021: 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

19. COMMITMENTS AND CONTINGENCIES

	30 June 2022 (unaudited) AED'000	31 December 2021 (audited) AED'000
Letters of guarantee	13,583	15,038

Deposits amounting to AED 13.90 million (2021: AED 14.88 million) including statutory deposits amounting to AED 10 million (2021: AED 10 million) are held as lien by the bank against the above guarantees.

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 Court against the Company 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, the full amount that was blocked under the bank attachment order has been released, amounting to AED 258.46m.

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

There are no significant capital commitments at 30 June 2022 (2021: nil).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

20. ALLOCATION BETWEEN PARTICIPANTS AND SHAREHOLDERS

	<i>For the six month period ended 30 June 2022</i>				<i>For the three month period ended 30 June 2022</i>			
	<i>Shareholders</i> <i>AED'000</i>	<i>Policyholders</i> <i>AED'000</i>	<i>Non-controlling</i> <i>interest</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>	<i>Shareholders</i> <i>AED'000</i>	<i>Policyholders</i> <i>AED'000</i>	<i>Non-controlling</i> <i>interest</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Net underwriting income	-	73,609	-	73,609	-	41,598	-	41,598
Wakalah share (Note 14)	49,403	(49,403)	-	-	30,163	(30,163)	-	-
Mudarib share (Note 14)	5	(5)	-	-	-	-	-	-
Net technical charges from policyholders to shareholders	27,518	(27,518)	-	-	11,487	(11,487)	-	-
Net underwriting income from subsidiaries	25,950	(25,950)	-	-	15,139	(15,139)	-	-
Income from investments	12,993	13	-	13,006	1,711	-	-	1,711
Other income	3,942	244	-	4,186	900	110	-	1,010
	119,811	(29,010)	-	90,801	59,400	(15,081)	-	44,319
Expenses								
General, administrative and other expenses	(66,238)	-	-	(66,238)	(37,802)	-	-	(37,802)
Financial expenses	(1,093)	-	-	(1,093)	(483)	-	-	(483)
Commission paid and other costs	(29,010)	29,010	-	-	(15,081)	15,081	-	-
	23,470	-	-	23,470	6,034	-	-	6,034
Net profit before tax for the period	23,470	-	-	23,470	6,034	-	-	6,034
Tax – current	(4,268)	-	-	(4,268)	(1,901)	-	-	(1,901)
	19,202	-	-	19,202	4,133	-	-	4,133
Net profit after tax for the period	19,202	-	-	19,202	4,133	-	-	4,133
Share of non-controlling interest	(7,021)	-	7,021	-	(1,877)	-	1,877	-
	12,181	-	7,021	19,202	2,256	-	1,877	4,133
Net profit for the period	12,181	-	7,021	19,202	2,256	-	1,877	4,133

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

20. ALLOCATION BETWEEN PARTICIPANTS AND SHAREHOLDERS (continued)

	<i>For the six month period ended 30 June 2021</i>				<i>For the three month period ended 30 June 2021</i>			
	<i>Shareholders</i> <i>AED'000</i>	<i>Policyholders</i> <i>AED'000</i>	<i>Non-controlling</i> <i>interest</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>	<i>Shareholders</i> <i>AED'000</i>	<i>Policyholders</i> <i>AED'000</i>	<i>Non-controlling</i> <i>interest</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Net underwriting Income	-	84,969	-	84,969	-	43,897	-	43,897
Wakalah share (Note 14)	36,693	(36,693)	-	-	13,148	(13,148)	-	-
Mudarib share (Note 14)	11	(11)	-	-	4	(4)	-	-
Net technical charges from policyholders to shareholders	33,155	(33,155)	-	-	17,300	(17,300)	-	-
Net underwriting income from subsidiaries	31,915	(31,915)	-	-	20,172	(20,172)	-	-
Income from investments	31,870	35	-	31,905	19,634	14	-	19,648
Other income	8,360	266	-	8,626	4,593	125	-	4,718
	142,004	(16,504)	-	125,500	74,851	(6,588)	-	68,263
Expenses								
General, administrative and other expenses	(78,745)	-	-	(78,745)	(47,452)	-	-	(47,452)
Financial expenses	(2,175)	-	-	(2,175)	(1,635)	-	-	(1,635)
Commission paid and other costs	(23,800)	23,800	-	-	(11,994)	11,994	-	-
Net profit before tax for the period	37,284	7,296	-	44,580	13,770	5,406	-	19,176
Tax – current	(4,293)	-	-	(4,293)	(3,114)	-	-	(3,114)
Net profit after tax for the period	32,991	7,296	-	40,287	10,656	5,406	-	16,062
Gain from discontinued operations	-	-	-	-	-	-	-	-
Share of non-controlling interest	(5,701)	-	5,701	-	(3,696)	-	3,696	-
Distribution to policyholders of the Company	-	-	-	-	-	-	-	-
Policyholders' loss financed by shareholders / recovery of loss from policyholders' fund	7,296	(7,296)	-	-	5,406	(5,406)	-	-
Net profit for the period	34,586	-	5,701	40,287	12,366	-	3,696	16,062

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

20. ALLOCATION BETWEEN PARTICIPANTS AND SHAREHOLDERS (continued)

Interim condensed consolidated statement of financial position

	<i>30 June 2022 (unaudited) AED'000</i>	<i>31 December 2021 (audited) AED'000</i>
Assets		
<i>Participants' assets</i>		
Participants' investments in unit-linked contracts	2,066,383	2,396,075
Contributions and takaful balance receivables	234,642	128,449
Retakafuls' share of outstanding claims	153,434	197,402
Retakafuls' share of unearned contributions	72,802	82,889
Other assets and receivables	-	9
Investments	99,165	16,668
Restricted bank balances	-	258,469
Cash and bank balances	160,251	74,710
	<hr/>	<hr/>
Total participants' assets	2,786,677	3,154,671
Total shareholders' assets*	1,437,570	1,613,373
	<hr/>	<hr/>
Total assets	4,224,247	4,768,044
	<hr/> <hr/>	<hr/> <hr/>
Liabilities		
<i>Participants' liabilities</i>		
Outstanding claims and family takaful reserve	269,837	315,543
Payable to participants for unit-linked contracts	2,065,747	2,394,963
Unearned contributions reserve	252,684	161,482
Takaful balances payable	119,889	129,611
Other payables and accruals	78,520	153,072
	<hr/>	<hr/>
Total participants' liabilities	2,786,677	3,154,671
Total shareholders' liabilities*	629,010	770,205
	<hr/>	<hr/>
Total liabilities	3,415,687	3,924,876
	<hr/>	<hr/>
Net assets employed	808,560	843,168
	<hr/> <hr/>	<hr/> <hr/>
Financed by:		
Shareholders' equity	734,739	767,487
Non-controlling interest	73,821	75,681
	<hr/>	<hr/>
	808,560	843,168
	<hr/> <hr/>	<hr/> <hr/>

*Shareholders' assets and liabilities represents affairs of the subsidiaries as shareholder funds are used for the investments thereon.

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

NOTES TO THE INETRIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

21. OPERATING SEGMENT

By business

	<i>Six month period ended 30 June 2022</i>			<i>Three month period ended 30 June 2022</i>		
	<i>General takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>	<i>General takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>
Gross written contributions	409,802	164,370	574,172	189,887	79,327	269,214
Net contributions earned	206,910	115,120	322,030	107,123	52,647	159,770
Commissions income on ceded reinsurance and retakaful	18,864	-	18,864	7,956	-	7,956
Net claims incurred	225,774 (129,727)	115,120 4,543	340,894 (125,184)	115,079 (56,662)	52,647 4,112	167,726 (52,550)
Commissions expense and other costs	(60,082)	(82,019)	(142,101)	(32,075)	(41,503)	(73,578)
Net underwriting income	35,965	37,644	73,609	26,342	15,256	41,598
Investment and other income			17,192			2,721
Unallocated expenses and tax			(71,599)			(40,186)
Net profit after tax			19,202			4,133

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

NOTES TO THE INETRIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

21. OPERATING SEGMENT (continued)

By business

	<i>Six month period ended 30 June 2021</i>			<i>Three month period ended 30 June 2021</i>		
	<i>General takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>	<i>General takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>
Gross written contributions	447,062	208,451	655,513	121,012	106,943	227,955
Net contributions earned	172,739	150,062	322,801	74,437	75,002	149,439
Commissions income on ceded reinsurance and retakaful	20,477	1,008	21,485	9,857	-	9,857
Net claims incurred	193,216	151,070	344,286	84,294	75,002	159,296
Commissions expense and other costs	(98,616)	(2,912)	(101,528)	(37,571)	(177)	(37,748)
Net underwriting income	(52,082)	(105,707)	(157,789)	(24,898)	(52,753)	(77,651)
Investment and other income	42,518	42,451	84,969	21,825	22,072	43,897
Unallocated expenses and tax			40,531			24,366
Net profit after tax			(85,213)			(52,201)
			40,287			16,062

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

NOTES TO THE INETRIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

21. OPERATING SEGMENT (continued)

By geography

	<i>Six month period ended 30 June 2022</i>			<i>Three month period ended 30 June 2022</i>		
	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>
Gross written contributions	124,958	449,214	574,172	60,344	208,870	269,214
Net contributions earned	97,292	224,738	322,030	44,388	115,382	159,770
Commissions income on ceded reinsurance and retakaful	6,001	12,863	18,864	2,629	5,327	7,956
Net claims incurred	103,293 (48,275)	237,601 (76,909)	340,894 (125,184)	47,017 (16,902)	120,709 (35,648)	167,726 (52,550)
Commissions expense and other costs	(29,069)	(113,032)	(142,101)	(14,977)	(58,601)	(73,578)
Net underwriting income	25,949	47,660	73,609	15,138	26,460	41,598
Investment and other income			17,192			2,721
Unallocated expenses and tax			(71,599)			(40,186)
Net profit after tax			19,202			4,133

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

NOTES TO THE INETRIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

21. OPERATING SEGMENT (continued)

By geography

	<i>Six month period ended 30 June 2021</i>			<i>Three month period ended 30 June 2021</i>		
	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>	<i>Africa AED'000</i>	<i>Asia AED'000</i>	<i>Total AED'000</i>
Gross written contributions	150,124	505,389	655,513	71,950	156,005	227,955
Net contributions earned	92,016	230,785	322,801	34,058	115,381	149,439
Commissions income on ceded reinsurance and retakaful	7,584	13,901	21,485	3,644	6,213	9,857
Net claims incurred	99,600	244,686	344,286	37,702	121,594	159,296
Commissions expense and other costs	(33,501)	(68,027)	(101,528)	(1,421)	(36,327)	(37,748)
Net underwriting income	(34,186)	(123,603)	(157,789)	(16,109)	(61,542)	(77,651)
Investment and other income	31,913	53,056	84,969	20,172	23,725	43,897
Unallocated expenses and tax			40,531			24,366
			(85,213)			(52,201)
Net profit after tax			40,287			16,062

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

NOTES TO THE INETRIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

21. OPERATING SEGMENT (continued)

By business

30 June 2022 (Unaudited)

	<i>General takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>
Assets			
Property and equipment	30,584	2,583	33,167
Goodwill and intangibles	116,229	1,701	117,930
Investment properties	141,437	-	141,437
Right to use assets	7,702	1,814	9,516
Investment in associates	35,121	-	35,121
Deposits	170,634	44,157	214,791
Investments	436,001	98,419	534,420
Participants' investments in unit-linked contracts	-	2,066,383	2,066,383
Deposits with takaful and retakaful companies	1,840	-	1,840
Contributions and takaful balance receivables	301,236	10,855	312,091
Retakafuls' share of outstanding claims	126,060	85,199	211,259
Retakafuls' share of unearned contributions	119,462	6,020	125,482
Other assets and receivables	65,350	170,112	235,462
Bank balances and cash	37,800	147,548	185,348
Total assets	1,589,456	2,634,791	4,224,247
Liabilities			
Outstanding claims and family takaful reserve	255,292	243,056	498,348
Payable to Participants for unit-linked contracts	-	2,065,747	2,065,747
Unearned contributions reserve	341,026	56,871	397,897
Takaful balances payable	135,748	45,070	180,818
Other payables and accruals	124,530	138,721	263,251
Lease liabilities	7,722	1,904	9,626
Total liabilities	864,318	2,551,369	3,415,687
Net assets employed	725,138	83,422	808,560
Financed by:			
Shareholders' equity			734,739
Non-controlling interest			73,821
			808,560

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

NOTES TO THE INETRIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

21. OPERATING SEGMENT (continued)

By business

31 December 2021 (Audited)

	<i>General takaful AED'000</i>	<i>Family takaful AED'000</i>	<i>Total AED'000</i>
Assets			
Property and equipment	33,485	2,995	36,480
Goodwill and intangibles	115,692	2,080	117,772
Investment properties	142,055	-	142,055
Right of use assets	1,752	2,674	4,426
Investments in associates	34,447	-	34,447
Deposits	188,195	51,454	239,649
Investments	442,574	116,492	559,066
Participants' investments in unit-linked contracts	-	2,396,075	2,396,075
Deposits with takaful and retakaful companies	2,387	-	2,387
Contributions and takaful balance receivables	191,991	21,413	213,404
Retakafuls' share of outstanding claims	179,294	83,056	262,350
Retakafuls' share of unearned contributions	130,677	5,112	135,789
Other assets and receivables	62,729	193,625	256,354
Restricted bank balances	-	258,469	258,469
Bank balances and cash	63,889	45,432	109,321
	<u>1,589,167</u>	<u>3,178,877</u>	<u>4,768,044</u>
Liabilities and policyholders' fund			
Outstanding claims and family takaful reserve	324,096	250,854	574,950
Payable to Participants for unit-linked contracts	-	2,394,963	2,394,963
Unearned contributions reserve	266,124	61,632	327,756
Short term borrowings	7,500	17,500	25,000
Takaful balances payable	152,540	53,122	205,662
Other payables and accruals	144,264	247,642	391,906
Lease liabilities	1,857	2,782	4,639
	<u>896,381</u>	<u>3,028,495</u>	<u>3,924,876</u>
Total liabilities	896,381	3,028,495	3,924,876
Policyholders' fund	-	-	-
	<u>692,786</u>	<u>150,382</u>	<u>843,168</u>
Net assets employed			
Financed by:			
Shareholders' equity			767,487
Non-controlling interest			75,681
			<u>843,168</u>

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

NOTES TO THE INETRIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

22. CLASSES AND CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below sets out the classification of each class of financial assets and liabilities and their fair values.

For instruments carried at amortised cost, management believes that their carrying values approximates to their fair values.

30 June 2022 (Unaudited)

	<i>FVTPL</i> <i>AED'000</i>	<i>Available for sale investments</i> <i>AED'000</i>	<i>Amortised cost</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Financial assets				
Investments	41,432	63,444	429,544	534,420
Deposits	-	-	214,791	214,791
Participants' investments in unit-linked contracts	2,066,383	-	-	2,066,383
Deposits with takaful and retakaful companies	-	-	1,840	1,840
Contributions and takaful balance receivables	-	-	312,091	312,091
Other assets and receivables	-	-	61,476	61,476
Bank balances and cash	-	-	185,348	185,348
	<u>2,107,815</u>	<u>63,444</u>	<u>1,205,090</u>	<u>3,376,349</u>
Financial liabilities				
Payable to participants for unit-linked contracts	2,065,747	-	-	2,065,747
Takaful balances payable	-	-	180,818	180,818
Other payables and accruals	-	-	225,149	225,149
Lease liabilities	-	-	9,626	9,626
	<u>2,065,747</u>	<u>-</u>	<u>415,593</u>	<u>2,481,340</u>

31 December 2021 (audited)

	<i>FVTPL</i> <i>AED'000</i>	<i>Available for sale investments</i> <i>AED'000</i>	<i>Amortised cost</i> <i>AED'000</i>	<i>Total</i> <i>AED'000</i>
Financial assets				
Investments	59,534	63,495	436,037	559,066
Deposits	-	-	239,649	239,649
Participants' investments in unit-linked contracts	2,396,075	-	-	2,396,075
Deposits with takaful and retakaful companies	-	-	2,387	2,387
Contributions and takaful balance receivables	-	-	208,729	208,729
Other assets and receivables	-	-	59,654	59,654
Bank balances and cash	-	-	109,321	109,321
	<u>2,455,609</u>	<u>63,495</u>	<u>1,055,777</u>	<u>3,574,881</u>
Financial liabilities				
Payable to participants for unit-linked contracts	2,394,963	-	-	2,394,963
Takaful balances payable	-	-	205,662	205,662
Other payables	-	-	350,779	350,779
Lease liabilities	-	-	4,639	4,639
	<u>2,394,963</u>	<u>-</u>	<u>561,080</u>	<u>2,956,043</u>

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

NOTES TO THE INETRIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six month period ended 30 June 2022 (unaudited)

23. DIVIDEND

At the annual general meeting held on 29 April 2022, the Shareholders approved a cash dividend of AED 23.75 million (2 fils per share) for the year ended 31 December 2021 (2020: 8.25 fils per share AED 98.04 million for year ended 31 December 2020).

24. FINANCIAL REGULATIONS

As per Article (8) of Section 2 of the financial regulations issued for insurance companies issued by the CBUAE (formerly the "Insurance Authority"), the Company has to maintain a solvency margin. As at 30 June 2022, the Group has a deficit and the Group is in the process preparing the plan to meet the solvency requirements.

The table below summarises the consolidated Minimum Capital Requirement ("MCR"), Minimum Guarantee Fund and Solvency Capital Requirement of the Group and the total capital held at the Group level to meet the required Solvency Margins in line with the requirements of the UAE Insurance Authority.

	<i>30 June 2022 (unaudited) AED'000</i>	<i>31 December 2021 (audited) AED'000</i>
Minimum Capital Requirement (MCR)	100,000	100,000
Solvency Capital Requirement (SCR)	231,062	228,421
Minimum Guarantee Fund (MGF)	125,303	116,471
Basic Own Funds	137,884	(226,139)
MCR Solvency Margin (Surplus/deficit)	37,884	(326,139)
SCR Solvency Margin (Surplus/deficit)	(93,179)	(454,560)
MGF Solvency Margin (Surplus/deficit)	12,581	(342,610)

25. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on 12 August 2022.